



BRICS Network University Initiative

*Growth and Development in the
BRICS Economies*
(Virtual Conference)

November 12-13, 2021

REPORT

Organized By
Delhi School of Economics, University of Delhi
Indian Statistical Institute – Delhi Centre

Report on
DSE-ISI BRICS NU Webinar
Growth and Development in the BRICS Economies
November 12-13, 2021

Under the umbrella of the BRICS Network University, the Delhi School of Economics, University of Delhi (Lead Institution in Economics) and the Indian Statistical Institute – Delhi Centre (Partner Institution) organized a Webinar on November 12-13, 2021 on the theme: *Growth and Development in the BRICS Economies*. This initiative of the BRICS Network University was a part of engagements that India is hosting under the education stream during its Chairship of BRICS in 2021.

Inaugural Session

The programme started as per schedule at 3.30pm (IST) on November 12, 2021. In the Inaugural Session, Prof Pami Dua, Director, Delhi School of Economics extended a warm welcome to Prof Yogesh Singh, Vice Chancellor, University of Delhi and Prof Sanghamitra Bandyopadhyay, Director, Indian Statistical Institute as well as to all delegates and participants from across the globe.

Prof Yogesh Singh, Vice Chancellor, University of Delhi pointed out that the University will celebrate its centennial in 2022. He also said that DU has pioneered best practices in higher education in the country, with a reach of about 500 programs, 91 colleges, and 6.4 Lakh students. He mentioned that universities are the vehicle of change, and are required to establish incubators, and the right kind of eco-systems. He said that India needed to be part of Industry 4.0, with all its components (Artificial Intelligence, Machine Learning, renewable energy, and data analytics) in place. He mentioned that India should not borrow technology, but if India wants to prosper, it should create tech through universities and research. India can become the instrument of change.

Prof Sanghamitra Bandyopadhyay, Director, Indian Statistical Institute said that the objective of BRICS Network University was to work together, collaborate together. She mentioned that ISI, founded in 1931 by PC Mahalanobis, has crossed 90 years and has a pan-India presence. She also noted that while the Institute is small in terms of the number of students, the hallmark of ISI is its excellence in research and teaching. She mentioned that since COVID will stay as an endemic, scientists across the globe can come together and cross boundaries. She cautioned that many issues are now becoming global issues, and it is important that the solutions today do not become the problems of tomorrow.



Inaugural Keynote Address

Chair: Prof Pami Dua, Delhi School of Economics

Dr. Michael Patra, Deputy Governor, Reserve Bank of India, delivered the Inaugural Keynote on **“BRICS in the Global Economy – India’s Challenges”** with Prof Pami Dua as Chair. He said that BRICS was formed back in 2001 although the first formal meeting of the BRICS was in 2009. South Africa joined later in 2010. He noted that BRICS contains 40% of the world's population, and contributes towards 1/4th of World GDP and 1/5th of World Trade. He observed that BRICS will be the most important recovery engine in 2021 in the world economy. He stated that India-BRICS trade is expanding rapidly (113.3 Billion Dollars in 2020-2021), up from 110 USD Billion Dollars in 2019-2020. He mentioned that BRICS nations are financially open economies, and like all EMEs, experience sudden stops and reversals. His main message was that BRICS nations are well fortified on the external front compared to 2013 to deal with the Fed's taper. BRICS economies are also staunch advocates of multilateralism. With respect to India, he said that the declining export growth in India in the 2010s was associated with GDP deceleration in India, but India can sustain a CAD (Current Account Deficit) of 2.5 - 3% of GDP. In his view, India’s GDP will exceed US GDP in PPP terms before 2040.



Session 1: Issues in Macroeconomics and Finance (November 12, 2021)

Invited Papers

Chair: Dr Luis E. Breuer, International Monetary Fund

Prof Pami Dua, Delhi School of Economics presented a paper "**Analysis of Synchronization of Cycles of BRICS Economies**". She examined various measures of synchronization of recessions in the global economy. She shows that the recent COVID crisis was accompanied by the most synchronized global recession in the post-war period, although many economies were slowing down before COVID. She found that 21st century recessions are becoming increasingly deep, widespread and synchronized, with the transmission of supply and demand shocks occurring through the trade and financial channels.

Prof Chetan Ghate, Indian Statistical Institute-Delhi presented the paper "**Redistributive policy shocks and Monetary Policy with Heterogeneous agents**". He laid out a 2 sector 2 agent DSGE model to understand the transmission of procurement-and-redistributive shocks in the economy, and the appropriate monetary policy response. He found that despite such shocks being inflationary, monetary policy interventions can be welfare enhancing. One of the contributions of the paper is to lay out a tractable framework to think about government interventions in the agriculture market, and their impact on inflation and other variables in the economy.

Prof Makram El Shagi, Henan University, China presented the paper "**One Country Two Monetary Policies: Evidence from a New Indicator of the PBoC's Monetary Policy Support for Poor Regions**". PBoC monetary policy has to confront a growing real estate bubble, especially in China's coastal crescent, which requires monetary policy tightening. However, the hinterland lags in growth and needs a monetary stimulus. There is therefore a conflict. Using a

fuzzy regression discontinuity approach, he found that loan growth in regions was higher when more words - in PBoC statements - was associated with more poverty, and agriculture intensity. Hence, certain designated parts of China get higher loan growth. In other words, while China needed contractionary policy to kill off the property bubble, they are sensitive to growth in the hinterland, and monetary policy is set as such.



Session 2: Issues in Health/Labour Markets/Climate (November 12, 2021)

Keynote 2

Chair: Dr Martin Rama, World Bank

The Second Keynote Address was delivered by Prof E. Somanathan, Indian Statistical Institute, Delhi Centre on “**Electric Stoves as a Solution for Household Air Pollution: Evidence from Rural India**”. Prof Somanathan stated that residential air pollution arising from cooking with solid fuels is one of the most important public health problems in the developing world. His presentation examined the extent to which electric induction stoves substitute for traditional solid-fuel stoves and thereby reduce air pollution. He advocated support for greater policy interventions for electric cooking, as a way of tackling the household air pollution crisis.

Session 2: Issues in Health/Labour Markets/Climate
Keynote Address



Speaker: Prof E. Somanathan
Indian Statistical Institute Delhi, India



Chair: Dr Martin Rama
World Bank

Invited Papers: Session 2

Chair: Prof Dibyendu Maiti, Delhi School of Economics

The first paper was presented by Prof Mariana Jansen, Pontifical Catholic University of São Paulo, Brazil, on “*Effects of the Covid-19 Pandemic in Brazil: Analysis of the Financial Limits of the Health System and the Reinforcement of Socio-Economic Inequality*”. As of August 31, 2021, the Covid-19 Pandemic had caused 580,413 deaths out of 20,776,870 confirmed cases in Brazil, registering one of the highest mortality rates in the world (276.2 deaths per 100,000 inhabitants). She highlighted that the lack of seriousness, coordination and administrative support from the government has added to the severity of the pandemic. The resources allocated to deal with it, from federal, state and municipal sources, have been insufficient to meet the challenge of developing an adequate health service for the entire Brazilian population. The Brazilian government approved the Constitutional Amendment 95 (EC95) to freeze public spending, underfund the public system and universal health care.

The second part of the talk was specifically dedicated to financing actions and services related to Covid-19. The health crisis and the resulting economic crisis required the approval of a new constitutional amendment to give legal support to the so-called War Budget. The contribution to public health was significant, but its management had problems. In the third part of the presentation, how the pandemic has affected the country's structural socioeconomic characteristics was highlighted. The lack of financial support is evidenced for the poorest section of the society. Unlike much of the world, where the pandemic mainly affected the elderly population, the most impoverished population was more affected by the effects of the pandemic, including more significant infection and mortality.

The second talk was delivered by Prof Dorrit Posel, University of the Witwatersrand, South Africa, on “*Job Loss and Mental Health: Evidence from the Covid-19 Lockdown in South Africa*”. The COVID-19 Pandemic offers a unique natural experiment to assess the effect of job loss and job furlough on the mental health of individuals in South Africa during the COVID-19

Pandemic. The data for the study came from the first and second waves of the national survey, the National Income Dynamics-Coronavirus Rapid Mobile Survey (NIDS-CRAM), conducted during May-June and July-August 2020, respectively. The sample for NIDS-CRAM was drawn from an earlier national survey conducted in 2017, which had collected data on mental health. Questions on depressive symptoms during the lockdown were asked in Wave 2 of NIDS-CRAM, using a 2-question version of the Patient Health Questionnaire (PHQ-2). The responses were regrouped into four categories making the ordered logit regression model the most suited for assessing the impact of employment status on depressive symptoms. The study revealed that adults who retained paid employment during the COVID-19 lockdown had significantly lower depression scores than adults who lost employment. The benefits of work also accumulated over time, underscoring the effect of unemployment duration on mental health. The analysis revealed no mental health benefits to being furloughed (on unpaid leave), but paid leave had a significant positive effect on the mental health of adults. Therefore, she argued that health policy responses to the crisis need to focus on both physical and mental health interventions.

The third talk was delivered by Prof Ronelle Burger, Stellenbosch University, South Africa (Profile) on ***“Health Inequalities in South Africa Since 2000: Considering the Influence of an Epidemic and a Pandemic”***. She highlighted the trends in socioeconomic-related health inequalities in South Africa due to systematic discrimination under apartheid bequeathed a legacy of inequalities in health outcomes. She used nationally representative datasets to examine income- and race-related trends since the beginning of the millennium. The Census and Community Survey data revealed that, in aggregate, health inequality at age five fell substantially between 2001 and 2007, but then increased to above 2001 levels by 2016. Income- and race-related inequalities favour relatively well-off and non-Black South Africans. Based on the patterns and timing observed, she argued that these trends in income- and race-related inequalities are most likely related to the delayed initial policy response to the HIV epidemic, the subsequent rapid and effective rollout of anti-retroviral therapy, and the changes in the overall income distribution among Black South Africans. She furthered presented evidence on the pandemic's impact on various determinants of health outcomes.




Session 3: Issues in Auctions, Contracts, and Mechanism Design (November 13, 2021)

Keynote 3

Chair: Prof Arunava Sen, Indian Statistical Institute-Delhi

The Third Keynote address was delivered by Prof Fuad T. Aleskerov, Higher School of Economics, Russia on “**Models of Rationality, Satisficing Principle and Sequential Choice**”. Prof Aleskerov discussed a variety of classic models of rationality, their different generalizations, the model of choice based on Simon’s Satisficing Principle, its connection with some versions of classic rationality.

Session 3: Issues in Auctions, Contracts, and Mechanism Design
Keynote Address



Speaker: Prof Fuad T. Aleskerov
Higher School of Economics, Russia

Chair: Prof Arunava Sen
Indian Statistical Institute Delhi, India

Invited Papers: Session 3

Chair: Prof Sudhir Shah, Delhi School of Economics

The first talk was delivered by Prof Debasis Mishra, Indian Statistical Institute – Delhi Centre on “**Rank-Preserving Multidimensional Mechanisms**”. Prof Mishra talked on the mechanism design problem of a monopolist with multiple heterogeneous indivisible objects. He shows that in an exchangeable environment, there exists an optimal mechanism which is rank preserving and symmetric. However, an optimal deterministic mechanism need not be symmetric or rank preserving. He discussed an equivalence between symmetric, rank-preserving mechanisms in the heterogeneous objects model and mechanisms for homogeneous objects with decreasing marginal values.

The second paper was presented Prof Ram Singh, Delhi School of Economics on "**Does Choice of Contract matter for Cost and Quality of Roads?**" Prof Singh deliberated whether the choice of contracts matter for cost and quality of roads and presented empirical that bundled contracts fairs over the single contracts on these parameters.

The last talk during the session was delivered by Dr Alexander S. Nesterov, Higher School of Economics Campus, St Petersburg, Russia on "**Incentives in Matching Markets: Counting and Comparing Manipulating Agents**". Dr. Nesterov discoursed on incentives in matching markets as vulnerability to manipulation is a threat to successful matching market design. He has shown that vulnerability to manipulation is a threat to successful matching market design. He further discussed a useful criterion for these design decisions.



Session 4: Issues in International Trade and Finance (November 13, 2021)

Keynote 4

Chair: Prof Aditya Bhattacharjea, Delhi School of Economics

Dr Guanghua Wan, Fudan University, China delivered a Keynote Address on "**Deglobalization and China's Economic Growth**". He discussed the recent slowdown of the Chinese economy. He pointed out that while GDP (per-capita) growth was flat till the early 1990s, it is now greater than USD 10,000. There was a rise in the slope of Chinese growth in 1992 after Deng Xiaoping toured Southern China and opened up the economy. There was another shift in the slope when China joined the WTO in late 2001. He called this miracle growth. Poverty reduction in China has also been dramatic no matter what measure is used. For instance, during 1990-2005, China contributed to 93% of global poverty reduction. If one tries to decompose China's poverty reduction from the contribution due to growth versus the contribution due to redistribution, all of

China's poverty reduction is due to growth. However, China has begun to slow down from 2008-2009.

He pointed out that miracle growth is driven by two legs: reforms (which started in the late 1970s and were internal), and opening up (involving integrating into the global economy). However, globalization is beginning to run into trouble. There has been de-globalization since 2008. China's growth outlook will therefore depend on its "dual circulation" strategy which involves raising innovation and raising domestic demand. Too much investment and declining returns means that investment does not have that much potential. Therefore, if dual circulation means reducing savings, or raising consumption, this will not be easy, since Chinese savings was 45% of GDP. The "common prosperity" campaign must succeed as well, and must bring down inequality, where the top 1% in China now own 68.2% of its wealth.

Session 4: Issues in International Trade and Finance
Keynote Address



Speaker: Dr Guanghua Wan
Fudan University, China

Chair: Prof Aditya Bhattacharjya
Delhi School of Economics, India

Invited Papers: Session 4

Chair: Prof Chetan Ghate, Indian Statistical Institute-Delhi

The first paper was presented by Prof Marina Shereshea, Lomonosov Moscow State University, Russia on “**Consumer Response to the COVID-19 Pandemic in Russia and China**”. She discussed both common features and differences in consumer response to the new reality in each of the five countries. She focused on the comparative analysis of consumer behaviour in Russia and China in response to COVID-19. She argued that although a set of basic factors, namely external, motivational, and functional ones, applies to any country, their cumulative influence leads to different consumer behaviour patterns. Russia and China are rapidly entering a new era of consumption, with the growing application of digital technologies as tools to cope with the challenges caused by the COVID-19 pandemic. Still, they differ in the level of digital technologies available to consumers. In China, the profound digitalization and the spread of

internet technologies have led to highly diversified consumer preferences. In Russia, an insufficient level of digitalization does not allow brands to interact with consumers and influence their behaviour fully. In the end, she urged to strengthen customer relationships by even more intensive use of e-commerce and a mobile marketing strategy.

Prof Lawrence Edwards, University of Cape Town (UCT), South Africa, presented the second paper on “*Heterogeneous Impacts of the African Continental Free Trade Area: Implications for Uganda*”. He argued that African economies have embarked on an ambitious regional integration programme under the African Continental Free Trade Area (AfCFTA) that is estimated to raise GDP by 3.5 percent, or US\$100 billion a year. He criticized that these aggregate numbers hide enormous variation in the impact across countries, across products and firms within countries. This paper draws on firm-level export and import transaction data and partial equilibrium simulations to assess the implications of the AfCFTA for Uganda, taking into account firm and product heterogeneity. The firm data reveal how preferential access under the EAC customs union has shaped Ugandan exports' firm and product composition, giving rise to a disproportionately high number of small exporters, exporting multiple products that benefit from high preference margins. As shown by the simulation results, the implication is that the AfCFTA will expose Ugandan firms to losses in preferential market access in their key export market, leading to a net reduction in exports.

The third and last paper in this session was presented by Prof Barry Eichengreen, University of California, USA, on “**The Taper This Time**” that deals with the recent announcement of the Federal Open Market Committee to reduce the scale of its asset purchases by \$15 billion a month starting immediately. He showed that emerging markets, including India, have strengthened their external economic and financial positions since 2013. At the same time, fiscal deficits are much broader, and public debts are much heavier. As U.S. interest rates now begin moving up, servicing existing debts and preventing the debt-to-GDP ratio from rising still further will become more challenging. Either taxes have to be raised, or public spending must be cut to generate additional revenues for debt servicing.

In all the sessions, the presentations made by the Speakers as well as the Q & A Sessions competently conducted by the Chairs, provided productive forums for comprehensive and insightful analysis of the issues involved.

Session 4: Invited Speakers



Vote of Thanks

At the end of the virtual conference, Prof Dibyendu Maiti, Delhi School of Economics offered a vote of thanks to all the distinguished guests, speakers, participants and the organizing team for the successful preparation and conduct of the event. He reported that 12 institutes from the partner countries have collaborated in the initiative. Further, he recorded the presence of nearly 100 participants in the Zoom meeting and 40 viewers on YouTube, including participation from across the globe, not only from partner countries but also beyond BRICS nations. This includes students, research scholars, faculty members, government officials, and representatives from various regional and international organizations. He specially thanked Prof Yogesh Singh (Vice-Chancellor, University of Delhi), Prof Sanghamitra Bandyopadhyay (Director, Indian Statistical Institute) and Dr Micheal Patra (Deputy Governor, RBI) for their gracious presence and talks in the Inaugural Session.

He thanked the organizing team, led by Prof Pami Dua, Prof Chetan Ghate, Prof Surender Kumar (HOD) and Prof Paramjit for the successful conduct of the event. He also thanked ITG members of BRICS partner institutes for identifying speakers from the partner countries and popularising the event, especially Prof Bruno De Conti (University of Campinas, Brazil) and Prof Lawrence Edwards (Univ of Cape Town, South Africa). He concluded the conference with an appeal to get similar support and stronger collaboration for future events and the BRICS Network University initiative.

Vote of Thanks



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on
**Growth and Development in
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BRICS Network University Initiative
Delhi School of Economics, University of Delhi
&
Indian Statistical Institute (Delhi)
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Prof Dibyendu Maiti
Delhi School of Economics, India

Advisory Committee



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