



REPORT

GUEST LECTURE
BY

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TOPIC

Emerging Markets & BRICS: Growth Strategies for India Inc.

23RD OCTOBER 2016

LRC Auditorium



GUEST PROFILE

Dr. Vivek Moorthy, Senior Professor at Indian Institute of Management, Bangalore (IIM-B). With an experience of over 21 years of teaching and consulting, it was an honour to have a personality like him amongst us.

A summary of his professional pursuits and career includes:-

- At IIM Bangalore since 1995, Dr. Vivek is teaching core and elective courses in macroeconomics and financial markets, across various programs.
- After joining IIM Bangalore, he has been Visiting Professor at the University of Ottawa, Canada; Jawaharlal Nehru University, New Delhi; National Institute of Public Finance and Policy, New Delhi; Sciences Politiques, Lille, France and Claremont Graduate University, California.
- He has authored and co-authored Federal Reserve Bank of New York memoranda, research studies and reports on monetary policy, on foreign exchange and on financial market developments.
- His 1990 article traced the puzzle of the sudden post 1981 US Canada unemployment gap back to changes in Canada's 1971 unemployment insurance legislation. Some of his findings on this issue were cited prominently in the New York Times and covered in depth in the Canadian press.
- He has written for the various newspapers and magazines in India and abroad mostly on macroeconomic issues.

His warm personality and an optimistic attitude is what was the force behind driving the guest lecture for the first year PGDM student managers.

THE LECTURE

The commencement speech was given by Mr. Pratik Mittal (CIC Member) followed by a floral welcome of the guest by Dr. Gajavelli V S. The lecture was mainly emphasized on the ***“Emerging Markets & BRICS: Growth Strategies for India Inc.”***

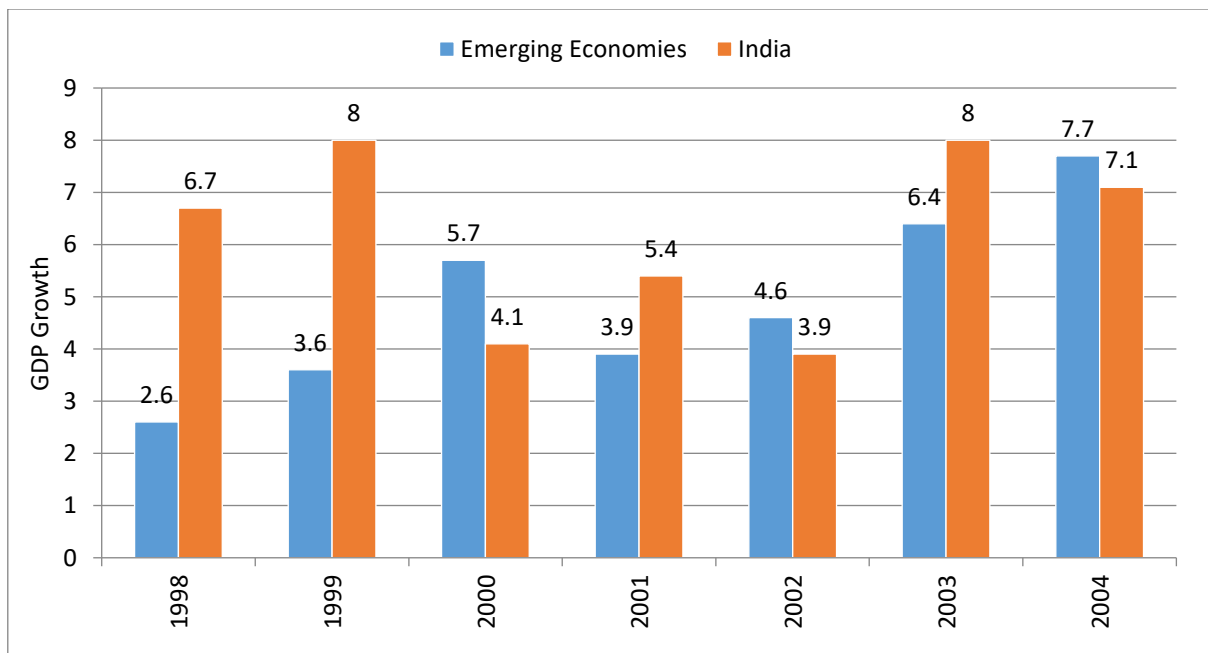
Mr. Moorthy filled the atmosphere with enthusiasm. He started the lecture by the topic “Emergence of the Emerging Markets” under which he described about emergence of BRICS and how about changes in political and economic unions.

Lecture Outline:

- The Emergence of the Emerging Markets
- The First BRICs Report: Speeding Along the GDP Autobahn
- The Second BRICs report: India in the Fast Lane
- The Unexpected Slowdown
- The Closing of the Goldman Sachs BRICS Fund
- Explaining the Rise and Fall of the BRICs

Sir began by reiterating to us that year 2003 was a landmark one for emerging economies – commonly just called emerging markets – both in general, and for India in particular. All these economies had been doing well during the 1990s. The reason was quite evident. After the Berlin Wall was dismantled and Communism collapsed in 1989, a wave of liberalization, privatization and globalization, which is still on-going, swept across the world. The resultant rise in market based economic activity pushed up their long-term growth rates.

He further informed us that India’s software industry proved its mettle during Y2K, strong growth after that. Dot com bubble burst in 2000 and the 9/11 recession in 2001 led to low growth. From 2003 onwards it picked up.

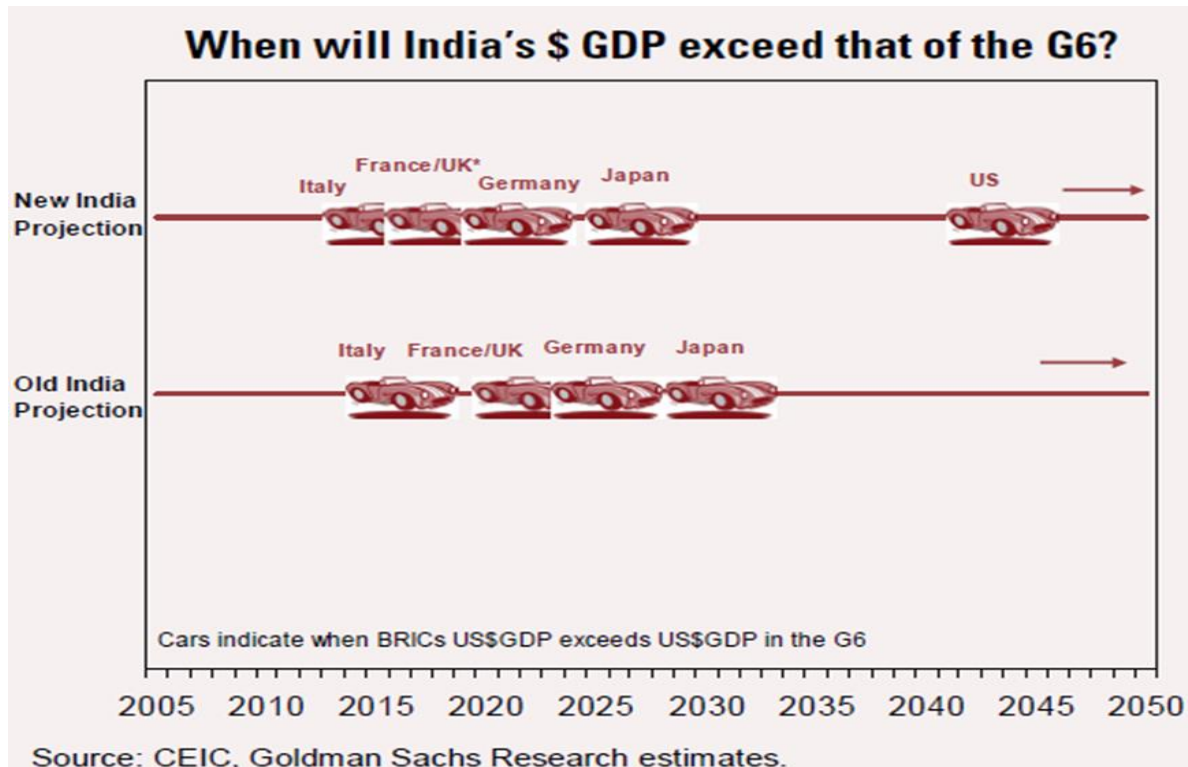


Further giving us insights about India’s economy he articulated that it had become increasingly linked to the US and world economy. The bursting of the dotcom bubble in 2000 and the subsequent recession (from March 2001 to November 2001, but sometimes called the 9/11 recession) were two events that were part of a prolonged weak period in USA.

We also learned by US’s weakness, India’s growth fell below 4% in Fiscal Year 2002-2003, following earlier weakness. However, in the next year, a watershed for most emerging economies, India’s growth roughly doubled to 8%. The Figure below shows the rapid growth in India and the whole emerging economies group.

Moving on, sir told us that Jim O' Neill coined the term BRIC in November 2001, South Africa was added in 2010. Goldman Sachs' landmark report Dreaming with BRICs, October 2003.

All the projections made in that report were based on the standard Solow growth model. In this model, growth depends upon capital stock, labour force and technical progress GDP growth is a sum of the projected growth rates of labour force, capital stock and (total factor) productivity due to technical progress.



Later, he brought to our notice the second BRICs report by Goldman Sachs came out. It took the view that India's high growth since 2003 was underpinned by a structural rise in productivity. The baseline projection was that India can sustain 8% growth up to 2020. They had also ramped up their projections as to when India's GDP would overtake the respective G-7 countries.

We also erudite how all the projections made by the International Monetary Fund (IMF), Reserve Bank of India (RBI) and various other official agencies in 2007 were also very optimistic for India.

Even after understanding all the forecasts he told us that all the forecasting several decades into the future is invariably pointless, since the forecasters would most likely not be alive then to be accountable for their forecasts. In this context, a comment about Keynes' most famous statement "In the long run we are all dead," which is quoted very often, is worth citing.

Ironically, Robert Solow, the great Keynesian economist is said to have remarked, "Keynes was very good at making long term forecasts!"



As discussed, all the euphoric predictions turned out to be wrong. After India's 9% growth hat-trick from 2005 to 2007, there was a big drop during the Lehman Brother's global financial crisis of 2008, followed by two very strong years largely in response to policy stimulus and huge government expenditure.

However since 2010 India's economy slowed hugely, dropping below 5% for four quarters in a row. A similar drop in GDP growth occurred for the other BRIC countries (notably Brazil and Russia), and many other emerging economies.

In the emerging economies their respective slowdowns were attributed to different reasons. In India it was attributed to 'policy paralyses.' A vast amount of political and economic analysis, especially in the media, evaluates a government's performance by current outcomes, such as growth and inflation. This is misleading. Both growth and inflation are substantially subject to global influences and for India as well.

Further, policy decisions have an impact on the economy with long and variable lags, with the outcomes often accruing in the subsequent years and possibly in the next political regime. Accurately assessing the economic performance of a government or a central bank is far more difficult than it seems.

He concluded the discussion by elucidating that the performance of the BRICS i.e. the growth dropped in all BRIC economies. Comparing the first five year period (2003-2007) coinciding with the launch of first BRICS report with the second five year period (2007-2012),

Russia's drop was the sharpest, while Brazil's was the least. India's drop of 2.0 percentage points was roughly the same as the BRICS group as a whole. India's drop of two percentage points was roughly of the same magnitude as the drop in EM&DEs as a whole.

India seemed to have recovered in 2014. However there were serious questions about the accuracy of its data after a major data revision in January 2015.

Finally he concluded by saying that there is wide agreement that the BRICs boom is over.

Dr. Vivek Moorthy ended the lecture by expressing the importance of understanding Economics in sync with Global Scenario. Also emphasized that business cycles are complex and every economy has to work with limited resources. So we should take guidelines from the forecasts but not completely rely on them.

Overall the lecture was very informative, engaging and enthralling for the student managers. Sir answered a few questions put forward by the student managers.

The Vote of Thanks was delivered by Mr. Pratik Thakre (CIC Member) and the guest lecture ended on a positive note of new and zealous intellectual developments for future.



STUDENTS FEEDBACK

NAME	SECTION	ROLL NO.	FEEDBACK	RATING
ANAM	E	201600105	Informative Session	4
AMAN	F	201601237	Learned mechanism of global economy	4.5
AKSHAT	F	201601112	Voice was not very clear and could have been more interactive	3.5
ANKITA	F	201610202	Very informative and insightful	4
MONALI	E	201610201	Could have been more interactive	3.5
PAYAL	E	201610104	Enriching experience	4
KESHAV	E	201611205	Insightful information	3.5
SHEKHAR	F	201601249	PPT not visible otherwise informative	4
NOOPUR	F	201610105	In depth subject knowledge and useful insights on global economy	4.5
RAJAT	E	201601134	Statistical information was very helpful	4

SOME SNAPSHOTS FROM THE EVENT



Dr Gajavelli V S welcoming the guest



Dr Vivek Moorthy addressing the student managers