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BA Economics Honours | Semester V | Calicut University

Economic Database Management

Course Code: ECO5EJ303 • Module 4

Module IV: Case Studies and Controversies

Economic datasets are not neutral, immaculate artifacts; they are subject to measurement debates, political incentives, econometric disputes, and algorithmic revisions.

Unit 20: Methodological and Empirical Controversies in Economics

- **Card-Krueger Minimum Wage Controversy (1994):** David Card and Alan Krueger used a natural experiment (difference-in-differences) comparing fast-food restaurants in New Jersey and Pennsylvania following a minimum wage hike in NJ, challenging the textbook neoclassical prediction that minimum wages necessarily cause employment destruction.
- **GDP Revision and Base Year Controversies in India:** The 2015 base year revision from 2004–05 to 2011–12 (incorporating MCA21 corporate filings and GVA at basic prices) sparked intense debate among economists regarding discrepancies between high GDP growth and subdued bank credit/investment indicators.
- **Purchasing Power Parity (PPP) Revisions:** Adjustments by the International Comparison Program (ICP) dramatically alter the measured size of global economies (e.g., China and India becoming 1st and 3rd largest economies in PPP terms).

Unit 21 & 22: Academic Data Scandals and Sovereign Statistics Manipulations

- **Reinhart-Rogoff Controversy (2010/2013):** Carmen Reinhart and Kenneth Rogoff published *Growth in a Time of Debt*, asserting that economic growth drops sharply when sovereign debt exceeds 90% of GDP. Thomas Herndon, Michael Ash, and Robert Pollin discovered serious coding errors, selective exclusions of country data, and unconventional weighting in their Excel spreadsheet, overturning the empirical foundation used to justify global austerity programs.
- **Sovereign Data Manipulations:**
  - *Greece (2009–2010):* Massive misreporting of fiscal deficit numbers (under-reported at ~6% when actual was >15%), triggering the European Sovereign Debt Crisis.
  - *Argentina (2007–2015):* Government intervention in INDEC (national statistical institute) to artificially suppress official CPI inflation statistics, leading to IMF censure.
  - *Brazil's "Pedaladas Fiscais" (2014–2016):* Creative fiscal accounting delaying payments to public banks to disguise true fiscal deficits.

Advanced Theoretical Formulations and Empirical Frameworks (Analytical Division 1)

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Empirical Methodology, Identification Strategies, and Econometric Estimation

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Comparative Institutional Analysis, Market Failures, and Policy Governance

Economic outcomes are fundamentally mediated by institutional architectures, legal property rights regimes, and regulatory governance. In emerging market economies such as India, market imperfections—including asymmetric information, transaction costs, infrastructural bottlenecks, and credit constraints—often necessitate nuanced policy interventions that differ substantially from textbook laissez-faire predictions.

Analytical Dimension	Orthodox / Classical Perspective	Heterodox / Institutional Framework	Empirical Policy Manifestations in India
Market Efficiency	Markets clear instantaneously; price mechanism allocates resources optimally without systemic friction.	Markets are prone to structural failures, information asymmetry, and coordination coordination failures.	Targeted regulatory oversight, public investment in infrastructure, and social safety nets.
Behavioral Motivation	Hyper-rational agents maximizing expected utility with complete cognitive computational capacity.	Bounded rationality, behavioral heuristics, loss aversion, and institutional anchoring effects.	Choice architecture, behavioral nudges (NITI Aayog initiatives), and consumer financial protection mandates.
State Intervention	State role restricted to core public goods, contract enforcement, and national defense (minimalist state).	State acts as developmental catalyst, risk-absorber of last resort, and promoter of equitable distribution.	Strategic industrial policy (PLI schemes), counter-cyclical fiscal intervention, and universal public services.
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Comprehensive Empirical Analysis: The Kerala Model and Sub-National Development

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Policy Synthesis and Analytical Evaluation

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