

**भारतीय रिज़र्व बैंक**
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Publication of RBI-Occasional Papers-Vol. 41, No.1, 2020

Today, the Reserve Bank of India releases [Volume 41, No.1 of its Occasional Papers](#), a research journal containing contributions from its staff. This issue contains three articles and two book reviews.

Articles:**1. [Modelling and Forecasting Currency Demand in India: A Heterodox Approach](#)**

Janak Raj, Indranil Bhattacharyya, Samir Ranjan Behera, Joice John and Bhimappa Arjun Talwar use several time series and econometric techniques to forecast and analyse currency demand in India for: (a) forecasting currency in circulation at a weekly frequency based on institutional and idiosyncratic factors; and (b) analysing the macroeconomic factors and technological innovations which impact movements in currency demand over monthly, quarterly and annual intervals. The key findings emerging from the study are: (i) demonetisation has resulted in a permanent downward shift in the trajectory of currency demand, *i.e.*, in the absence of demonetisation, currency demand would have been higher than what it is; (ii) currency demand shows strong seasonality during festive seasons, especially Diwali; (iii) currency demand also increases during elections; (iv) an increase in the number of credit/debit card transactions dampens currency demand; (v) currency demand has unitary income elasticity, *i.e.*, it expands broadly in line with the growth in nominal GDP; and (vi) interest rates have an inverse relationship with currency demand in the long run, *i.e.*, higher the interest rates in the system, lower is the demand for currency and *vice versa*.

2. [Pass-through of International Food Prices to Emerging Market Economies: A Revisit](#)

Satyananda Sahoo, Sujeesh Kumar and Barkha Gupta re-examine the pass-through of global food prices to domestic food prices in the emerging market economies, having higher shares of food in their overall consumption baskets. The authors find that while there exists a significant degree of global food price transmission to domestic prices in the long-run, such pass-through is relatively weak in the short-run. Moreover, there are large cross-country divergences in the long-term transmission elasticities.

3. [Trends and Dynamics of Productivity in India: Sectoral Analysis](#)

Sarthak Gulati, Utsav Saksena, Avdhesh Kumar Shukla, V. Dhanya and Thangzason Sonna undertake a detailed sectoral analysis of total factor productivity (TFP) using the India KLEMS database for the period 1981-82 to 2016-17. The findings of the paper suggest that the information and communication technology (ICT) using sectors like business services and financial services were the main drivers of productivity during the period 2008-09 to 2016-17, while trade and

construction sectors were the laggards during this period. Furthermore, the authors find empirical evidence of convergence and spillover of TFP from the leading sectors to the laggards at a faster pace during 2008-09 to 2016-17 than in the earlier years.

Book Reviews:

This issue of the RBI Occasional Papers also contains two book reviews:

1. Anwesha Das reviews the book "[Good Economics for Hard Times](#)" written by Abhijit V. Banerjee and Esther Duflo. The book stresses the need for economists to understand the true nature of facts at hand, to appropriately acknowledge the assumptions made while interpreting these facts, to refine the 'conclusions' through repeated trials with data and, finally, to respect the existence of opposing views. The book covers different themes encompassing migration, trade, the nature of preferences and beliefs, economic growth versus quality of life, effects of growth on climate change, labour displacement and inequality, challenges in governance and policymaking and the need to respect individual's dignity in cash transfer programmes.
2. Anshuman Kamila and Aastha review the book "[Dissent: Why America Suffers When Economics and Politics Collide](#)" written by Professor Alan S. Blinder. The book explains the ineffectiveness of economic policy to address the issues faced by the public and offers some practical solutions to make the outcome of policymaking more effective and meaningful. The book explains three key aspects of this situation - the reasons for dissent between economic advisers and policymakers, proposed breakthroughs or ideas to reconcile such dissent and their application in the context of certain economic challenges. The author argues that populace should have better awareness of economics, so that they demand more of it in the policies made for them. Economists also need to adopt some attitudinal changes to make their advice more acceptable.

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