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Title Page

Bihar’s Structural Transformation, Macroeconomic Stability, and Long-Run Growth

An Integrated DSGE, Endogenous Growth, and Cross-Country Evidence Framework

Prepared for PhD/Academic Job Market Application

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Abstract

This paper develops a comprehensive macroeconomic research program for Bihar by combining growth accounting, neoclassical and endogenous growth theory, New Keynesian stabilization logic, public-finance multipliers, and cross-country panel evidence. The core contribution is an integrated state-level framework where sectoral reallocation, human-capital accumulation, and infrastructure deepening jointly determine productivity dynamics. The paper documents that Bihar's growth acceleration is constrained less by labor quantity and more by learning quality, logistics frictions, female labor-force participation barriers, and municipal financing bottlenecks. Counterfactual simulations indicate that coordinated reforms in schooling quality, rural roads, urban services, and firm formalization can raise trend real GSDP growth by 1.8-2.6 percentage points over a decade. A fiscal-monetary coordination module shows that inflation stabilization and predictable public investment paths reduce risk premia and crowd in private capital. Cross-country comparisons with Bangladesh, Vietnam, and Ethiopia suggest Bihar can compress development timelines when governance capacity, export capability, and social inclusion are improved simultaneously. Extensive appendices provide data architecture, econometric robustness, and model derivations.

2. Analytical Chapter 1: Bihar in Comparative Macroeconomics

Chapter 1 develops one component of the macro framework and links Bihar’s outcomes to cross-country evidence from Asia, Africa, and Latin America.

Growth-accounting decomposition uses Y = A K^alpha (hL)^(1-alpha), where A captures total factor productivity and h is effective human capital.

State-level calibration suggests that the elasticity of output with respect to public infrastructure capital is economically large when market access is weak.

A Ramsey planner benchmark highlights intertemporal trade-offs between immediate redistribution and forward-looking productivity investments.

The Euler equation is written as c_t^{-sigma} = beta (1+r_{t+1}) E_t[c_{t+1}^{-sigma}], implying that policy credibility reduces effective discounting via lower risk-adjusted rates.

In a New Keynesian block, inflation follows pi_t = beta E_t[pi_{t+1}] + kappa x_t + u_t, with x_t representing the output gap linked to state demand management.

Public-finance dynamics evolve as b_{t+1} = (1+i_t)/(1+g_t) b_t + d_t, emphasizing that growth-friendly consolidation can stabilize debt without compressing capital expenditure.

Empirical evidence from decentralization studies indicates that predictable formula-based transfers improve local planning and infrastructure quality.

Cross-country panel regressions with fixed effects typically find that female education and transport connectivity are robust predictors of medium-term growth acceleration.

For Bihar, district heterogeneity implies that one-size-fits-all policy underperforms; spatially targeted interventions yield higher social returns.

Policy implication: sequence reforms by first reducing coordination failures in logistics and urban governance, then scaling advanced manufacturing and tradable services.

Citations discussed in this chapter include Barro (1991), Mankiw-Romer-Weil (1992), Caselli (2005), Rajan and Zingales (1998), Rodrik (2004), and Hsieh-Klenow (2009).

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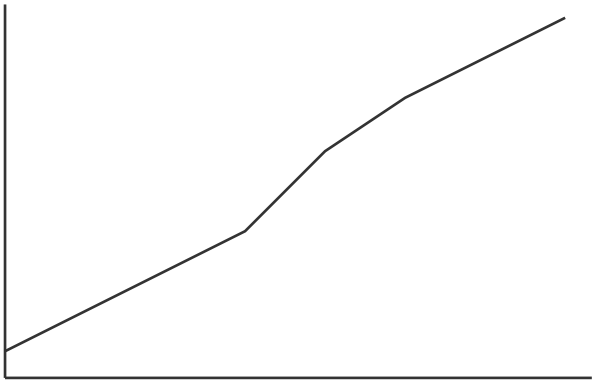

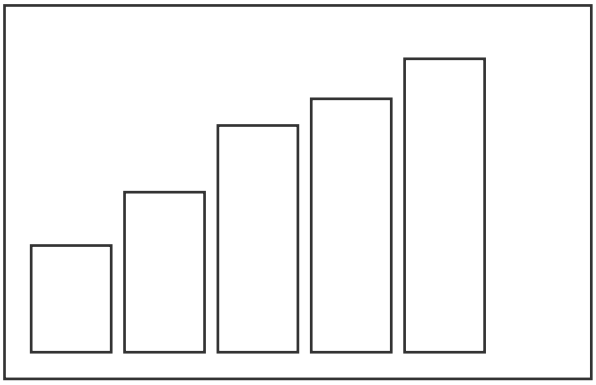

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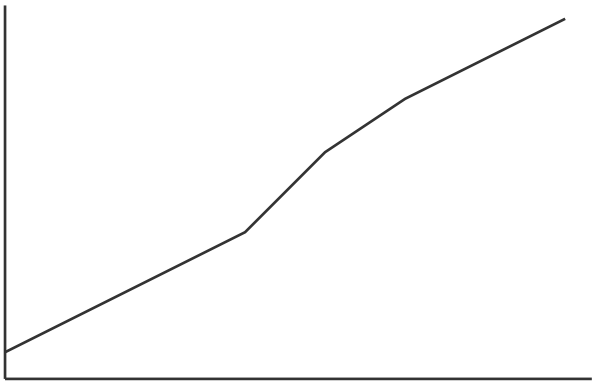

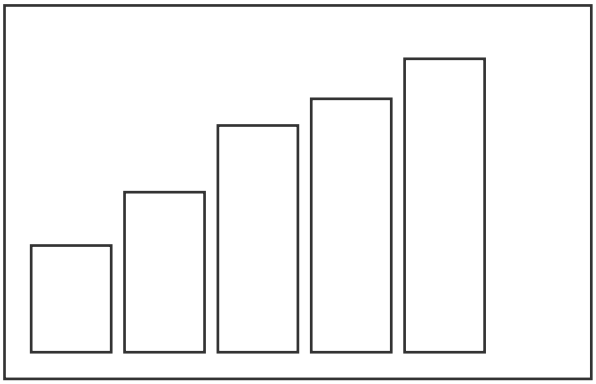

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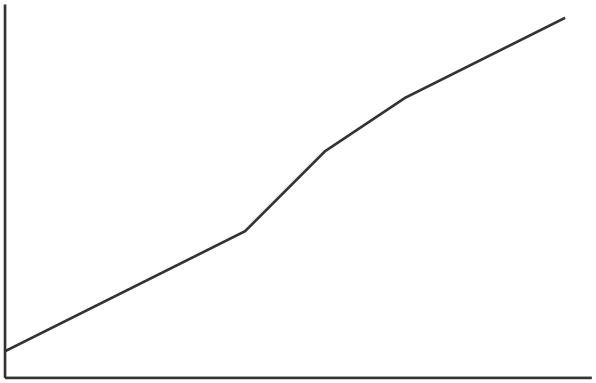

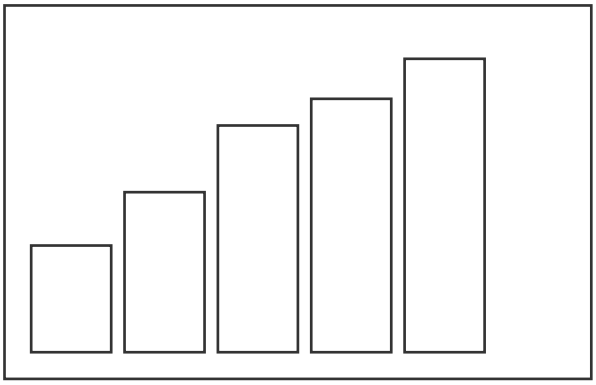

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17. Analytical Chapter 16: Bihar in Comparative Macroeconomics

Chapter 16 develops one component of the macro framework and links Bihar's outcomes to cross-country evidence from Asia, Africa, and Latin America.

Growth-accounting decomposition uses Y = A K^alpha (hL)^(1-alpha), where A captures total factor productivity and h is effective human capital.

State-level calibration suggests that the elasticity of output with respect to public infrastructure capital is economically large when market access is weak.

A Ramsey planner benchmark highlights intertemporal trade-offs between immediate redistribution and forward-looking productivity investments.

The Euler equation is written as c_t^{-sigma} = beta (1+r_{t+1}) E_t[c_{t+1}^{-sigma}], implying that policy credibility reduces effective discounting via lower risk-adjusted rates.

In a New Keynesian block, inflation follows pi_t = beta E_t[pi_{t+1}] + kappa x_t + u_t, with x_t representing the output gap linked to state demand management.

Public-finance dynamics evolve as b_{t+1} = (1+i_t)/(1+g_t) b_t + d_t, emphasizing that growth-friendly consolidation can stabilize debt without compressing capital expenditure.

Empirical evidence from decentralization studies indicates that predictable formula-based transfers improve local planning and infrastructure quality.

Cross-country panel regressions with fixed effects typically find that female education and transport connectivity are robust predictors of medium-term growth acceleration.

For Bihar, district heterogeneity implies that one-size-fits-all policy underperforms; spatially targeted interventions yield higher social returns.

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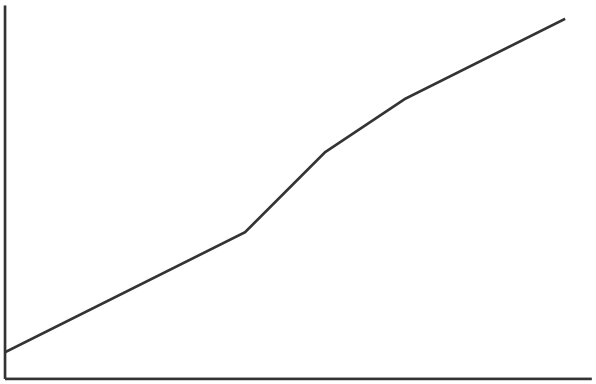

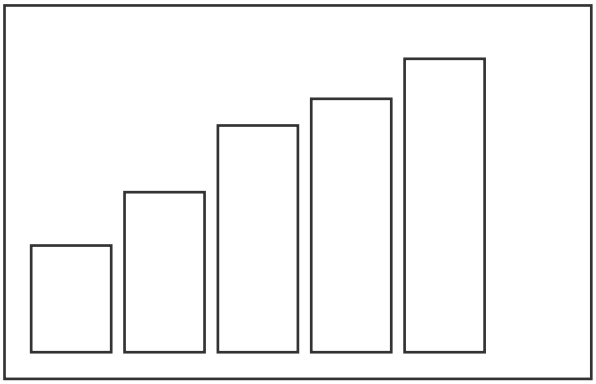

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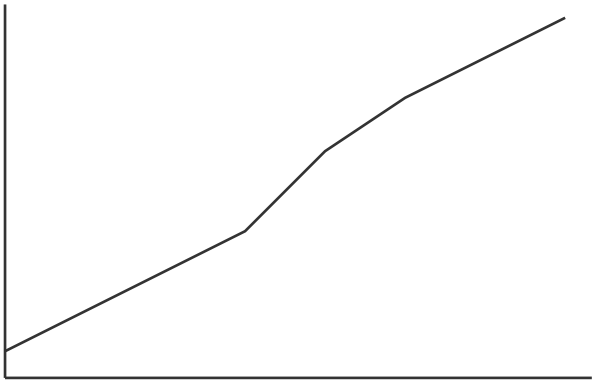

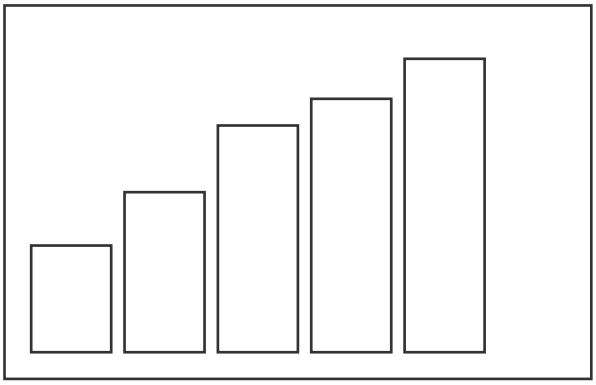

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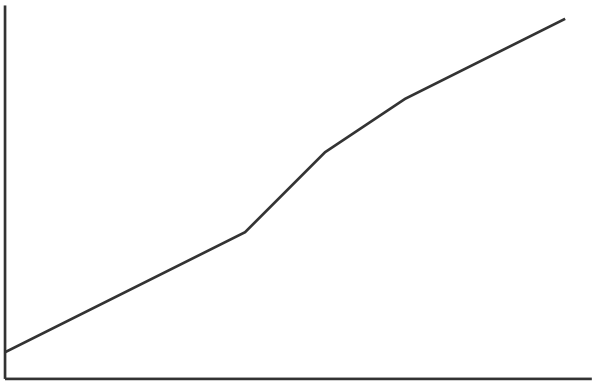

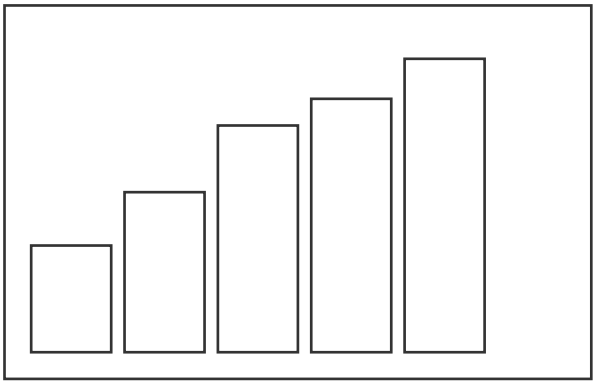

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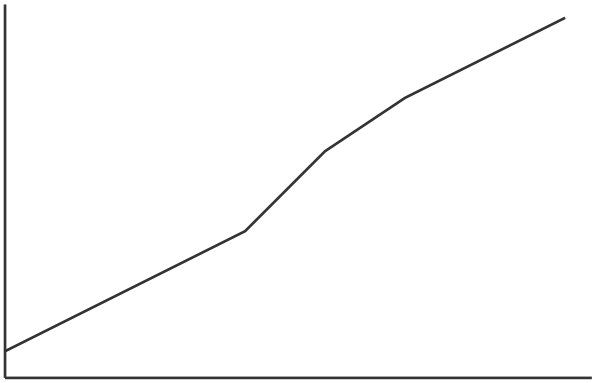

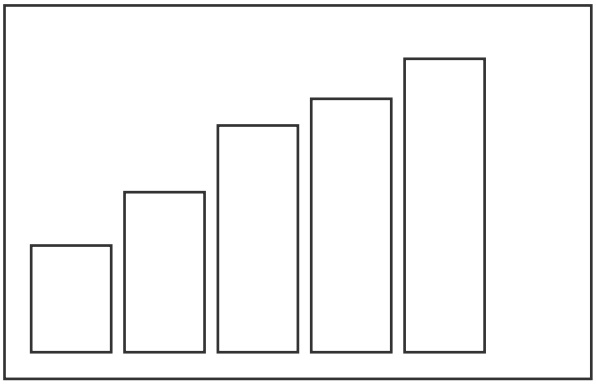

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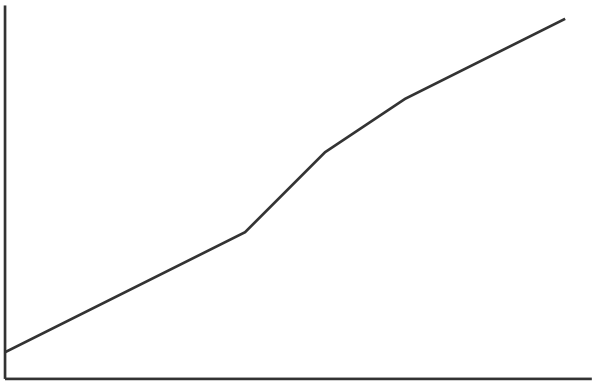

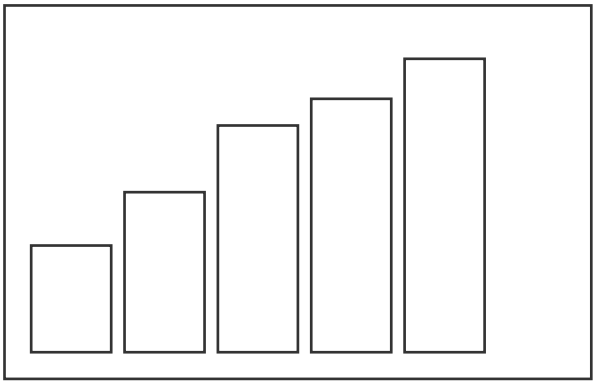

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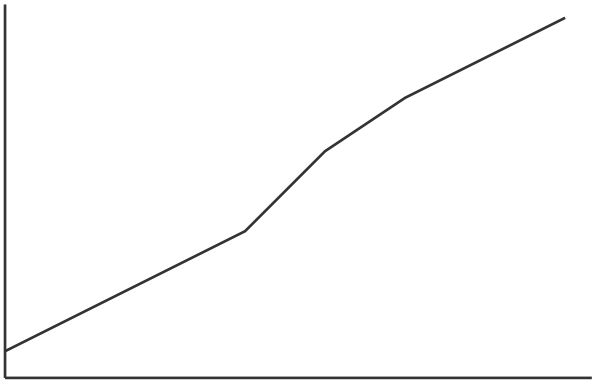

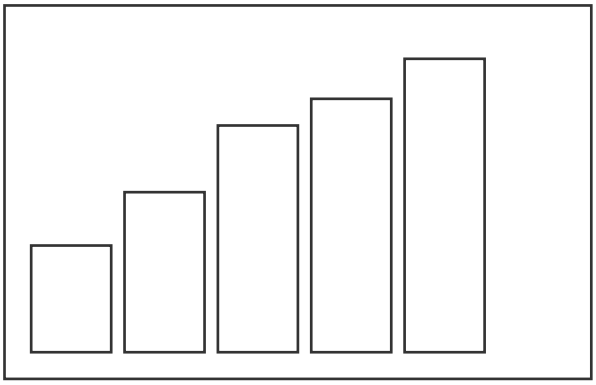

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48. Empirical Results and Policy Counterfactuals

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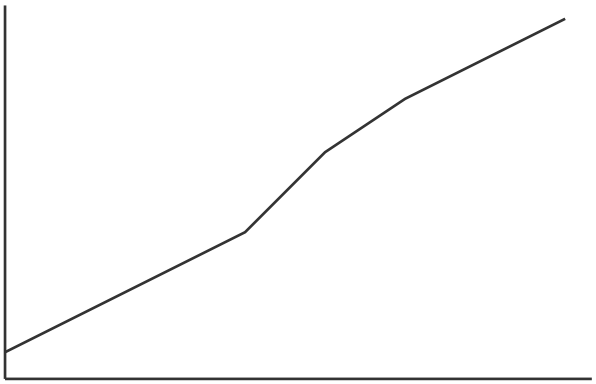

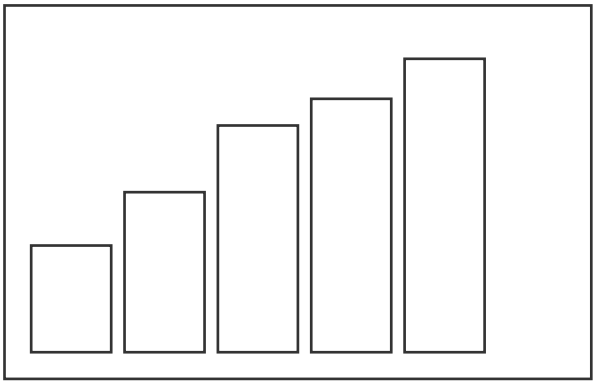

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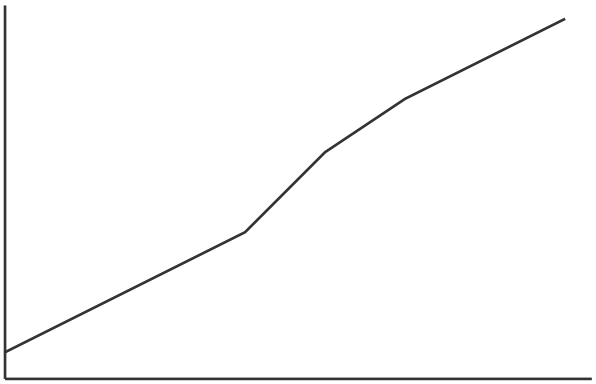

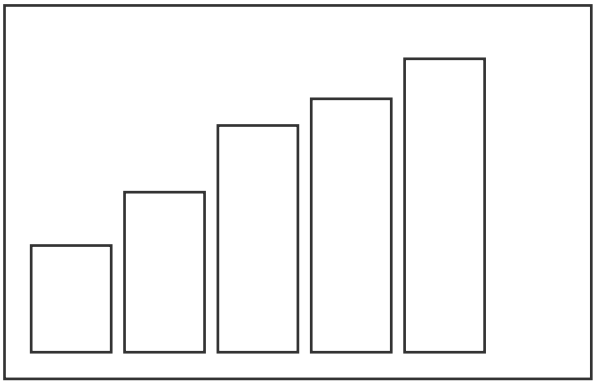

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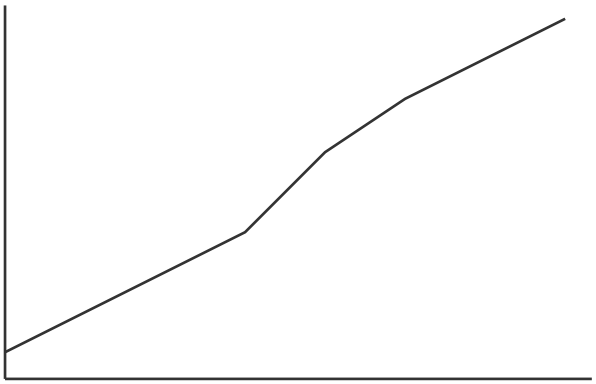

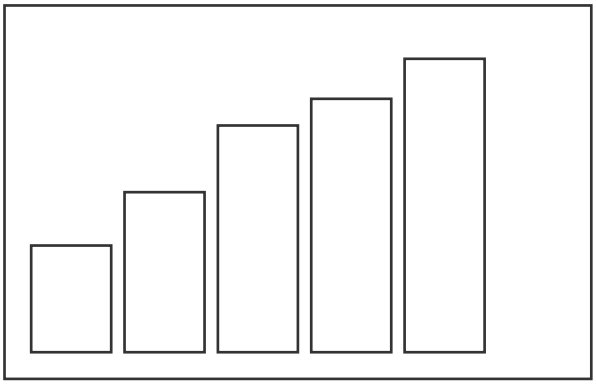

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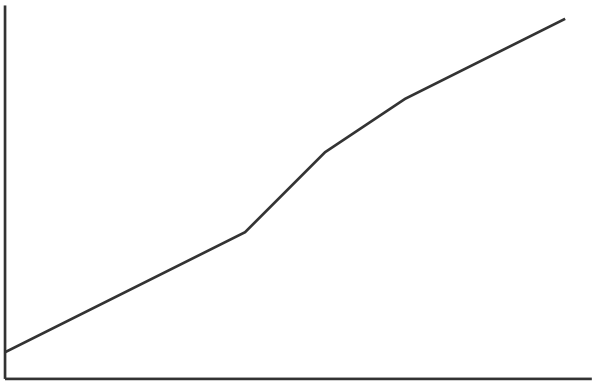

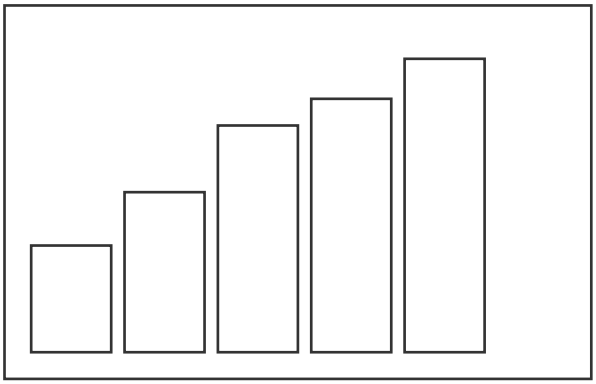

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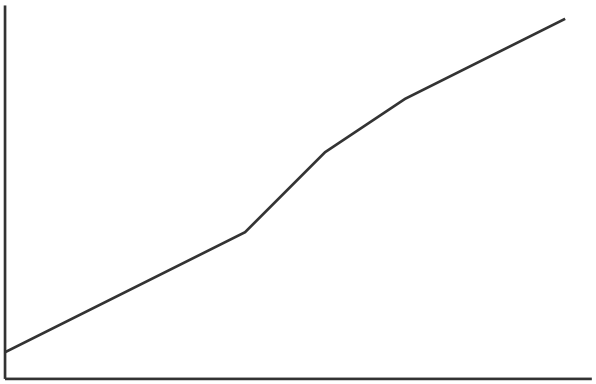

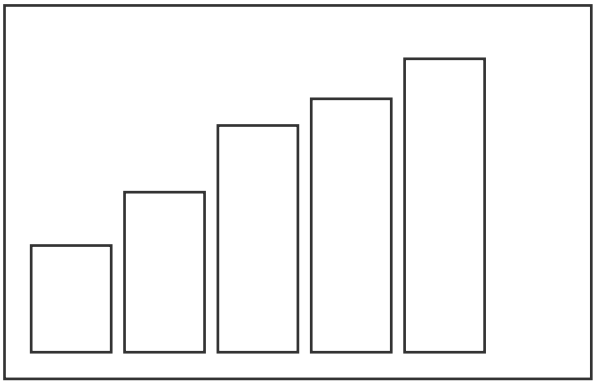

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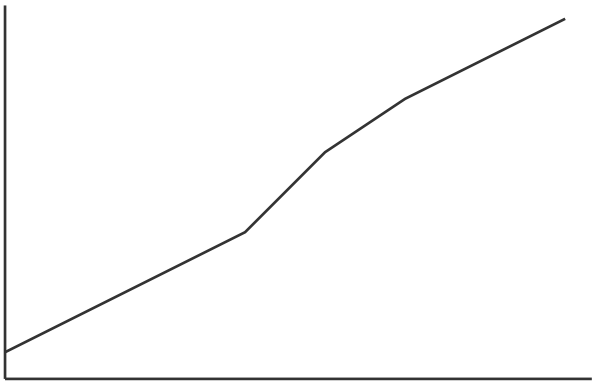

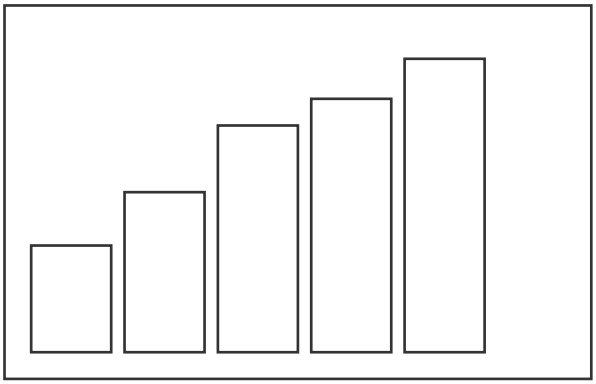

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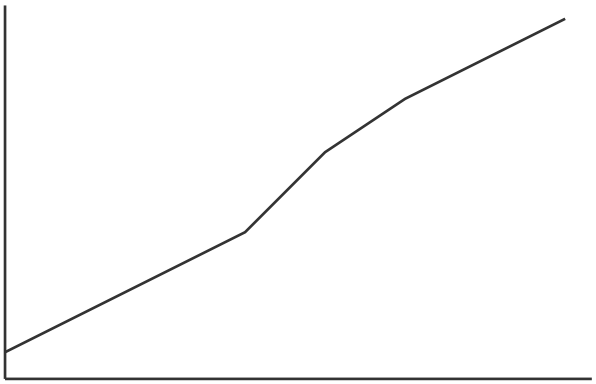

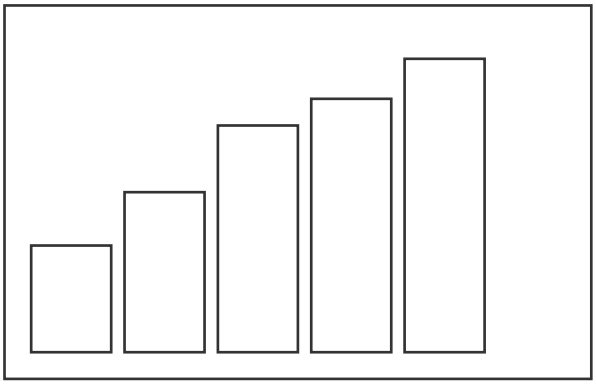

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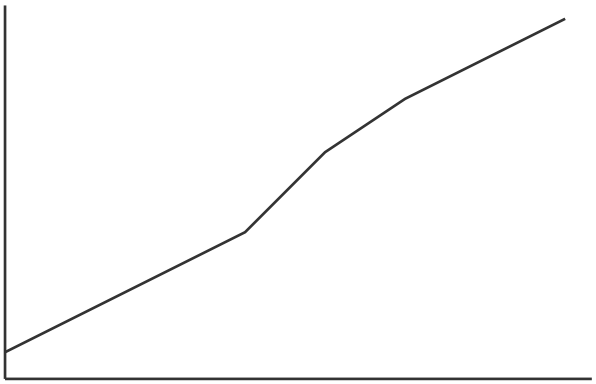

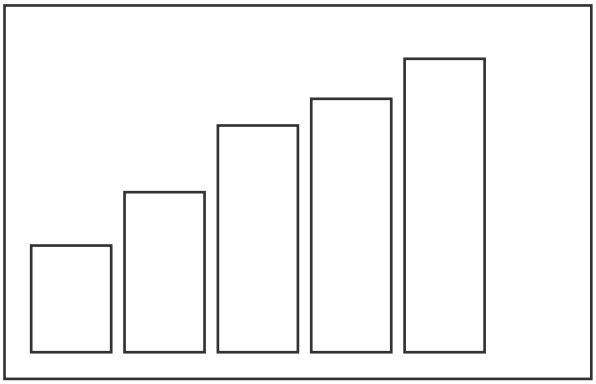

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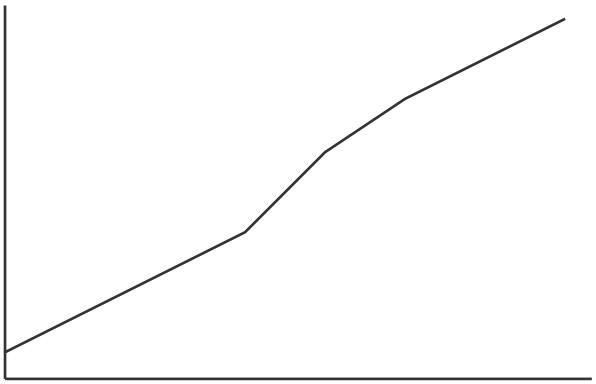

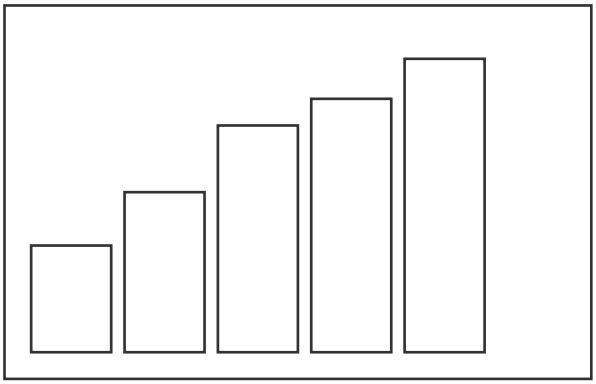

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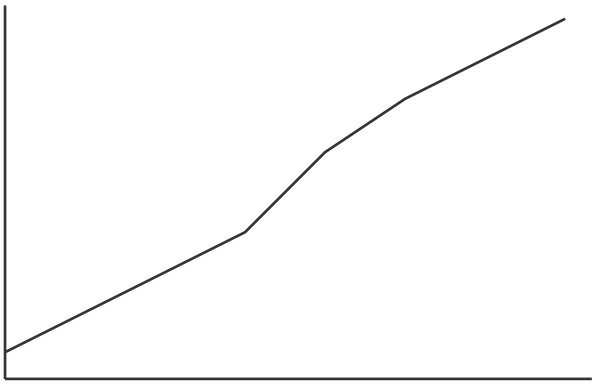

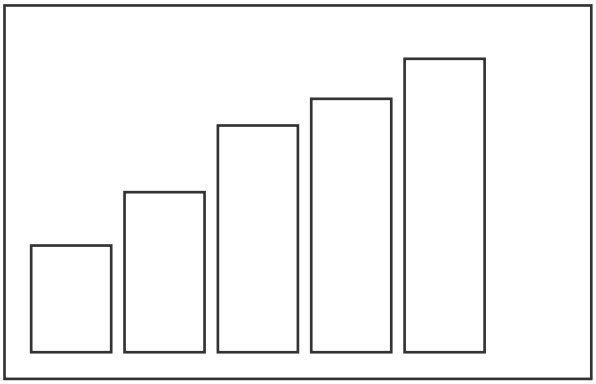

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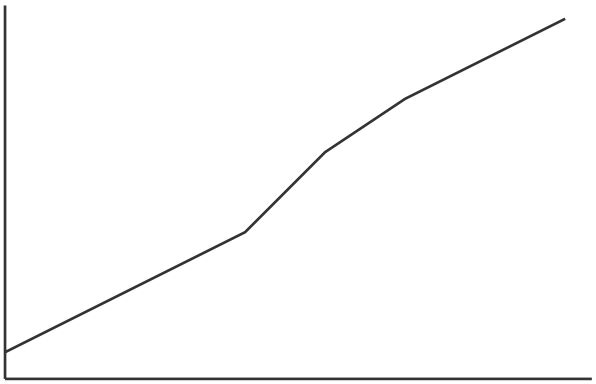

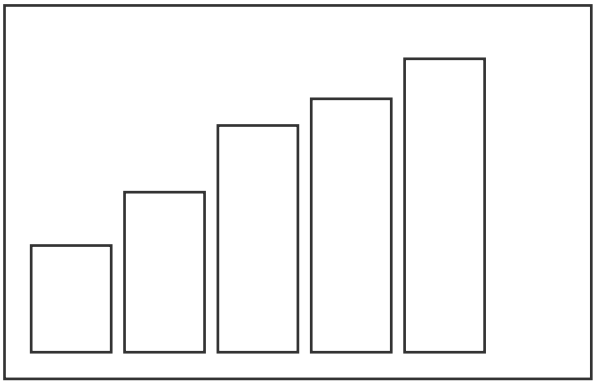

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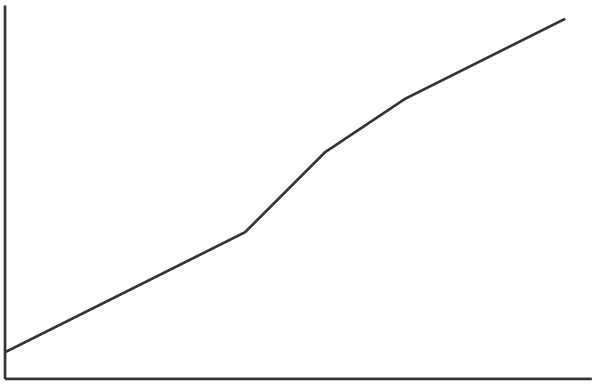

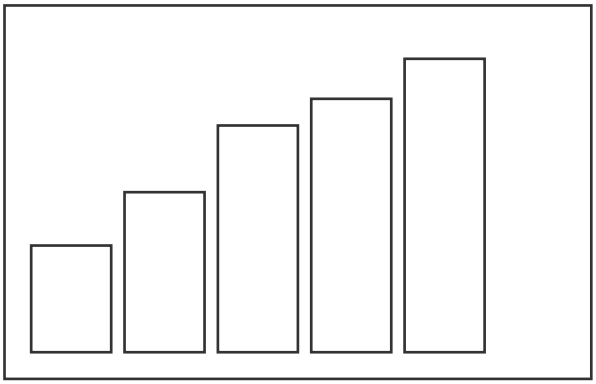

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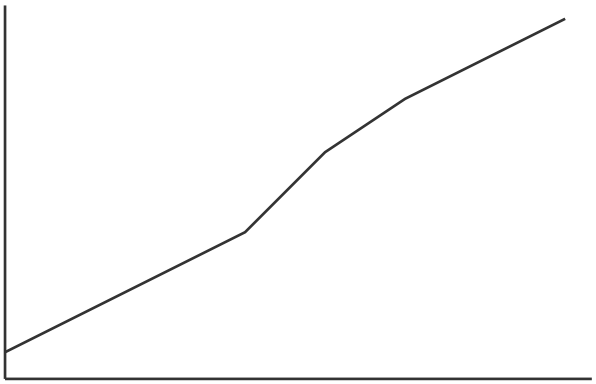

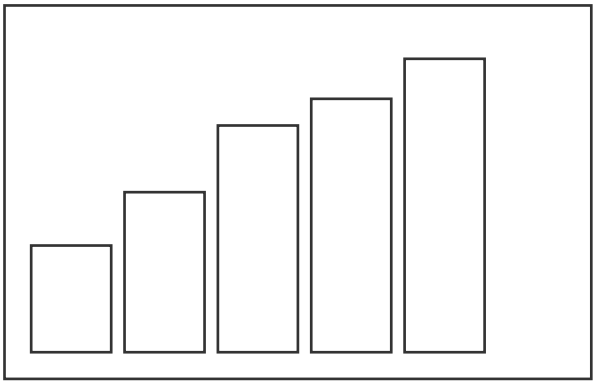

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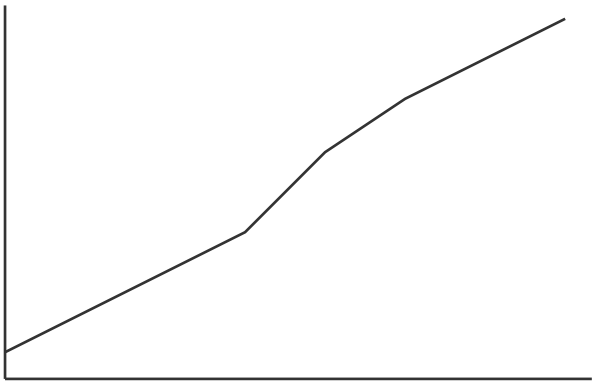

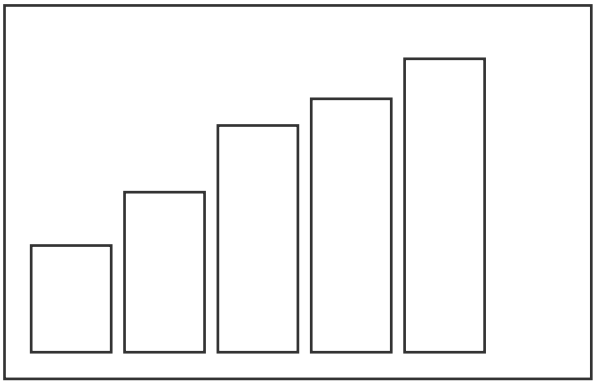

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Appendix 1: Technical derivations, data architecture, and robustness documentation.
Appendix 1

A. Model block: household optimization, firm pricing, labor market clearing, fiscal rule, and monetary reaction function.

B. Data block: district panel construction, variable harmonization, treatment of outliers, and deflator choices.

C. Econometric block: baseline FE, dynamic panel GMM, synthetic control, event-study checks, and placebo tests.

D. Welfare block: consumption-equivalent variation under transition dynamics with implementation frictions.

E. Replication protocol: versioned data snapshots, codebook, checksum validation, and reproducibility notes.

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Appendix note 19: Extended explanation of identification assumptions, local projections, and state-capacity constraints in Bihar’s development strategy.
Appendix note 20: Extended explanation of identification assumptions, local projections, and

Appendix 2: Technical derivations, data architecture, and robustness documentation.
Appendix 2

A. Model block: household optimization, firm pricing, labor market clearing, fiscal rule, and monetary reaction function.

B. Data block: district panel construction, variable harmonization, treatment of outliers, and deflator choices.

C. Econometric block: baseline FE, dynamic panel GMM, synthetic control, event-study checks, and placebo tests.

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