

Subroto Roy and William E. James (editors). *Foundations of India's Political Economy: Towards an Agenda for the 1990s.* New Delhi: Sage Publications. 1992. 339 pp. Hardbound. Indian Rupees 275.00.

India, with 800 million people, vast land resources, heterogeneous linguistic, cultural, religious, and ethnic groups and caste and class divisions, faces complex and formidable social, economic, and political problems. After experimenting with a mixed and controlled, 'socialist' economy for four decades since 1947, in which the public sector played a predominant role, a new strategy of liberalisation and deregulation is being formulated with the aim of integrating Indian economy with the world market. This implies a framework of a liberal market economy with less control and more freedoms.

The book under review is the outcome of a large interdisciplinary research project initiated in 1986 and completed in 1990 by Indian and foreign scholars. Divided into the two main sections of politics and economics, the book comprises ten independent but interlinked essays/chapters which discuss some of the long-term socio-economic problems facing India.

The recent policy of liberalisation, it is important to note, reflects the urgency and relevance of some of the theses presented in this important book. The removal of unnecessary internal controls, greater stress on the private sector, curtailment of wasteful expenditures, depreciation of the Indian rupee and its free-floating against foreign currencies, and other economic reforms recommended are intended to enhance the comparative advantage of the Indian economy and to make it more competitive in the world market.

The first chapter by the editors introduces the specific issues addressed in the book. The two broad themes running through these essays pertain to the nature of Indian political pluralism and its inherent stability. The essays explain the nature and extent of the role of the government in Indian economy. The other subjects which are analysed in detail are religion, planning, communal and linguistic feuds, foreign trade, money, finance, agriculture, nutrition, and health.

The second chapter, "The State of Governance" by James Manor, discusses the recurrent processes of political awakening and decay in Indian society since 1947. The author defines the term "governance" in a broad sense, as the actual political system comprising the relations between the society and the state, that is, various social classes and the rulers. The author further states that the process of decay had set in during the period of Indira Gandhi; social and political institutions were subverted to serve her own narrow ends.

The regional variations are discussed under three heads: (1) the differences in political ideology at local levels, such as in Communist Kerala and West Bengal, (2) the differences in administrative and managerial control in each state, and (3)

the variations in probity and effectiveness. Moreover, state governments vary from extremely centralised to extremely decentralised, from the efficient to the corrupt.

In the third chapter, Paul A. Brass gives a detailed account of the political significance of various Indian languages, the linguistic reorganisation of states, the crises in Punjab and Assam, the perennial problems of communal riots and divisions between Hindus and Muslims, the problems of secularism, the identity of the Muslim minority, and the rationale behind Pakistan. He devotes a large portion of his essay to a discussion of the Hindu-Muslim relations in India and the idea of a separate Muslim political community. He tries to explain the persistence of the Hindu-Muslim divisions in the Sub-continent despite the creation of Pakistan. He thinks that relations between the Hindus and the Muslims deteriorated soon after Nehru's death. Communal violence gradually intensified and, instead of protecting the Muslims, Indian police started attacking them. This alienated the Muslims from the main social stream. Matters worsened after the General Elections of 1967 when the Congress was defeated in many states. From being a protected minority under Nehru, the Muslims under Indira Gandhi became an endangered minority.

The recent militancy witnessed in the Hindu revivalism and communalism in India which culminated in the demolition of the Babri mosque in Ayodhya on December 6, 1992, and the massacre of Muslims in Bombay in its aftermath cannot be simply attributed to economic competition among several religious, ethnic or caste groups, or to political manipulation by the rulers. There is no doubt that in a crisis the rulers tend to politicise religion for political gain; but the recent planned massacre of the Muslim minority in India by Hindu communalists appears to be a systematic move, reminiscent of the holocaust during Partition, to eliminate the Muslim minority in India.

Bhagwan D. Dua, in "Problems of Federal Leadership", analyses in more detail the development of leadership strategies at the federal level to combat secessionist tendencies in the Punjab and northeast India. His main thesis is that the centre under Nehru (1947-64) depended on the local state-party leaders to curb separatist forces, but Indira Gandhi (1966-77 and 1980-84) bypassed the local leaders and thus lost credibility and strength and could not contain centrifugal tendencies.

The second part of the book focuses on the major economic problems facing India in the Nineties. In the fifth chapter, "Planning and Foreign Trade Reconsidered", T. N. Srinivasan discusses the basic objectives and policy instruments of the Indian planning effort, the emerging trends in Indian exports and imports since 1950, and the mechanism of the exchange control regime, as well as its political and economic effects and its successes and failures since the 1950s. The author contends that government preference of the public sector to the private sector in India has badly affected the development of the private sector in socially

desirable directions, and that instead of using taxation to generate revenues for investment in the public sector the pricing of goods and services produced and supplied by the public sector could be used to generate surpluses. The choice of location, technology, employment, and pricing policies of the public sector became politicised and became a source of waste and inefficiency. Moreover, as industrial licencing and exchange control became burdensome, restrictions on the private sector increased the powers of bureaucrats of different ministries, leading to corruption and politicisation of decisions—"patronage-dispensation, and a source of rents for personal or political use rather than a guidance mechanism for directing the private sector to conform to the planning process" (p. 121).

This rent-seeking gave birth to political lobbying for those trade policies which create rent for the powerful groups. The scarce talents, material resources, and skills that could be used for producing goods and services are wasted in rent-seeking and political bribes. Powerful senior bureaucrats spend time in meetings, which, instead of implementing national policies, are spent in deciding individual cases of influential industrialists and businessmen, who contribute funds from these rent-seeking profits to the political parties favourable to them. This political aspect of rent-seeking is also true of Pakistan where the government's economic policies and plans are made to benefit the privileged groups. Srinivasan strongly argues for liberalisation of the economy.

The sixth essay, "A Memorandum to the Government of India, 1955", is by Milton Friedman and published for the first time. Friedman states that drastic exchange controls and their associated system of import and export licences are major obstacles to the growth and progress of the Indian economy. He, therefore, suggests that these controls be eliminated to increase efficiency and competitiveness in industry. He believes that India's fundamental problem is the absence of mass education—the challenge being the improvement of the physical and technical quality of her people; the creation of human capital, not physical capital *per se*.

In the seventh chapter, Amaresh Bagchi analyses the recent trends in fiscal finances and money supply in the areas of savings and investment, public debt, deficit financing, inflation, revenue collection, and expenditures. He thinks the strategy of planning in India has not failed, nor has the public sector become less efficient than the private sector. He believes that the ability of the Indian economy to withstand shocks, both domestic and external, testifies to the strength and resilience it has acquired since Independence. The root-cause of the resource crisis, according to him, is not the lack of growth in the economy, but the failure of the political system to make the affluent sections of society adequately contribute to the exchequer.

Kalanidhi Subbarao in "Economics of Food and Agriculture" focuses on three related subjects: producer incentives, the public distribution system, and the

policy relating to agricultural technology. He thinks that the increase in agricultural production in India at 3 percent per year has been impressive owing to factors such as technological improvement, production methods, investment in irrigation, better institutions, and policies providing price incentives.

However, despite this improvement in agricultural production overall, it has been noticed that there has been a gradual erosion of farm incomes, relative to non-farm incomes.

In the ninth essay, "Nutrition and Health", Anil Deolalikar discusses the factors determining nutrition and mortality—factors like income, maternal education, health services, drinking water, sanitation, prices of food, seasonality, government policies and programmes, medical training, health services, and the nature of the pharmaceutical industry, etc. Health and nutrition are important forms of human capital. The author also praises the Tamil Nadu Integrated Nutrition Project (TINP), financed by the World Bank since 1980, which has become one of the most successful nutrition programmes in India. This scheme is area-targeted (population 17.2 million), covering villages of six districts which have the lowest caloric consumption in Tamil Nadu, and covering children 6-36 months of age who account for 90 percent of the preschool deaths in the state, as well as mothers.

The author states that the major diseases in India are parasitic—filariasis, dysentery, leprosy, influenza, malaria, tuberculosis, gastroenteritis, etc.—but the Indian pharmaceutical industry generally concentrates on producing drugs for diseases of the upper and middle classes, such as general fatigue, headaches, and constipation, and neglects the diseases which afflict the poor in rural areas. India has made great progress in medical education; the number of medical colleges has increased from 28 (in 1943) to 106 (in 1983-84). However, in 1984, one primary health unit in the rural areas was being shared by 100,000 persons. Preventive and social medicine is being ignored in the curricula of most medical colleges because physicians are trained as patient-oriented and not as community-oriented.

In the last chapter, "Historical Roots of Economic Policy", B. R. Tomlinson traces the historical background and the antecedents of India's present economic policies and plans, during the period between 1929 and 1945, and then the period immediately after Partition (in 1947). Inflation and shortages of commodities characterised these periods. During the war, the production of major consumer goods like textiles, leather goods, timber, and steel was shifted from the civilian economy to military needs. Grain and cotton cloth were controlled and rationing was introduced.

Similarly, foreign trade and exchange were also controlled. The industrial licencing regulation in India originated out of the war economy. This was the reason the institutional inflexibility witnessed in India afterwards could not prevent the centralisation of power, but rather acted as brakes for the development of a

dynamic movement for the overall economic management of the country. The economic controls of the early period did remedy serious imperfections in the internal market system. But India had to pay a heavy price. These policies of controls and regulation have ever since perpetuated "the institutional failure that they were established to overcome" (p. 302).

All these essays thus frankly discuss some important long-term political and economic problems of India which will engage the attention of scholars during the current decade. Their approach is scientific, simple, and direct, and without the use of technical jargon. The arguments are well-documented, and the conclusions are based on sound data, though more basic data about India's total population, total area, GDP, crops, imports and exports, industries, literacy, poverty, weather conditions, rainfall, etc., and some economic, political, and geographic maps as a profile would have increased the usefulness of the book. Although these ten essays are independent in their tenor, yet their discussions are interrelated, cogent, and persuasive.

The problems discussed in the book are common to other South Asian countries. Pakistan can also learn from the Indian experience. The book will be useful reading for political scientists, economists, anthropologists, sociologists, demographers, and historians.

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