Adding Up India

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India: The Emerging Giant,
Arvind Panagariya
OUP, Rs 595

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It isn’t easy to write about the Indian economy if you are a non-resident. Even in this Net-enabled world, access to information can be difficult and one may not be able to keep abreast of policy changes. (It helps if there are no reforms and policy doesn’t change.) Consequently, it is possible to produce stuff that is hopelessly out of date. In an earlier generation of economists, Jagdish Bhagwati and T.N. Srinivasan managed this knowledge disadvantage extremely well; and in a subsequent generation, Arvind Panagariya. While these aren’t Panagariya’s words, the introduction advances the following proposition. In the 1950s and early ’60s, economists wrote about the Indian economy. India promised to be the model for the rest of the developing world. Then, everyone lost interest. Not only did nothing change in India, except in a negative sense, but the economy also fell behind in cross-country comparisons. There were more interesting economies to write about. “I distinctly remember noting this change upon arrival at Princeton for my doctoral work in the mid-1970s. That observation led me to switch my own area of research from India to international trade theory.” Post-1991 reforms changed that. Not only were reforms being introduced, but the economy also perked up, particularly in the past four years.

Consequently, there are several books on the Indian economy now. For the most part, these are of four types. First, there are edited collections, typically of conference papers. While these are good and often have excellent sectoral papers that are extremely well researched, authorship is invariably multiple and the reader doesn’t form a comprehensive view. Second, there are quickies, interpreted as rehashing newspaper columns. Typically, these produce excellent copy, but lack academic rigour. Third, there are single-author volumes focusing on selected sectors. And fourth and finally, there are excellent volumes that emanate from multilateral organisations, and even consultancy firms. Panagariya’s volume fits into none of these categories.

Although the 20 papers divided into five heads (growth and economic reforms; poverty, inequality and economic reforms; macroeconomics; transforming India; and the government) may have been originally triggered by columns written for a business paper, these are proper academic and rigorous papers. Therefore, I cannot think of a single volume that is even remotely a substitute for this one. Panagariya’s introduction mentions Bhagwati and Padma Desai’s 1970 Planning for Industrialisation, Bhagwati and Srinivasan’s 1975 Foreign Trade Regimes, and Vijay Joshi and I.M.D. Little’s 1994 Macroeconomics and the Political Economy. Bhagwati and Srinivasan and Joshi and Little weren’t the same. I think Panagariya has written a 2008 version of Bhagwati and Desai. That’s a book that needed to be written, by someone with sufficient knowledge and perseverance.

The first head of growth and economic reforms divides India’s transition into four stages — the takeoff under a liberal regime (1961-65), socialism striking with a vengeance (1965-81), liberalisation by stealth (1981-88) and the triumph of liberalisation (1988-2006). “The reform process picked up in a major way once again under Prime Minister Atal Bihari Vajpayee, especially after the 1999 elections returned his National Democratic Alliance (NDA) with a clear parliamentary majority…. But the resolve within the UPA to move the reforms forward has also been at best weak…. Once the UPA publicly embraced the view that the reforms had not helped the poor, its ability to push the same reforms was greatly undercut.” Panagariya is unabashedly pro-reform and as the discussion under the head of poverty, inequality and economic reforms makes clear, the case is also that reforms are good for poverty alleviation.

This book has several other USPs that need flagging. The average economist isn’t always conversant with the law and fails to recognise legal damage during the state-intervention era and remaining legal constraints. This book is an exception, and there is thus explicit recognition of excesses from the mid-1960s to the late ’70s. Also, such books often tend to be too macro. While the macro stuff is there (under the heads of macroeconomics and transforming India), the micro stuff pervades the discussion under the government head, such as the papers on health, water supply, sanitation and education. “I also hope that those who disagree will learn enough from the book to draw their own informed conclusions.”

This is a book that will be treasured and quoted, like Bhagwati and Desai’s in an earlier era. However, is this volume for an economist or a non-economist? The answer is, both. Given the non-economist audience, the book should probably have had some kind of conclusion or epilogue. It ends abruptly with education. While the introduction is excellent, it isn’t a substitute for a concluding message.