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**Forthcoming Times Literary Supplement Review of Sachs-Varshney-Bajpai and Lal Books
On India**

By

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Paradoxically, having lost center stage since the 1950s in the developmental drama to the charmed circle of countries in the Far East, India has managed to stage a remarkable recovery in the 1990s.

Her democracy, often forgotten, is now seen in a changed world that boasts of the increasing spread of democracy as a huge achievement that sets her aside from her sub-continental neighbours, whose politics has not always been so blessed. True, a “progressive” historian such as Ayesha Jalal, evidently frustrated by Pakistan’s growing decline under the weight of growing Islamic fundamentalism and intermittent military rule, is psychologically under compulsion to wear distorting lenses that reduce India’s success to her own country’s abysmal and unfortunate failure. But such contentions amount to little more than claiming equivalence, for instance, between elections in US and China because the former has occasional lapses in places such as Chicago into fraud!

Equally, India’s liberal and outward-oriented economic reforms, begun in earnest since the external payments crisis of 1991, have been accompanied by a sustained increase in her growth rate that had been stuck at a drastically low level of around 3.5 percent over nearly three decades of illiberal and autarkic policies. The 1980s, touched by only a small dose of such reforms, were already registering higher growth rates: but they were based largely on unsustainable short-run external borrowing.

As it happens, the East Asian “miracle” has also turned into a debacle (avoided by India which had learnt from its 1991 crisis) because of hasty and imprudent financial liberalization accompanied by excessive short-term borrowing that turned into a panic-fueled outflow of massive magnitude. India has thus come out, smelling like roses.

But, as all serious students of India’s economy know well, India’s turn to liberal economic reforms is still incomplete and fragile: the fragrance of the roses cannot hide the sharpness of the thorns. The incompleteness of the reforms is widely understood: privatisation of the many failed public enterprises, the introduction of some degree of labour market flexibility in a system settled into rigor mortis by unions and enabling legislation which astonishingly forbids firing workers without state permission, the removal of quantitative restrictions on imports of consumer goods, the prevalence of high tariffs, and much else that slows down the economy even now from a further leap forward, are among the many problems that any government bent on reforms must still confront and seek to tame.

The two books under review cannot hope to add much to this all too familiar list of India’s woes and challenges. They do, of course, add some detail. But their usefulness lies elsewhere. Deepak Lal’s splendid and wide-ranging collection of essays (Unfinished Business: India in the World Economy; Oxford University Press: India, 1999), is particularly notable because it tries to get to the bottom of India’s long tryst, not with Nehru’s much-quoted “destiny” , but with its opposite: a failed economy.

Lal goes the “cultural” route, indicting India’s deeply-held distrust over centuries of the commercial classes and hence preference for dirigisme. Presumably, this was reinforced by the elite’s English education which favoured Fabianism and even stronger versions of Socialism. But this can only be a partial explanation of India’s postwar follies.

As the historian Alexander Gerschenkron has argued persuasively, the more behind you start from the greater the sense of urgency in moving up and, in turn, the greater the temptation to use the state to accelerate the process of catch-up. Also, just as it is counterintuitive to steer in the direction of the skid, it is difficult to persuade the layman that the greater the scarcity the more important it is to rely on the market mechanism rather than the state for efficient allocation. And it has taken time, and experience, to underline the dismal truth that, even on grounds of egalitarianism, the dirigiste model of state allocations works badly: the rich and the connected can usually jump the queues where the poor and the unconnected cannot. Believe me, markets often work better on equal access too!

Lal zeroes in on the egalitarians with powerful arguments. India's bane has been the professional "povertywallas": the politicians who have incessantly mouthed slogans such as "garibi hathao" (i.e. remove poverty) and the economists who write continually about "abysmal poverty". Both have generally espoused policies, such as defending public sector enterprises at any cost, discounting and even opposing liberal reforms, promoting white-elephant style projects that use capital-intensive techniques on unrealistic grounds such as that they would create profits and savings when in fact they have drained the economy through losses that have stalled the effort to accumulate and grow and create more jobs to "pull up" the underemployed into gainful employment and hence out of poverty.

We all make the argument, in addition, that growth provides the revenues to spend on schools, on public health and other benefits for the poor, thus producing a double dividend. But Lal also reminds us, in two pointed essays (Chapters 6 and 7), that throwing money at poverty and social agendas is not a panacea: and that an intelligent use of markets is often the best answer.

In many ways, therefore, Lal stimulates, even provokes, but never disappoints the inquisitive reader. By contrast, the book of multi-authored conference essays edited by Sachs, Varshney and Bajpai (India in the Era of Economic Reforms, Oxford University Press: India, 1999) is straightforward and competent: it will startle no one. A striking exception is the remarkable paper by Ashutosh Varshney, arguably India's most promising young political scientist today, who asks the question: why did the economic reforms stall under Prime Minister Rajiv Gandhi with his huge Parliamentary majority but moved forward under the minority coalition government of Prime Minister Rao in 1991? Evidently, culture did not change within a decade! Varshney provides an ingenious and novel answer.

Varshney draws a distinction between "mass" and "elite" politics and argues that the liberal reforms instituted so far (e.g. the removal of the onerous licensing system) have not had much political salience for the masses, only for the elites. The Congress Prime Minister Rao nonetheless managed, despite his minority, to get the support of all parties, to sustain the "elite" reforms initiated by the 1991 crisis, because the rise of the Bharatiya Janata Party, now strengthened at the latest election this year, was feared because its resort to the "mass" politics of Hinduism had frightened several non-Congress parties into uniting behind the reforms instead of undermining them and the weak Congress government. The "mass" politics helped the cause of the "elite" of liberal reform.

Varshney's analysis is convincing. But it also makes us ask: what will make the BJP, now safely in power at the Center, keep moving to the next phase of reforms? One good omen is that the BJP does not have the ideological baggage of the leftwing against liberal reforms. But the downside is that the next phase of reforms does involve the more difficult privatisation and

labour market reforms where the BJP will run frontally into the “mass” politics of protest and obstruction. It is too early to tell where India will eventually come out.