

P.C. Jain (Ed). **INDIA'S ECONOMIC CRISIS: DIAGNOSIS AND TREATMENT.** Concept Publishing Company, New Delhi, 1992.

Now a days, we read and hear a lot about the Indian Economy, its problems and potentials and in this regard, the role of the New Economic Policy. However, it is the same group of people albeit distinguished, who seem to talk and write on these issues sometimes at the cost of repetition, even irritation. The compilation of papers by P.C. Jain is a refreshing change from this trend, in the sense that it carries the views of a cross section of researchers across the country and abroad, on a wide range of topics related to the Indian economy.

The papers, twenty five in all, have been grouped under three broad topics. A set of four papers deals with the nature of the crisis; another set of twelve papers attempts to diagnose the problem and finally, the last set, consisting of nine papers discusses the possible treatments. Needless to say, in a volume such as this, it is not possible to put papers in watertight categories; there are bound to be overlaps. Nor is it possible to avoid repetition within a given category. Such problems abound in this volume. Never the less, certain broad patterns, emerge.

The nature of the crisis in the Indian economy is described as overspending by successive Governments, poor return on public sector investments, tardy performance of exports, spurt in imports, cut back in soft loans from multilateral agencies, reduction in non-resident receipts, sharp decline in foreign exchange reserves, etc. The authors have come down heavily on the sizeable rise in non-plan expenditure, particularly due to subsidies and loan waivers, which have shrunk plan investments in key infrastructural industries. One author, interestingly traces the crisis to an induced pattern of capitalist industrial development, which has involved huge amounts of foreign investment and loans in the factory sector and allied infrastructure industries. By and large, these papers do not give additional insights into the nature of the crisis, either by way of analytical rigor or facts.

As far as the *diagnosis* of the crisis is concerned, the unanimous decision is that fiscal imbalance is the key. In recent years, especially over the past decade, the revenue account has been systematically showing a deficit. Presently, the deficit is just under 3 per cent of GDP. This means the Government is resorting to substantial borrowings, both internal and external, to provide for current expenditure which yields no return. This has been well brought out by the authors and supported by recent data.

The relationship between fiscal and trade imbalances has emerged convincingly from the papers. The authors also show how the trade imbalance got exacerbated, in the liberalisation drive of the mid-eighties,

paucity of external fund and set back to exports due to the gulf war. Once again, the arguments are well supported by recent data.

However, other than two papers, one of which deals with food subsidy and the other, which discusses past sectoral policies as leading to the present crisis, the analysis in this category is at an aggregate level. The section could have been enriched if some authors had taken up a discussion and analysis of some of the intractable problems underlying the fiscal imbalance, such as issues related to the tax structure, unaccounted money, centre–state relationships, the unorganised sector, etc. The political economy of fiscal policy formulation has also received a rather pedestrian treatment. This neglect is rather unfortunate since future fiscal discipline will be heavily dependent on how we tackle these issues.

On trade imbalance, the discussion is at an aggregate level, though one author, very ably has pointed out how misutilisation of external finances has contributed to the trade imbalance. This is an important inclusion since most of the debate on trade policy is heavily weighed in favour of economic arguments, while the non-economic considerations, which are very important, are relegated to the background.

On *treatment*, the authors are equally divided on the suitability of the present economic policy, viz., a policy of slashing imports and rescheduling debt. The arguments in either case reflect more ideological biases than economic analysis. For example, at times, the experience of “Asian Tigers” is dismissed as incomparable and the Latin American experience considered the most relevant. At other times, it is vice versa. The fact is that it is too early to say whether the new economic policy will work since the reforms are still underway. Also, it is immature to indiscriminately draw conclusions from the experience of other countries since “other” conditions are not similar between the countries.

Never the less, certain concerns expressed by some authors about the new economic policy framework, need mention. First, will the new economic policy solve the problems of poverty and unemployment? Will it be through market driven forces or direct and efficient public provision of the basic human needs of the poorer sections? If so, is the Government gearing up to that? One author suggests a change in the approach to rural development to focus more on eradication of illiteracy, restructuring of education for better skills, basic health facilities etc. Another author suggests a greater emphasis on employment generation and production of wage goods.

On the new economic policy itself, it has been pointed out that whether it is foreign investment, NRI, or export policy, “the proposals appear to be only marginal adjustments in the status quo, and in other areas where



complementary policy changes are urgent (licensing and exit policy) the proposed changes, seem slow and tentative.” This is an important observation and has larger implications in terms of whether political courage will be forthcoming to alter domestic policy to provide necessary support to the economic programmes.

On the whole, the volume contains a number of interesting papers on the various facets of the Indian Economy. There is, however, scope for improvement on the get-up of the book (it is rather loosely bound), as also on editing and printing, particularly when the volume is priced at Rs. 450.00.

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