

BOOK REVIEW

THE MAKING OF INDIA – AKHILESH TILOTIA

Reviewed by

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The multiple transitions that India is making and the consequences of that process of churn are what the author of this book seeks to explore in an aseptically technocratic manner. He sees the rapidly changing reality of India as bound up with the conjunction of markets and government in an interplay that is creating challenges and opportunities on a wide front, from nutrition to use of technology in governance.

In the story so far, however, the private cost of public failure – like the government’s inability to provide reliable supplies of electricity to the citizens resulting in the latter having to produce electricity on their own much more expensively than the government might have wished – has been a revealing feature, even as there have been phenomenal successes in the overall context of India’s transitions.

According to the author, it is in regard to the vast labour force that India would need to make some strenuous and far-reaching transitions in the coming years. He sets out four of them: a move away from agriculture to services and industry, a need for moving from unorganized to organized employment, a more knowledge-and-training-based workforce than just application of traditional skills and migration from rural to urban areas. The processes of transition in this context also involve strengthening of property rights and digitizing property records so as to enable easy transfer of farm lands between farmers.

The author goes on to point out that over the next ten years till 2025, 250 million people will join the country’s labour force at a time when many of the larger economies including China will for their part see a stagnation or even a decline in

their labour force. The opportunity presented by this situation is a surge in GDP; the challenge however is to develop the economy so as to find enough employment for these teeming millions. Now revelations like the fact that employment creation has remained stagnant at 6.5 – 7 million per year and the elasticity of employment growth has fallen from 0.16 to almost zero over the period from 1994-2000 to 2005-10 are disturbing. The elasticity of employment in India has remained low owing to the fact that the overall number of jobs has not grown much even as there is a significant churn in sectors that create jobs like trade, hotels and restaurants and construction. Overall, keeping the unemployment rate from growing hinges on a growth of 7.5% per annum. [These calculations can be further upset if a larger percentage of Indian women were to aspire to work].

Turning to job creation opportunities that exports provide, the author analyses the country's realizable potential from the points of view of expansion of foreign markets on the one hand, and on the other, conquest of the domestic market through creation of productive capacity in such areas as energy, telecommunications equipment and electronics. Aggressive investment in agriculture and processed food, leveraging FDI for promotion of labour intensive as well as technologically advanced industries, liberalisation of terms for FDI in banking, insurance and retail and indigenous manufacture of defence equipment are all mentioned as possible steps to increase both foreign exchange earnings and foreign capital flows. The structural reasons for the low Indian export competitiveness have also been addressed to throw light on how India had come to miss the high export performance associated with East Asian countries despite several favourable resource endowments. This part of the book makes no mention of the 'make in India' strategy although the proposed measures to scale up India's export trade include most of what is usually discussed as part of that strategy. There is even a suggestion for measures to make monetization of gold easier through instrumentalities like gold loan companies. On the other hand, no data on the employment potential of export trade have been given.

The shape and size of India's urbanization form an important part of the study, accounting as it does for \$2 - \$2.5 trillion over the course of the next ten years. It

makes the point that urban development in India would need to focus on making large cities or mega urban regions liveable rather than creating new ones, as China has done. On the other hand, even if India's urbanized area was to double in the next decade by co-opting agricultural land there is little likelihood of cities swallowing up agricultural or forest land, as feared by civil society and policy makers, since urban space would still account for only six per cent of the country's land area. But humongous problems would still confront urbanisation, not the least of which a slum population that currently amounts to 65.5 million. Furthermore, intra-city transport systems, water services and power would call for a radical departure from current practices in making them available. If infra-structure like the Delhi-Mumbai Industrial Corridor stimulates manufacturing activities, it could lead to the emergence of an urban corridor. On the side of governance, as urban areas become more aware of the need for effective solutions to their problems, they will demand locally responsible governments.

As to agriculture, where the book yields several insights, the author argues that while large price increases under the government's minimum support price [MSP] scheme have led to rising profitability, the sector as a whole suffers from a poor landholding structure, layers of intermediation and frail logistics. If judged by market prices for land, the return from farming is low. On the other hand, the profitability of cultivation as such has significantly increased over the last few years, with the country being today in the midst of a revolution in farmer incomes and a massive supply response, also driven largely by increased global prices and the price upswings under MSP.

Analysing the impact of the government's support price for cereals, the author points out that it has led to India producing a lot more cereals than it needs and much less milk and vegetables. But while that is so, both food expenditure and cereals as a proportion of food expenditure are falling, paving the way for a more diversified agriculture where the total output of fruits and vegetables has almost doubled in less than a decade. The author observes that such changes in the production profile has to contend with the obstacles posed by the landholding structure and the agricultural supply chain. On the positive side, however, the

agricultural products marketing regime is being reformed across the country in a move towards the disintermediation of the APMC market.

The chapter on governance pursues the theme that digitization of interactions among citizens, government and business can fundamentally modify the way Indians live and do business. In respect of tax filing and returns, voting in general and state elections and in railway bookings across the nation, the digital framework has already made for meaningful changes in government-to-business and government-to-citizen interactions. Similar changes have been effected through digitization of cooking gas distribution and in increasing measure in maintenance of land records. The most visible aspect of the digitisation – the Unique Identity – due for completion by the end of 2016 receives detailed treatment in terms of its pervasive effects on e-governance including its role as the identifying link between citizen and government schemes. The conclusion of the author: digitization is not a panacea to the ills of bureaucracy. It, however, does provide meaningful advantages not the least reversing the decline in the output of effective governance. More interestingly the author expresses his satisfaction at the missing piece in the public goods through interaction between various databases which, until the various segments of the government start talking to each other digitally, would allow an average Indian a modicum of privacy from the prying eyes of the state.

The author sets out a predictive model projecting Indian consumption patterns in 2025 on the assumption that the country will have created sufficient employment opportunities, increased productivity in the agricultural value chain and registered successes in the provision of public goods. On this showing, India in 2025 will have more than doubled its market in real terms and generated higher incomes such as would shape far-reaching consumption and saving changes by 2025; the evolving and emerging categories will comprise about 240 million out of about 330 million households. The top three categories will have grown more than 4.5 times to 77 million households. The real rich, upper category and prospering categories put together will by 2025 command almost half the market by value even though they will account for less than one-eighth of the number of households. In purchasing parity terms, they will account for more than half of all the households in the US currently.

The approach that the author advocates for the crucial years ahead for India is to move away from the certitudes of ideology or dogma. The country will need to design changes to achieve equilibrium between competing interests, whether it is market reforms and government intervention, rights of citizens and obligations of the state or the private sector and the public sector. There is no right answer but “only a judicious balance that needs to be achieved at various points of time”.

It is very much a technocrat’s perspective which is what this book is all about. One of its principal arguments is to highlight right prices arising from efficiently functioning markets as the instrument to balance the aspirations of varied stakeholders. “Getting the government out from its inherent tendency of vitiating prices will be the key change that we in India should aim for”, says the author – a proposition with which those who support the need for domestic regulatory and political institutions in the specific development context of India would not agree.

Indian transitions, the central concept of this book, have also engaged other writers. There is the well-known model of Manish Sabharwal consisting of five labour market transitions that we need to accelerate in India: farm to non-farm, informal to formal, rural to urban, subsistence self-employment to decent wage employment and school to work. And there is the more comprehensive model of Bhanu Pratap Singh, the political theorist, that sets out four simultaneous transitions that India has to accomplish: the economic [sustainable high growth, participative]; the institutional [transition from a state based on vertical accountability, secrecy, centralization and wide discretion to one based on horizontal accountability, transparency, participation and the exercise of discretion governed by public reason]; the political [movement from a plutocratic, closed, patronage-based system invested in mobilising identities in a debilitating way to a less corrupt, open, competition-based system where identity did not disable reason] and the social [with focus on social failures in addition to state and market failures and on social processes that constantly produced a low trust society that wrecked its ability to cooperate].

Tilotia’s transitions may not have much the same sweep, but the arguments he makes are bound to have a wide resonance.

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