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Book Reviews

District Level Deprivation in the New Millennium, Bibek Debroy and Laveesh Bhandari, Konark Publishers Pvt. Ltd., New Delhi. 2004. Pp. 200. Rs. 3000.00.

Human Development approach to understanding development concentrates on human well being more than the economic dimensions like income and growth. And the means to achieving non-economic dimensions of well being is always debatable. There are basic needs to ensure human well being along with need-based priorities on different dimensions to make up for the under-privileged. The failure to achieve these basic needs is considered as deprivation. Deprivations have multiple dimensions, e.g., illiteracy, starvation, unhealthiness, where income poverty is one among them. Developing countries such as India experience multiplicity of all these deprivations. Given the heterogeneous characteristics of Indian economy and society, the level of deprivations vary across sub-population groups defined by their geographic (or spatial) and socio-economic characteristics. As a matter of fact there are high levels of deprivations among the socially and economically weaker sections of the population and some geographical locations.

While measuring the levels of deprivations aggregate measures always conceal the variations across population more than what they reveal. Disaggregated analysis of development experience serves as an eye opener when the aggregated descriptions mask a lot of extremities that gets averaged. But the basic constraint is the availability of data with respect to the level of disaggregation and the indicators in question. There have been efforts made to describe the development experiences at the state and the regional levels. And therefore a district level description may always be more meaningful in understanding the situation at the level of this administrative disaggregation. Apart from this it would also help in implementing the required action measures given the administrative hierarchy of federal states in India.

This book under review is a noble effort in that direction. The focus of the book is on assessing the human development/deprivation in four dimensions, namely, living standard, health, education, and gender equity. A pair of indicators represents each of these dimensions. The purpose behind a pair of indicators is to represent scale and intensity in poverty while the same is to represent outcome and process in case of the health dimension. Similarly, education dimension is represented by literacy rate and gross enrolment rates and the aspect of gender disparity is represented by sex ratio of the child population (aged 0-6) and the ratio of female to male literacy levels. The fundamental exposition of the book is entirely on geographic differences in development/deprivation experience.

The book consists of three sections, which in turn comprise eight chapters. The first section presents the introduction and a review on assessing the regional disparities in India since Independence in Chapters 1 and 2 respectively. Following that the second section presents the measurement and the status of four basic dimensions of deprivation (Poverty and Hunger, Health, Education and Gender Disparity) respectively in four chapters (Chapters 3-6). The third section delineates the methodology followed in identifying the most backward districts in India and their characteristics in Chapters 7 and 8 respectively.

The basic observation made out in the book relates to greater number of districts being found backward in states with larger population size leading to an inherent argument that development of backward regions lies in creation of smaller states. Secondly, as the common feature of backward districts is in terms of low infrastructure (economic and social) facilities, that needs to be the focus of policy intervention towards reducing disparities.

Apart from this basic observation, the results are largely dependent on methods adopted to reflect backwardness. Hence, a critical valuation of the methods is needed, which is of our concern. Defining backwardness could be in absolute terms, which needs a benchmark criterion for all the eight indicators separately. However, such a criterion may sometimes find each of the districts of India as backward according to one or the other indicator. Given this complexity of the benchmark procedure in defining backwardness, the relative backwardness concept is preferred. But, such relative criterion is often subjective and purposive.

The authors have defined the concept of relative backwardness in conventional terms, i.e., treating the lowest rung of districts according to a criterion of (either 5 per cent, 25 per cent) across all the indicators. Then characterising backwardness has been in terms of being backward according to four or six out of eight indicators under examination. However, such relative measurement though common loses sight of the characteristics of different indicators. Relativeness on such dichotomy may sometimes be misleading in the sense that each of these indicators represents a phenomenon which has a distribution of its own and the outcome of that phenomenon is what is represented as an indicator. Hence relative assessment needs to be converted into a common scale of deprivation which is comparable across indicators. Also such a scale will reveal the distribution of each indicator well.

Defining the bottommost districts as a criterion of backwardness across a range of indicators somewhat presumes that each of the phenomenon represented by an indicator follow a similar distribution. Considering the indicator like infant mortality in a range of 8 and 125 and literacy rate in the range of 31 and 96 will hardly provide equivalence in backwardness based on a fixed criterion of lowest 25 per cent. These varied dimensions of development are differentially sensitive to their pace of change.

Other subjective arguments too may arise in relation to chosen indicators. While measuring the educational development across districts, one of the two indicators is gross enrolment rate. It is a well-established fact that it has its weakness. For elementary school level, the rate is total children enrolled in elementary school as ratio of estimated child population in the age group 6-14. First of all, those enrolled in elementary school may not be in the age 6-14 years. Enrolment does not ensure the children to be in the school. In many instances, it is observed that children’s names are there on the rolls but they are at work. To avoid such discrepancies, one may use census-based information, which is more reliable and consistent.

Another approach of categorising backwardness could also be thought of in terms of mismatch across various dimensions of development in accordance with the principle of fixed response. Often improvement in each of these development dimensions need to be valued only when they have the corresponding implications on other dimensions too. Such an approach could perhaps break the rule of the developed getting developed and backward remaining backward.

Such dichotomous categorisation of backwardness based on `*below and above*’ criterion often ignores the distribution of deprivation. The pair indicators considered here to represent various dimensions could partially address this problem, provided the level indicator was adjusted along the lines of the intensity component of the said dimension.

This analysis of backwardness at a district level cannot be entirely in isolation from the backward analysis of states, i.e., if a particular state is backward, the propensity of its districts to be backward increase. In such a circumstance, there needs to be different norms of backwardness to be followed while designating backward district across different states. On the other hand the ratio of backward districts to developed districts in various states would largely reflect the extent of developmental disparity in concerned states.

More than just attributing backwardness, it would be of greater use if one could assess the degree of backwardness too. And such a degree of backwardness needs to be robust enough to be comparable across districts whether it is in a developed state or a backward state.

Despite some of these methodological reservations against this exercise, the authors need to be congratulated on this presentation of dynamics of deprivation across Indian districts. There is no doubt that it conveys a better understanding of development disparities as well as points our focus of attention to the level of a district, where policy intervention is desirable. The authors have made a definite contribution in terms of providing relevant information at the district level, which could facilitate further in-depth analysis. Many more such attempts will necessitate information collation at a disaggregated level as well as facilitate development initiatives suiting to prevailing realities of differing forms of backwardness. On the whole, this book is a worthy addition to literature on regional disparities in India and could be considered just and timely given the current emphasis on decentralised governance.

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Coping with Risk in Agriculture, J.B. Hardaker, R.B.M. Huirne, J.R. Anderson and G. Lien, Second Edition, CAB Publishing, U.K., 2004. Pp. xii+332. £ 27.50.

Banking sector reforms introduced in the 1990s as part of the process of liberalisation and globalisation of the Indian economy seem to have merely sought to mimic the concepts and models of risks in developed countries like the U.S.A. These reforms had an adverse impact on the agricultural sector. It appeared that public sector bankers suddenly discovered that agriculture was a "high risk" business and shied away from lending to agriculture. The relative magnitude of flow of credit to agriculture shrank and the interest rate regime which appeared to have been designed to pamper the private corporate sector openly discriminated against agriculture. Were not non-performing assets (NPAs) high in agriculture? Hence a risk premium has to be built into the lending rates to agriculture. Even a small farmer had to pay, till recently, an interest rate of 12 per cent at a time when corporate elites could raise money from banks at 6 or 7 per cent. Worst of all, there was a sizeable disenfranchise-ment of small farmer borrowers.

This phase of banking reforms has sparked off renewed interest in India in the basic concept of "risk" in agriculture. It is in this context that the above standard textbook on risk in agriculture evokes contemporary interest in India. This popular textbook identifies four main risks in farming business, namely, production risk, market risk institutional risk and personal risk.

Collectively, this is called business risk.

(i) Production risk stems from the unpredictable nature of the weather and the consequent performance of crops or livestock.

(ii) Market risk refers to uncertainties regarding prices of farm input and outputs. Increasingly, farmers the world over, are being exposed to unpredictable markets for inputs and outputs. Thus price or market risk in the sense of pricing inputs and outputs has become significant over time. Price risk also includes risks arising from fluctuations in exchange rates.

(iii) Institutional risk embodies political risk, which means changes in policies or measures which affect agriculture adversely. Changes in price support measures, in input pricing, in marketing arrangements - all these may affect the profitability of farming.

(iv) Finally, there are personal risks: prolonged illness of the head of the farming family, or his death is an instance in point.

The totality of these risks is business risk which faces the farming unit - and this is independent of how the unit is financed. Thus financial risk is independent of the business risk. There are financial risks in using credit by the farmer. Availability of loan or credit, inadequate quantum of credit, unexpected rise in interest rates on these loans, unexpected calling - in of loan by the lending institution - all these are financial risks faced by the farming unit.

This is an excellent textbook which provides concrete examples and models for risk analysis in agriculture of the developed economies. The authors emphasise that the computing and software revolutions have revolutionised agricultural risk analysis and that the book seeks “to spell out to potential users just what can be done today in risk analysis” (page XI). In risk management, what is important is decision analysis, which connotes a bunch of methods designed to rationalize and assist choice in an uncertain situation. In an Appendix, the book lists selected software for Decision Analysis (page 320).

At this point, it is pertinent to pose the question: How far such risk analysis is relevant to Indian agriculture? The trouble with our monetary and credit policy makers of the 1990s and also public sector bankers during this period was that their perceptions of risks in agriculture were influenced solely by farming models in developed countries like the U.S. or Australia. Textbooks of the type under reference are entirely based on such models, understandably because they are meant for the farmers in developed countries.

Take the business of a farm as given and assess the risks involved in lending to such a unit. In other words, we interpret the risk in lending, taking the farm as it is situated at a given point of time. This sort of approach may be alright for farming in a developed economy. In the case of a developing economy like that of India the real task of facilitating agricultural growth consists in seeking to reduce the incidence of risk itself. Of course, this task of reducing the risk is a cooperative enterprise of both the Government - Central and State Governments and the whole range of Panchayat Raj institutions on the one hand, and lending institutions like commercial and cooperative banks and NABARD on the other. That is, all lending institutions become partners in this task of risk reduction and it should be the business of these lending institutions to so devise their lending policies that their end result is not only growth-enhancing but also risk-reducing. Collectively, therefore, lending institutions should seek to change the risk profile of the agricultural sector as a whole. Do not be content with merely interpreting the existing risk but seek to change it. This motivation lends an entirely different perspective to our basic approach to lending. Viewed in this context, the present practice discussed earlier, of assessing the existing risk and building a *premium* into lending rates to agriculture, becomes flawed both in theory and practice.

Looking at risks in agriculture either from the point of view of an individual farming unit, or from the viewpoint of a lending institution - both these are micro perceptions and this matrix is of limited relevance to situations in developing economies. In the Indian context, there is a need to super-impose on the two micro perceptions of risks mentioned above, a macro perception of policymakers whose explicit policy objective should be to reduce the incidence of risk in the agricultural sector as a whole; and furthermore, use credit, *inter alia*, as an instrument to achieve this objective. Credit should thus be made to play a dual role of growth-enhancement and risk-reduction. Irrigation of any variety, that is digging a well, or even watershed development, provide, an ideal example of this dual role. Changing the risk profile of agriculture itself should thus become one of the main objectives of credit policy. Of course, all this would be tentamount to moving into the broader area of what might be called the "risk philosophy" appropriate to the India-specific situation. Indian researchers would do well to evolve such an appropriate risk philosophy which would provide the framework within which lending policies, interest rate, and risk management policies could be meaningfully formulated.

Mumbai - 400 050. N.A. Mujumdar

Economic Reforms Sans Development, N. A. Mujumdar, Academic Foundation, New Delhi, 2004. Pp. 203. Rs. 495.00. Overseas - US $ 29.95.

At the time when the review of this book is being written, the author of the book like similar dissenters of the economic reforms being not contextualised in India's mainstream realities which constitute bulk of its population must be now finding his/their echos being heard in the Common Minimum Programme (CMP) and in the Budget 2004 of the new government of the United Progressive Alliance (UPA). This must be gratifying to him/them. Equally satisfying is that this turn around is pledged by those very decision-makers who initiated the economic reforms in mid-1991 which did not result in broad-based benefits. More potentially gratifying is that the Budget 2004 is perhaps the first ever pro-agriculture and pro-textiles first industrialisation Budget ever since Independence. But only time will tell how long this will stay. Nonetheless, the challenge before the new government is to turn this new orientation while retaining the past positive results of the economic reforms into a sustained movement of delivering agriculture and textiles-first industrialisation growth which is more labour-intensive, besides being compatible to the objectives of poverty alleviation and development of other industries and services sector. It is in this context Mujumdar's book is not only welcome but also a timely publication.

One of the purposes of his book is to show that the economic reforms must be viewed as a means to improving composition economic growth, poverty alleviation and the quality of life relevant to a large mass of the people rather than an end in itself/means for pro-elite economic growth as has happened so far. Another purpose is to sketch the broad contours of policy correctives to realise these objectives. Both these purposes are discussed by the author by putting together his 33 articles published mostly in *The Hindu Business Line* during end-2001 to end-2003 calendar years.

These 33 articles are divided into seven Aspects: I-Macro Perspectives of Growth, II-Monetary and Credit Policies, III-Banking and Savings, IV-Utilisation of Forex Reserves, V-Crisis of Capitalism, VI-Fiscal Policies, and VII-Hunger, Poverty and Rural Development. We first review this schematic framework and then some of the contents of each of the seven Aspects rather than its every chapter keeping in view the introduction stated above.

Before doing so, one wonders why Mujumdar's articles have so much repetition. This may be because they were written over two years on different dates. It could also be because he does not want to spare the deft from his 'hammer'! But neither of these eschews him from eliminating repetition when he puts together a book. This is to ensure better incentives to the readers to gain from his analytical approach which is grounded in realities rather than in ivory tower thinking on capital market development, taxation and savings reforms - or in deterministic models giving 'arithmetic' targets for fiscal deficit, monetary aggregates, inflation, etc.

On schematic framework two issues need discussion given what Mujumdar himself has stated about the contributions agricultural and rural growth makes to overall economic growth and poverty alleviation, and the limitations of market theology to achieve the earlier stated end-objectives of economic reforms.

One of these is that the author could have written a separate Aspect discussing the issues related to Agricultural Growth, Food Distribution and Poverty Alleviation as Aspect-II following immediately after Aspect I on Macro Perspectives of Growth. He could have easily put together this by considering some parts of Chapters 2 to 5/6 in Aspect I and completely integrating the entire content of Aspect VII on Hunger, Poverty and Rural Development.

This new Aspect II could have addressed six questions. One, what factors have been responsible for the decline in agricultural growth after the reforms compared to the period prior to that? Two, is the paradox of bulging stocks of foodgrains, increased poverty and unemployment, declined agricultural growth, and fragility of high overall growth in the 1990s seeming or genuine? Three, if it is seeming as the author has rightly deduced, then how food management as it relates to minimum support price/parity price (MSP/PP) determination, quantity of foodgrains stocks procured, determining issue price (IP) for public distribution system (PDS), and allocation of the foodgrains stocks by the Food Corporation of India (FCI) for PDS and open market operations if any has led to this embarassing policy failure? Four, is the author's solution to eliminate hunger first and poverty later consistent with his own analytical construct of compatibility of both of these with agricultural and rural employment growth? Five, if it is not as this reviewer surmises from the book, then what policy correctives are needed for food management and for agricultural and (rural) employment growth? And last but not the least, how land-saving and labour with complementary capital augmenting technology-led agricultural growth makes possible employment-intensive economic growth by relaxing wage goods (food and cotton textiles) constraint, besides promoting production, demand, investment, and saving including forex contributions to mutually reinforcing sectorally more balanced economic growth with equity?

Unfortunately, however, most of the post-macro reforms debate does not address these questions except the issues related to food management and the PDS. Even on this exception both this debate and policy actions while addressing the problem of everbulging stocks of foodgrains bogged down to discussing and devising mechanisms such as the targetted or universal or complete removal of PDS, food stamps or now vouchers or part kind and part cash or full cash wage payment, dual market for the PDS operations and so on.

The moot point that seems to have been overlooked is whether the present method to determine MSP/PP based on full cost of production plus something to account for various price parities including world market prices leads to unwarranted increases in this price which in turn forces the FCI to procure as long as farmers sell to it under voluntary procurement system with competitive bidding that prevails. A related issue missed is the implications of this to stocking of foodgrains more than needed for PDS and buffer stocks. Another such issue overlooked is its bearing on fixing IP that remains below open market price to make PDS supplies a genuine entitlement to the poor, encouraging and enabling the States and the ultimate consumers to improve their off-take, and the Centre's allocation of public funds for food subsidy. Yet one more complementary issue overlooked is whether or not the lack of 'location-specific sectorally integrated community-based productive infrastructure like that for agriculture and allied agriculture activities' through food for works or employment programme with 'sufficient decentralisation with accountability at the programme level' has lead to PDS leakages and inefficient such socio-economic overheads? If yes, then how could a trinity of integrated growth of 'employment-community-based productive assets-food distribution' be achieved by the implementing institution/s? The book under review alludes to some of these issues but does not come to a grip except by way of suggesting elimination of hunger first and poverty later - a distinction that is artificial because the literature on poverty refers to caloric deficiency related poverty ratios. Moreover, the author himself recognises that the two have no trade-off with agricultural and rural employment growth.

But Mujumdar validly concludes that the 1990s was a lost decade as far as agricultural and rural employment growth is concerned. Turning around both of these would require the policy-makers to assign a 'central' place to technology-led agricultural growth of the type noted earlier without undermining the importance of developing other sectors. It would moreover need a 'conviction' from them in its potential contributions, besides in that of containing inflation, discussed above. Neither the author nor the economic reformers have still this 'larger vision' behind developing agriculture.

Harnessing this vision requires 'direct' policy of sustained public expenditure and its effective delivery for agricultural R & D, extension, embodied new inputs like seeds, irrigation and watersheds, electricity, integrated fertiliser nutrient system, etc., credit, legitimising farming by the existing tenants, consolidation of land fragments, regulated markets especially for perishables, rural roads, rural employment programmes, PDS and food subsidy for the poor, selective rationalised subsidies on fertilisers, electricity, and canal-irrigation-water as they ultimately benefit the consumers, and the product price supports one of which is based only on variable costs of production (as MSP) and the other on its full costs (as PP). Autonomous development of the new market and value addition opportunities that have both backward and forward linkages would also be very desirable. ‘Indirect’ policies such as deregulation of trade and industry, prudent financial and fiscal reforms that encourage disciplined use of these resources, and selective foreign trade and forex liberalisation would all be useful supportive policies.

Mujumdar mentions many of these ‘direct’ and ‘indirect’ policies but his discussion on their rationale reads diffused. More importantly, it does not convey the earlier stated potential positive contributions of agriculture to employment-led economic growth and poverty alleviation though it is perhaps unintended. These weaknesses of the book could have been overcome had the author analysed the six questions stated at the outset by conceptualising a synthesised framework as part of the new Aspect II on Agricultural Growth, Food Distribution and Poverty Alleviation.

Our second comment on the schematic framework is that the sequencing of the different Aspects could have been different. Immediately after discussing the new Aspect II there ought to have been a discussion on Fiscal Policies as Aspect III instead of VI. This could have been followed by an analysis of Monetary and Credit Policies as Aspect IV rather than II. Then there could have been a discussion on Banking and Savings as Aspect V instead of III. Aspect IV on Utilisation of Forex Reserves could have formed Aspect VI and Aspect V on Crisis of Capitalism could have been the last Aspect VII.

This sequence is justifiable on more than one grounds that can be identified from the book itself. For example, the author considers the neglect of agricultural and rural development in the post-reform period as his central thesis on the lack of sectoral spread of economic growth as well as on the fraility of high past overall growth. Similarly, the discussion on Fiscal Policies as an Aspect of III would have read quite consistent with the direct attack on the Washington Consensus being short-sighted and inconsistent in its advocacy of ‘arithmetic’ targets related to fiscal deficit, monetary aggregates, inflation, etc., besides with its own plea to pursue the objectives of economic growth with equity. Moreover, it would have formed a convincing basis to make a case for public expenditure on agricultural and rural employment growth as it requires developing country-specific technological, institutional and economic infrastructure in whose case market failure is common and/or markets work imperfectly and to the disadvantage of the poor. Such examples from other Aspects can also be highlighted. We propose to discuss them as a part of our review of some of their important contents following the sequence proposed above. In doing so we shall also illustrate which according to Mujumdar are strong or weak reforms on various Aspects.

Four important contents of the Aspect I on Macro Perspectives of Growth may be commented upon. One, economic reforms transformed the closed, centrally planned economy to an open, largely market driven that is characterised by removal of licence permit raj, dereservation of industries reserved for the public sector, trade, financial and forex liberalisation and so on. These and related reforms were supposed to promote "faster growth of the economy, aided by improved productivity and efficiency and making it competitive both domestically and globally". But the author has well demonstrated that these reforms have not produced sustainable high growth in gross domestic product (GDP) nor its base is broad enough nor resilient to agricultural growth. Moreover, the domestic saving rate has even declined. But Mujumdar rightly considers that these reforms were critical to overcome the crisis of mid-1991 though they then needed to be given a secondary position to pave the way for the State activism through decentralised planning for accelerating growth with equity.

Two, in pursuing such an approach his reference to the experience of the country-specific economic reforms rather than Washington Consensus that the East Asian economies followed to devise home-grown economic strategy of 'shared growth' and to focus on domestic institution building to implement it reads convincing. Unfortunately not only India did not do this but even substituted "trickle down" theory of growth for growth with equity even though its planners in 1950s itself maintained that equity was as important as growth in the development process.

Three, devising economic reforms suited to achieving earlier stated their three objectives would, according to the author, require all the policies related to fiscal, monetary, trade, forex and wage goods surpluses to address to the sectoral spread of economic growth with stability and equity. In so doing relying merely on deterministic policy targets of fiscal and revenue deficits rigidly or money supply could prove counterproductive. Similarly, since inflation is both a monetary and non-monetary phenomenon, besides being vulnerable to the price of crude oil in which India will always be import dependent conventional output-money-prices relationship approach may not prove adequate to determine the desired level of fiscal deficit/money supply for growth with stability.

And four, Mujumdar's plea for the need for the development conscience factor is unquestionable not only for promoting corruption-free governance but also for compassion required for broad-based economic growth, reducing poverty, and eliminating illiteracy and disease. Even his advocacy of self-control, charity and compassion to achieve these is unrefutable. The practice of charity must, however, recognise that it does not thwart development of self-esteem and decision-making qualities and abilites among those assisted. Moreover, self-control and compassion must be based on the foundation of integrity-a philosophical value underlying them. But the author wanting to incorporate the development conscience factor into building growth models reads a wishful thinking!

For Aspect II on Agricultural Growth, Food Distribution and Poverty Alleviation the discussion on which is spread over Aspects I and VII, eight specific issues need to be reviewed. One, Mujumdar rightly states that the decade of the new century "inherited the debris of the rural economy shattered by misconceived economic reforms". But he fails to identify what they are except the increased and regressive interest rates on rural credit which was an outcome of deregulation of interest rates for the economy, besides the policy failure in using large foodgrain stocks to undertake employment and poverty alleviation programmes. However, more importantly the economic reforms relied on improved terms of trade as a result of the deprotection of trade and industry for agricultural growth. The instrument of better terms of trade is "misconceived" for it has an '*a priori* ambiguous' impact on this growth due to substitution, income and wealth effects which work in opposite directions as is shown by this reviewer. But, this should not be misconstrued as suggesting deprotection of trade and industry is not a positive reform. This is because it would improve the structure, conduct and performance of the markets in the economy. Furthermore, the author rightly recalls that farm supply response to this price factor is feeble but more potent to the non-price factors like technology, extension, rural infrastructure and so on though he refers this for an export crop without de-emphasising the selective export optimism.

Two, the author's case for broad-based agricultural growth rather than enclave farm growth that may result from export opportunities under WTO provisions to which also economic reforms attached importance for this sector's growth is convincing. This is because of the potential impacts of the same price vis-à-vis non-price factors, world market for farm commodities being imperfect and demand conditions in this market being not as stable and income-elastic as it is made out to be even for the value added items. Moreover, India being a large developing country domestic demand is not a binding constraint to its agricultural growth.

Three, on agricultural diversification which also economic reforms considered as a significant source for improving agricultural growth Mujumdar agrees with the official and some researchers' view that this is hampered due to lopsided price supports for oilseeds, pulses, etc., as against for wheat and paddy. But the problem with this assessment is that this diversification is more a function of relative profitability, infrastructure including institutions especially for the perishables, demand conditions and agro-climatic factors. Given the present scenario on this it seems agricultural diversification cannot be an engine of this sector's growth in the near future. Moreover, it too would require the kind of technological change that is stated earlier for its total factor productivity growth which needs public spending on technology, extension, rural infrastructure, etc., and its effective delivery.

Four, economic reforms moreover placed a great pin of hope on futures trading to improve farmers' share in consumers' price and agricultural growth in general. The author's recall of not so happy experience with such past policy for wheat and cotton is noteworthy. More importantly, such trading mainly serves as a hedge against price risk and may improve market structure which will tend to benefit the larger farmers more than the smaller ones who constitute the bulk of producers. Even then this policy may be termed positive as it may lead to efficiency in market supply chain which could be beneficial in the long run and indirectly and hence requiring a secondary place for broad-based farm growth.

Five, Mujumdar's repeated reference to China as a success story for rural non-farm enterprises promoting both growth and poverty reduction reads like an anecdotal evidence!

Six, it is not clear whether the author considers Rural Infrastructure Development Fund (RIDF) which is also a legacy of the economic reforms as a positive policy. RIDF is parked with NABARD by the public sector commercial banks' shortfall in meeting their priority sector target for agriculture to on lend it to the State Governments to complete their unfinished rural infrastructure projects. Such a policy implies using depositors savings instead of fiscal resources to finance infrastructure development which is the responsibility of the government. Here is a clear case of mismatch between (banking) instrument and (fiscal) purpose though the goal of developing infrastructure is laudable. State Governments' lukewarm response of using only 30 per cent of RIDF may also be related to this mismatch, besides their poor ability to repay the loans due to inadequate fiscal and other resources and/or powers to raise them at least in the short run. Moreover, such a policy would discourage the banks to develop their organisational capability to lend to agriculture and rural sector for its technology-led growth.

Seven, the author's diagnosis of failure of Government of India's sticks to dispose off excess foodgrains stocks through free supplies for food for works programmes, relief works and open market operations by the States without carrots required to meet the supplementary (non-wage) costs makes an unequivocal reading.

But, lastly, his perception that in the last 50 years no dent has been made on reducing poverty is misplaced. By its very nature poverty ratio fluctuates due to such factors as seasonality in employment, wages and so on. But both the 'peak' and 'trough' in this ratio are lower in post-mid-1960s till 1990 upto which comparable data are available for study. Further, in post-Green Revolution (GR) period upto 1990 rural poverty ratio had a declining time trend with its statistically non-significant acceleration, while urban poverty ratio had a similar time trend but with its statistically significant acceleration. But prior to GR this ratio had an increasing time trend with statistically significant deceleration in both rural and urban India. This is not to deny that after the macro reforms of 1990s the poverty ratios and living standards seem to have worsened poignantly especially for the rural sector and the low income groups in urban areas.

The contents of Aspect III on Fiscal Policies could have different sequence from what the author has to bring out how coherent/incoherent these policies have been for sustained increase in saving, investment and growth with equity. For this he could have first discussed fiscal prudence-centre must lead the way (Chapter 28) by showing how the beneficial impacts of the positive reforms for fiscal consolidation of the States could be nullified without similar reforms for the Centre. This would be more so by implementing Kelkar Committee's tax reforms which envisaged withdrawing exemptions for interest on bank deposits, small saving schemes of the post office, owner-occupied housing loans, etc., but not imposing tax on the dividend income of the shareholders, long term capital gains on equity, distribution of dividend by the corporates, besides discontinuing MAT (Minimum Alternate Tax) on corporates (Chapters 25 and 26). The avowed objective of this Committee's tax reforms is to develop capital market both for the private and the government securities issued on the stock market (Chapters 25 to 27 and 29). Such an analysis would have also exposed how incomplete, if not counter-productive, these reforms are to accomplish the rediscovered priorities of the Budget 2003 even though it rightly rejected some of the direct tax reforms related to withdrawal of exemptions for small savers and imposed a tax on dividend distribution by the corporates (Chapter 27). Three specific observations are warranted in this context from Mujumdar's analysis.

One, reforms for the States' access to Reserve Bank of India's (RBI) Ways and Means Advances (WMA) and overdraft in excess of it are positive but the Centre's unlimited access to RBI's resources even with its Fiscal Responsibility and Budget Management Bill may not create an integrated fiscal prudence and consolidation for both the revenue deficit (which is primarily rooted in the adoption of the Fifth Pay Commission's recommendations around mid-1990s) and fiscal deficit of the Centre and States together. Such an attempt at fiscal consolidation may even result in States being deprived of resources and directions to develop the sectors like agriculture which are under their jurisdiction.

Two, the policy of developing capital market for both the private and government securities by encouraging small savers to invest in it rather than in bank deposits, small saving schemes of the post office, etc., may neither improve overall saving and investment nor government's resources, notwithstanding the positive reform of modernising tax administration suggested by the Kelkar Committee. This is because the Budget 2003 did not reject this Committee's recommendation of not taxing long-term capital gains on equity nor that of discontinuing MAT on corporates. It is also because yields on investments in securities are lower and more risky compared to those on saving instruments like deposits, National Saving Certificates (NSCs), Kisan Vikas Patras (KVPs), Indira Vikas Patras (IVPs), Public Provident Funds (PPF) etc. Moreover, both the number of outlets and their geographical spread for the banks and post offices are much more than those of the stock brokers. Reddy Committee on Small Savings itself has shown that the annual growth of gross collections of small savings was 17 per cent and that of bank deposits 13 per cent during 1990s. But the capital raised through new issues on the stock market reduced to Rs. 7,000 crores a year towards the end of 1990s from Rs. 10,000 crores a year in the early 1990s though it was expected to rise to Rs. 50,000 crores a year. Thus, the direct tax reforms together with the policy of developing capital market are not congruent to the criteria of efficiency (minimisation of distortion in resource allocation), equity (progressiveness of effective tax rates which is no longer questioned using Laffer Curve theory as it has neither conceptual nor empirical validity), and revenue-neutrality. This has potentially serious consequences of increasing revenue and fiscal deficits and lowering tax to GDP ratio which are endemic to India's public finances.

And three, Budget 2003's 'rediscovery of priorities for major boost to infrastructure, accelerated growth of agriculture and industry, poverty alleviation by using large foodgrains stocks, lending rates to agriculture and small scale industries to be not more than 2 per cent of the prime lending rate (PLR) of the public sector commercial banks (PSCBs), exorting States to develop micro-credit through SHGs-Banks linkage programme' is welcome. The Budget merely states 'allocation' of public expenditure on National Highway Development Project, Prime Minister's Grameen Sadak Yojana, and Antyodaya Anna Yojana but it does not indicate how it will finance this expenditure. For agriculture it solely relies on the availability of credit, its reduced cost, and a Central scheme of hi-tech horticulture and precision farming for which even public expenditure 'allocation' is not envisaged. More importantly, 'allocation' of such expenditure on mainstream agriculture is not even proposed. All these could be a result of fiscal policies being not devised in an integrated framework for both the Centre and States even with the positive policy of reforming state PSUs, power sector and fiscal consolidation being drawn up by the Centre with 18 States. This may be the pointers towards Mujumdar's apprehension that the policy-makers in India still seems to be under the shadow of the World Bank/International Monetary Fund (WB/IMF) theology of 'arithmatic' targets of fiscal deficits derived from steady state approach that makes *ceteris paribus* assumptions, besides perhaps not allowing for factors like gestation periods for growth impacts of public and private expenditures including investments in various sectors.

Two major issues of Aspect IV on Monetary and Credit Policies may be discussed to assess whether the nature of financial system and the role of interest rates evolved from the economic reforms were suitable to the main theme of the book under review. Both these issues have some overlap with Mujumdar's discussion on Aspect V on Banking and Savings which will also be considered to an extent in this discussion.

The type of financial system evolved is characterised by an over-emphasis on the development of the capital market for both private and government securities, non-banking finance companies (NBFCs), private mutual funds, foreign direct and institutional investments, etc., at the neglect of co-operatives, PSCBs, development finance institutions (DFIs), post offices, and public sector mutual funds like UTI. Another feature came to the fore was 3 Cs—Consumer Credit, Corporate Credit and Capital market-related activities all of which is now waning but still persists because of the Corporates' clout and lack of stern and balanced policy actions by the RBI and Government of India.

One illustration of such an action is letting the banks to invest more than 25 per cent net demand and time liabilities into government securities as a part of the statutory liquidity ratio (SLR) prescribed by the RBI. In March 2003 this investment to deposit ratio was about 39 per cent which amounted to Rs. 195,974 crores with zero-transaction costs and zero-risks. Moreover, this amount was even larger than the gross borrowings of the government. This along with the new culture of 3 Cs have resulted into the productive sectors like agriculture, small industries, tiny enterprises, etc., which are all labour-intensive and growth-oriented being deprived of bank credit. This problem has persisted throughout 1990s despite RBI's some positive reforms like adoption of prudential norms, capital adequacy, issue of Kisan Credit Cards (KCCs), increasing the credit limits for farm inputs distribution business, liberalising collateral requirements for dispensing SSI loans, encouraging SHGs-NGOs-Banks linkage programme whose credit would be considered as a part of priority sector credit, and such loans to be classified as loans to the weaker sections. This is because the banks' credit-deposit ratio hovered around 50 per cent, besides most of these policy changes are procedural rather than strategic which was the need of the hour.

Mujumdar's suggestion of imposing a ceiling of say 30 per cent on SLR investment is convincing. There may also be a case for levying a penalty if any bank exceeds this limit. RBI may moreover persuade the Government of India not to rely on excess SLR investments to reduce its fiscal deficit through such shortsighted and temporary resource mobilisation. This is because they have resulted from artificially high yields on government securities. Moreover, when such yields decline they may adversely affect banks' long run sustainability. Also the reduced yields may set a tone for lowering interest rates on savings of the household sector which constitutes the single largest component of the saving in the economy with consequent decline in investments. Instead, for reducing fiscal deficit to GDP ratio, the Government of India may mobilise more enduring resources such as from improving efficiency and equity criteria for direct taxes, ensuring better tax collections, targetting public expenditure to programmes with a potentially short gestation-led growth with equity impacts, rationalising this expenditure by eliminating overlapping schemes, enforcing revenue collection for electricity use that is not billed and so on. Unless such an integrated and comprehensive approach to fiscal policies for both the Centre and the States is adopted to reduce their revenue, primary and fiscal deficits is adopted, the present policies may continue to crowd out rather than crowd in public and private expenditure or/and investment for the sectors that are deprived of credit and growth. This may be politically difficult but it is justified by good country-specific economics implies good such politics for the development of these sectors which is in the mutual interests of both the Centre and the States.

On the role of interest rates evolved it must be first stated that Mujumdar welcomed the RBI Governor, Dr. Bimal Jalan's resistance to reduce the Bank Rate and cash reserve ratio (CRR) which was lobbied by the corporates in April 2002. The author even lauded the skill with which the Governor did this without offending those who preferred otherwise. He even recognised the success with which RBI reduced the yields on government securities, besides being flexible in lowering the Bank Rate or CRR or both if situation related to liquidity and inflation warranted it. But the RBI giving in, according to the author, to reduce the Bank Rate, Repo Rate and CRR each as early as in October 2002 and also in April 2003 by 25 basis points, respectively, was unwarranted. The prevailing level of liquidity did not require injecting additional liquidity for the banks would not borrow it. Similarly, lower cost of credit through reduction of Bank Rate and Repo Rate was unjustifiable for the existing lending rates including PLR were already low for all segments of the borrowers. Only exceptions were those in agriculture, small scale industries, self-employed rural and urban enterprises etc. for whom the deregulation of these rates with minimum prescribed rate of 11.5 to 12 per cent was more on paper. Indeed, credit disbursed by the banks at sub-PLR level was as much as 33 per cent which was mostly pro-corporate and consumer credit. Another reason is that such soft interest rate regime would force the banks and Government of India to reduce their interest rates on deposits, bonds, and other small saving instruments like NSCs, KVPs, IVPs, PPF, etc., which would hurt the core segment of the household sector's saving. And if such an action is not taken it would make banks' viability fragile, besides perhaps increasing the government's deficit.

But in the wisdom (!) of RBI and the Government of India softening of the interest rates regime was needed to reduce the fiscal deficit, besides encourging lending to the private sector. Mujumdar, however, contends that fiscal profligacy was interest-neutral and more due to the large size of government borrowings including under SLR. Moreover, yields on government securities were brought down from artificially high rate of 14 per cent to about 7 per cent. He in fact prefers somewhat higher yields to discourage the government to borrow more. He also advocates increasing interest rates on small savings as in his judgement after some level of such savings they are more interest-responsive. But what he overlooks in suggesting this is that the lending rates would have to be increased to ensure better viability of the financial institutions. In a way this holds true for the RBI's policy of soft interest rates regime considering the entire interest rates structure that is conducive to savings, investments and these intermediaries' viability. However, how to accomplish this under deregulated interest rate regime remains unanswered. The only way out seems to be to discontinue this market theology. This is also justified because financial institutions which tend to be oligopolistic can freely determine their output/interest rates but not both. Budget 2003's extortion that the interest rates to agriculture, small scale industries, etc., should not be more than 2 per cent of the PLR suggests an interventionist rather than freely determined rates. Such a recommendation may have been prompted to overcome the regressive lending rates that resulted from the deregulation of interest rates. One of the reasons for such an interest rates policy was to cut interest rate subsidy on agriculture, small scale industries, etc. But as this reviewer has shown there was no such subsidy to agriculture in the last fifty years except in eight years when inflation shot up. Another reason for this policy was that making these small loans costs high which is a misconceived notion. Misperceived because high costs can be on both the left hand (i.e., downward sloping) and right hand (i.e., upward sloping) sides of the U-shaped average/unit cost curve. And the empirical evidence for rural credit from different types of rural financial institutions (RFIs) is that it is declining for transaction costs, constant for financial costs and declining for both these costs together.

The above discussed undesirable consequences of the Monetary and Credit Policies also follow from the analysis of three specific issues on Banking and Savings in Aspect V. These three issues are the role played by (1) banking system consisting each of rural and urban co-operative banks, PSCBs and Regional Rural Banks (RRBs), (2) DFIs like IDBI, and (3) public sector mutual funds-UTI and post offices which have all been under-emphasised as was stated earlier.

All the segments of the banking institutions in the author's reasoning have emphasised 'quick kill culture' by investing in government securities in excess of SLR prescribed by RBI, besides neglecting to improve their credit-deposit ratio. As a result, there has occurred a reverse flow of funds from rural and semi-urban to urban areas, deprivation of credit to the productive sectors like agriculture, small scale industries, etc., and unwarranted cornering of credit by the corporates and consumers of durables, besides over-financing of the government. On rural co-operative credit system Mujumdar's criticism of its neglect is legitimate for it accounts for 70 per cent of outlets, 30 per cent of rural deposits, 44 per cent of outstanding loans and if only crop loans which are critical for small-scale agriculture is considered, its share is as much as two-thirds. But his recommendation of RBI rather than NABARD taking over to rejuvenate this system is misplaced. NABARD seems to be constrained from RBI discontinuing its contributions to the long-term funds to refinance this system's operations. Similarly, it has inadequate autonomy from RBI and the (State) government(s), besides the latter not replenishing the share capital of these co-operatives and even some RRBs.

PSCBs seem to have more adjusted to economic reforms as they have now better capital adequacy, improved net or gross non-performing assets (NPAs) as a per cent of net or gross advances, better viability and less bureaucratic operations. But the author legitimately criticises that their better profitability was more associated with trading in government securities that had high effective yields rather than from banking operations, notwithstanding the importance of their reduced wage costs. Similarly he is critical of their regressive interest rates for small borrowers and discriminatory interest rates for savers for which they may have been vulnerable to the corporate lobby though these are perhaps an outcome of macro policy of interest rate deregulation. Another limitation of the macro policy was Government of India giving conflicting signals about some PSCBs wanting to return the government share capital which resulted into speculators gaining at the cost of genuine investors. According to the author such an action on the part of those banks showing good results should be permitted to do so rather than allowing the volatility of share prices of PSCBs in the stock market. The Government of India also exposed itself with such undesirable policies as delays in the appointments of top management and professional boards, besides not allowing autonomy with accountability which are all now necessary for good governance to become market savvy in building these banks.

Such criticisms of the author are valid even for DFIs like IDBI. This also holds for RBI discontinuing its contributions to the long-term funds to these institutions to refinance medium and large terms loans to industries. Moreover, Mujumdar thinks that Government of India's plans to discontinue retail credit operations of these institutions would make them disfunctional about industrial development. But he hopes that such financial institutions would act as apex intermediaries for India-specific industrial loans at affordable interest rates from their own resources and RBI restoring its contrbutions rather than making them to borrow from the capital market which could be costlier. Afterall it was such country-specific DFIs in East Asian countries which provided both capital and institutions relevant to achieving their success in the strategy of 'shared' economic growth.

As regards the role of public sector mutual funds like UTI, Mujumdar welcomes their offering NAV based returns rather than guranteed dividends as was the case with US-64 and MIP-2000 schemes. He also considers that they could have seized the opportunities to be primary dealers in government securities to widen their financial services though they failed to do so. But he is critical about returns of such mutual funds being linked to PSCBs involvement in government securities under SLR prescribed by RBI. Similarly he is critical about opening UTI's mutual funds to institutional investors like corporates who at one time held as much as 57 per cent of the capital under US-64 due to fiscal props offered to them. This is because it lead to volatility of this fund and returns on it which adversely affected millions of unit-holders for whom it was originally meant. To add to this fiasco of UTI the power game between RBI and Government of India lead to political and bureaucratic meddling of this institution under the pretext of making it a private rather than public institution. Since mismanagement of any institution is neutral to its ownership what was needed was to make UTI more autonomous, debureaucratised and professionally managed which was not much addressed by the policy makers. The end result of this fiasco of UTI together with lower and at times zero returns on its mutual funds also seemed to have lowered the interest rates on post offices' three savings schemes, namely, deposits, saving certificates, and social security instruments like PPF and retirement benefits, besides those on banks' savings schemes. All these are bound to result in lowering the saving and investment rates when they must be increased to achieve the Tenth Plan's higher target of growth in GDP including agriculture.

The review of major contents of Monetary and Credit Policies and Banking and Savings suggests that the policy makers aimed at making the financial system private profit-ruled devoid of the business of development, unduly relied on the capital market, foreign direct investment (FDI), foreign institutional investor (FII), etc., for this development, and adopted deregulated interest rates. But, since the financial system world over pursues both the profit making and developmental goals it does not have an inherent conflict between these goals as long as sound financial and developmental principles are adopted by the policy makers by being 'market savvy' in building financial institutions that are tuned to serve country-specific growth with equity needs. As regards encouraging development of capital market and entry of FDI, FII, etc., let them emerge autonomously without undue props. And on interest rates, given the complexity of managing their deregulation and experiences with it as well as with its soft regime three lessons follow for the future; one, RBI and Government of India must determine critical rates as 'market guided' especially for borrowers in infrastructure, agriculture, small scale industries and exports sectors as in East Asian countries and for the small savers; two, they should ensure that these rates are not regressive for small borrowers given the empirical evidence on costs of lending and interest rate subsidy to them discussed above and discriminatory for small savers of the household sector; and three, they must also consider how 'soft is soft' and 'for whom'. Moreover, all the rates must remain positive in real terms. Mujumdar's prudent observation of importance of making the interest rates and yields on government securities flexible both in the upward and the downward directions seems to be guided by the 'strategic' macro perspectives on fiscal, monetary, credit and savings policies.

The discussion on Aspect VI on Utilisation of Forex Reserves together with that on large foodgrains stocks reminds the readers that the policy makers in India in the past had perpetual constraints of inadequacy of these reserves and wages goods surpluses to promote growth with equity. While Green Revolution in agriculture that ushered in mid-1960s relaxed the latter, economic reforms initiated especially in mid-1991 did so for the former. And yet there is an unconvincing policy failure as is reflected in under-utilisation and/or inappropriate use of both these surpluses.

Mujumdar's analysis of use of comfortable forex reserves achieved towards the end of 1990s is crisp in showing how the basic approach tentamounted to furthering capital account convertibity that is out-dated, flawed and premature. It is out-dated because even WB/IMF sings a different tune after the currency crisis of the East Asian and the Latin American countries. Their new tune is that unrestricted inflows of foreign capital does not guarantee that it would not flight out from the country with the consequent undesirable impact on balance of payments, gross fiscal deficit, and economic growth with stability. It is flawed because even empirical experience does not provide enough evidence to show that the capital account openness necessarily results in large increases in capital inflows in developing countries. And it is premature because the sort of pre-conditions related to gross fiscal deficit (3.5 per cent), three yearly average inflation rate (between 3 and 5 per cent) and gross NPAs of banks as a per cent of their total advances (declining in phases from 12 to 9 to 5 per cent) by late 1990s to early 2000s that the Tarapore Committee had recommended were not achieved.

Yet in early 2003 with about total reserves in the range of $ 70 to 80 billion, the Ministry of Finance (MOF) took a leap forward towards full convertibility of the rupee through such policy actions as permitting (1) Indian residents-individuals, corporates and mutual fund companies to invest in the equities of the companies listed in recognised overseas stock exchanges as long as these companies had a shareholding of at least 10 per cent in a company listed on Indian Stock exchanges, (2) Indian companies with branches abroad can acquire immovable properties overseas for business and staff residential purposes, (3) NRIs who remitted foreign exchange could transfer their assets in India upto $1 million abroad and so on.

These policy actions may appear justifiable considering that a developing country needs to maintain about six months reserves for imports which on an average amount to about $ 25 billion. But right from March 1997 they were higher than this level and by June 2002 touched $ 58 billion. Bouyant exports growth may have also contributed to this. Maintaining such large reserves implied lending the same to the developed countries such as the US, the UK or Germany at cheaper rates of interest. Perhaps all these factors may have led to MOF’s panic-stricken policy actions.

Instead of such measures or maintaining low interest-bearing lending Mujumdar’s case for using excess reserves for importing capital and intermediate goods is very strong. This is because it would boost the development of infrastructure like power, fertiliser plants/their modernisation, communication, roads, etc., which would have potentially direct and indirect domestic employment-led economic growth impacts. Moreover, it would minimise internal policy contradictions of FIIs and NRIs being wooed to bring in forex resources with the PSUs and private corporates are being required to borrow high cost foreign commercial loans. The challenge on forex policy is to substitute the author’s recommendation for the measures taken by the MOF to change its strategic role as a part of new orientation of the economic reforms now being considered.

Aspect VII on Crisis of Capitalism deals with deriving lessons for reforms related to evolving future financial system, privatisation of PSUs, and good governance. Before what Mujumdar has to say on them his observation that the legal means through which the US is attempting to deal with the crisis of its capitalist system may not be adequate deserves to be noted. This is because this crisis is a result of comprehensive systemic failure of some big corporates and accounting firms through their nexsus with the capital market. Thus, in his view which is also shared by some eminent US economists no new legal framework can ensure preventing such a failure in future, besides being neutral to small investors who are the worst sufferers. Market theologists including the World Bank and the IMF are now more humbling in their advocacy to replicate the American model even though its infallability may not be as devastating as the collapse of communism in the Soviet Union.

According to Mujumdar the lessons on evolving the financial system are that the obsession with the encouragement of the capital market, FIIs into portfolio investments, etc., must be shed to bring back the shine that the domestic institutions like co-operatives, PSCBs, DFIs, UTI, post offices etc. had. These institutions are time-tested alternatives to promote financial services, besides being better suited to India’s socio-economic millieu.

On privatisation of PSUs, the author’s three observations from the past policies are highly perceptive: one, there is no case for a doctrinaire approach to privatisation as to state enterprises; two, private sector in India as elsewhere is no paragon of virtue; and three, the issue of why and which PSUs be privatised is as much important as how to use its sale proceeds realised from privatisation. Mujumdar rightly advocates that these issues must be resolved such that (1) the ‘blind’ faith in disinvestment is tempered, (2) inability and uncertainty of preparedness to deal with the decline in disinvestment that may result from lowering of the rating of the country done by the international financial rating agencies is better overcome, (3) choice of which PSUs to disinvest is better made, and (4) planning for the use of sale proceeds is consistent with the objectives of privatisation of PSUs, namely, improving their efficiency, governance, retiring the government debt, and promoting the public investment in infrastructure/sectors that need more government funds.

On the choice of which PSUs to be disinvested, the author recommends loss-making ones as the first candidate followed by those in whose case inefficiency is associated with the social and political compulsions such as state electricity boards some of which do not even bill as much as 30 per cent of the power generated and distributed, and finally those which are inefficient due to lack of autonomy as in the case of IDBI, UTI etc. While the first two needs privatisation in the author’s judgement, the third one requires greater autonomy with accountability. For the use of sale proceeds from privatisation the author rightly rejects it for bridging the fiscal deficit but prefers larger public investment for infrastructure and sectors that need government funding, reforms of other PSUs, reviving FDIs and also redemption of public debt.

As regards good governance Mujumdar’s advocacy of substance rather than form is legitimate. This is because of the same reasons due to which he questioned the US’s attempt to deal with the crisis of its capitalist system. It is also because larger cause of instilling ‘social conscience among all the people through education, training and publicity’, besides its practice in every walks of life like the ‘big private companies, small enterprises, PSUs, educational institutions and universities, public health care, banks, and financial institutions’. Even for the CEO his stand is that the ultimate accountability is to the society at large and not only to the shareholders or stakeholders. The author is not much enamoured by the recommendations on good governance by the various committees in India for he finds them a mimicry of

Western countries model rather than the larger cause for which good governance is needed.

To conclude, the book under review has quite well shown how economic reforms related to fiscal, monetary, credit, saving, forex and sectoral policies have been mostly practiced as an end in itself. In so doing the Indian policy makers seem to have been under the shadow of the WB/IMF's market theology. Its questioning of both of these is crisp and sound with due recognition of some of the positive reforms. It has even offered better alternative economic reforms related to the above noted policies. But these options are not comprehensive enough. Nor does the book reveal complexity of some of these options. But the book's strength is in emphasising reforms on these policies must be seen as a means to achieve 'shared' economic growth, poverty alleviation and better quality of life which it rightly advocates as the goals that they must pursue. Another strength is that it shows how these reforms-oriented policies must be contextualised to the broader sectoral, socio-economic and institutional millieu rather than to the privileged with selective market savvy role of the policy makers. No other major post-macro reforms publication has these two strengths conveyed so succinctly and prudently.

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Voices of the Poor: Can Anyone Hear Us?, Deepa Narayan, Raj Patel, Kai Schafft, Anne Rademacher and Sarah Koch-Schulte, Oxford University Press, New York, 2000. Pp. 343. $ 25.00.

Voices of the Poor: Crying Out for Change, Deepa Narayan, Robert Chambers, Meera K. Shah and Patti Petesch, Oxford University Press, New York, 2000. Pp. xvi+314. $ 15.00.

Voices of the Poor: From Many Lands, Deepa Narayan and Patti Petesch, A Co-publication of the World Bank and Oxford University Press, New York, 2002. Pp. xvi+509. $ 25.00.

These three books report the rationale, process and results of a huge and gigantic work relating to several countries on listening to the 'Voices of the Poor'. The voices of the poor study was undertaken by the Poverty Reduction Group in the World Bank for the *World Development Report 2000-01*, on the theme of poverty and development.

An understanding of the magnitude, causes and strategies to alleviate poverty is essential for designing effective and appropriate strategies for social and economic development. In the past, multi-topic household surveys were conducted to gather information on wide ranging topics connected with household welfare. The volumes maintain that although large-scale household surveys provide crucial information on living conditions, the picture obtained on poverty is incomplete because closed-ended questions in such surveys do not capture the meaning, depth, manifestation and causes of poverty. Further, the data from these surveys, unless carefully designed, obscure gender aspects of poverty such as women's non-wage based economic contribution to the household, the impact of economic restructuring on the distribution and intensity of women's work and the different ways in which men and women respond to social safety-nets. New methodologies, the authors argue that, are needed to explore the location-specific social, political and institutional criteria, subjective elements of poor people's experiences of poverty, and the ways in which individuals cope or their highly diversified sources of security and livelihoods.

The voices of the poor project has, therefore, adopted the method of Participatory Poverty Assessment (PPA), which is an iterative, participatory research process that seeks to understand poverty from the perspective of a range of stakeholders, and to involve them directly in planning follow-up action. PPA is noted to be different as it actively engages the respondents in the research process and empowers the respondents. By including open-ended questions and methods, and taking power asymmetries both within the household and communities into account, PPAs capture information that standard poverty assessments are likely to miss.

The World Bank conducted or commissioned PPAs in 50 countries around the world. Over 300 reports, incorporating social analysis and participatory methods, were submitted to the World Bank. The first volume on *"Can Anyone Hear Us?"* brings together the voices of over 40,000 poor people from 50 countries. The second volume on *"Crying out for Change"* brings together the voices of over 20,000 poor women and men from comparative fieldwork conducted in 1999 in 23 countries. The final volume on *"From Many Lands"* presents fourteen of these country studies.

A detailed and thorough process has been adopted to sift the material from over 300 reports. As the reports varied by author, research teams, time frames, regions and methods, the authors were less concerned with generating quantified counts of words or themes. They were more concerned with identifying and locating - through a context analysis - recurrent themes connected to the central questions of the study. The authors were more interested in discovering what the patterns of relationships revealed, especially in terms of changing relations between men and women, and between individuals and institutions. They used an inductive and iterative research process in which analytical categories used in the volumes were repeatedly refined by the findings emerging from the data.

What emerged from this detailed and large-scale qualitative research process was a mass of information on poverty - its meanings, dimensions and causes - provided by poor women and men belonging to different countries, and coming from diverse socio-cultural background. The authors of three volumes, backed by a large support team, did a good job in ordering the information around the study themes, and summarising the key voices of the poor. The reader gets a quick idea on the results of this massive work from the first few paragraphs of introductory chapter in each volume, and even a better picture from opening paragraphs in each chapter. This is especially the case with the first volume; the efforts taken to summarise in the last two volumes were not as thorough as in the case of the first one.

The key questions addressed in these volumes are: How do poor people view poverty and well-being? What are their problems and priorities? What is their experience with the institutions of the state, markets and civil society? How are gender relations faring within households and communities? The first volume arrives at the following findings on common patterns found across the countries on these questions.

- The poor, who defined poverty, stated that many factors converge to make it an interlocking multidimensional phenomenon. Although poverty was rarely the lack of only one thing, the bottom-line was always the lack of food. The poor were aware of their lack of voice, power and independence that subjected them to exploitation. The poverty itself made the poor vulnerable to rudeness, humiliation, and inhuman treatment by both private and pubic agents of the state from which they were seeking help. Poor people lacked access to basic infrastructure. While literacy was viewed as important, schooling received mixed reviews, occasionally highly valued, but often notably irrelevant in the lives of the poor. Poor people realised that education offered an escape from poverty - but only if there was a favourable economic environment in the society at large and improved quality of education. Poor health and illness were often dreaded, as events relating to ill-health plunged families into destitution. The poor rarely spoke of income, but focused instead on managing the assets - physical, social, human and environmental - as a way to cope with their vulnerability.
- The state was seen largely ineffective in reaching the poor. Although the government's role in providing infrastructure, health and education services was recognised, the poor felt that their lives remained unchanged by government interventions. Poor people reported that their interactions with state representatives were marred by rudeness, humiliation, harassment and stonewalling. They also widely reported corruption as the main problem in obtaining key services from the state. Certain good government officials and certain useful government programmes were identified; but, not enough to pull the poor out of poverty. The impact of a corrupt and brutalising police force was particularly demoralising for the poor, who were already feeling defenceless against the state and the elite. There were gender differences in the experience of the poor with social institutions that reflected societal norms of gender based power inequity.
- The role of non-governmental organisations (NGOs) in the lives of the poor was limited, forcing them to depend primarily on their own informal networks. Notwithstanding that NGOs were the only institutions that people trusted in some areas, the poor gave NGOs mixed rating. Poor people reported that, besides being rude and forceful, NGO staff members were poor listeners. They considered some of the NGOs to be largely irrelevant, self-serving, limited in their outreach and also corrupt (although to a lesser extent

than is the state). There are relatively few cases of NGOs that have invested in organising the poor to change poor people's bargaining power relating to markets or the state. The poor, therefore, trusted and relied primarily on their own informal institutions and networks while recognising the limitations of these institutions even under the best of circumstances. Informal associations and networks might have helped the poor to survive, but they served a defensive (and usually not a transformative) function. This implies that the informal associations and networks did little to help the poor to move out of poverty. There were also important gender differences in the nature and use of informal networks.

- As an institution the household of the poor was strained and in flux. Vast economic, social and political restructuring had not, by and large, translated into increased economic opportunities for the poor. Under increasing economic pressure, men in many parts of the world had lost their traditional livelihoods and women were forced to take on additional income earning while still involved in their domestic tasks. These changes touched the core values about gender identity, gender power and gender relations within poor households and created anxiety about who was a 'good woman' or a 'good man'. Values and relations were being broken, tested, contested and renegotiated in silence, pain and violence. The result was often alcoholism and domestic violence on the part of men and a breakdown of the family structure. Women, in contrast, tended to swallow their pride and undertook decent and/or indecent income earning activities to put food on the table for their children and husbands. Despite having assumed new roles, women continued to face discrimination in the labour market and gender inequality in the home, and often confronted oppressive social norms in both state and civil society institutions in which they lived and worked. Income earning did not, thus, lead to social empowerment and gender equity within the households.
- From the perspective of poor men and women, the social fabric - a bond of reciprocity and trust - was unravelling. The more powerful and internally cohesive groups reinforced social exclusion of particular groups, while social cohesion (the connections across groups) broke down. Economic dislocation and sweeping political changes have produced conflict at the household, community, regional, and national levels. This conflict has, among others, one important consequence. Because the poor lacked material assets and depended on the social insurance provided by the strength of their social ties, a breakdown of community solidarity and norms of reciprocity with neighbours and kin affected the poor more than the other groups.

The second volume brings out that the following dimensions of powerlessness, a common theme underlying poor people's experience. (1) Livelihoods and assets were precarious, seasonal and inadequate. (2) Places of the poor were isolated, risky, unserviced and stigmatised. (3) The body was hungry, exhausted, sick and poor in appearance. (4) Gender relations were troubled and unequal. (5) Social relations were discriminating and isolating. (6) Security was lacking in the sense of both protection and peace of mind. (7) Behaviour of those more powerful were marked by disregard and abuse. (8) Institutions were disempowering and excluding. (9) Organisations of the poor were weak and disconnected. (10) Capabilities were weak because of lack of information, education, skills and confidence.

The third volume presents studies from 14 different countries. The chapters unfold around particular set of issues that emerged repeatedly in group discussions and individual interviews throughout the country. The editors note that the findings in the chapters cannot be generalised to represent the poverty conditions for an entire nation. According to the editors, the chapters, however, bring to life the peculiarities of what it means to be poor in various communities, and from a perspective that is not often featured in development literature; the perspective of poor people.

The messages that emerge from the voices of the poor tend to get repetitive as the reader goes from the first to third volume. The reader will also not obtain any fresh insight regarding magnitude and causes of poverty. If that is the case, are these volumes really useful to researchers and practitioners from developing countries? To answer this question, one should understand the background to the study. This huge work on ‘listening to the voices’ has its roots in the debates between proponents of quantitative and qualitative methods of research in the World Bank, and also in the other donor agencies. The proponents of qualitative methods have always rightly argued that these methods be used along with quantitative methods to gain deeper insights into the problem. However, the voices of the poor study has taken an extreme (and dangerous) position of relying only on the voices of the poor. While it is important to listen to the voices of poor, can they be believed without cross-checking of the same with the other actors. In this lies a major flaw in the methodology adopted in the study. Researchers may, therefore, question the reliability of these voices, though they may find it useful to mention the voices of the poor along with the others in their studies.

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Economic Reforms and Rural Development in India, Edited by G. Parthasarathy and G. Nancharaiah, Academic Foundation, New Delhi. 2003. Pp. 288. Rs. 595.00.

The present volume consists of the articles and the lectures by Parthasarathy and was edited by a well-known economist and the academic administrator G. Nancharaiah.

Divided into eight chapters, Chapter One starts with "Structural Adjustment and Rural Development: A Survey of Recent Literature." A leading economist, Professor Parthasarathy has tried to analyse the pros and cons of the structural adjustment and liberalisation policies and empirically examined its effects on rural development in the country. He is of the opinion that higher growth need not lead to decline in the poverty in the short period. He further observes that free trade of foodgrain exports may lead to 15 to 20 per cent rise in the relative domestic price which means squeeze of consumption of poor while unaffecting the relatively affluent. The experiences relate a different story as neither export of foodgrains went up in neither the international market nor the prices of foodgrains increased. However, the contraction of consumption of foodgrains is taking place.

In the second chapter, "Social Security and Structural Adjustment", various forms of social security have been discussed. This chapter brings out the extent of food insecurity in the rural and urban areas. The author says that 19 per cent of the rural households suffered from food insecurity in the country during 1983. Erosion of purchasing power due to increase in prices and low purchasing capacity are found to be the main reasons. It is true that the price increase may cause hardships to the rural poor but the major constraints are the non-availability of work and remunerative wages.

The third chapter starts with the examination of Impact of Stabilisation Policies on Rural poor in 'Safety-Nets for Vulnerable Sections." The author opines that reduction in fertiliser subsidies and rise in procurement prices of paddy and wheat caused high rate of inflation adversely affecting the poor during 1992-93 and quantity of cereal consumption also declined. This is one of the main reasons for high incidence of hunger among poor. In this context, he views the public distribution system (PDS) as safety net. Simultaneously, he states that the major cake of the PDS is cornered by the urban people. He states that the PDS linked with employment in public works has the potential to serve the objectives.

In Chapter Four, the impact of withdrawals of subsidies on rural employment under the New Economic Policy has been examined. The withdrawal of subsidies for inputs in agriculture would reduce employment depending upon (a) price-elasticity of input-use, (b) elasticity of crop yield to input-use and elasticity of employment to yield. He observes that 30 per cent price increase in fertiliser prices, given the daily status unemployment rate of the order of 8.0 per cent, unemployment rate is likely to go up by 17 per cent.

Chapter Five is on "Agricultural Exports in the Context of Liberalisation and Globalisation of "Agricultural Trade." The author observes that post-liberalisation period is marked by an increase in the growth rate of net exports of agricultural commodities. But exports are marked by high instability in production and prices. Ad hocism in exports is likely to benefit the traders much more than the producers and consumers.

Chapter Six covers the "Rural Poverty and Economic Reforms-Opportunities and Constraints: A Case Study in Andhra Pradesh." In 1987-88, the incidence of rural poverty in Andhra Pradesh showed a decline and was lower than all-India. The author attributes it to high agricultural growth rate than the growth rate of labour force and population. He says that the level of social development is critical for utilising opportunities provided by the economic reforms. Further, he argues that the prices of goods of mass consumption have increased at a faster rate and also considering the fact that many poor have been forced to buy in the open market as a result of the weak-functioning of the PDS. He insists that the public action is urgently required to protect the poor from displacement effects of growth and backwash effects of market forces.

In Chapter Seven, "Employment and Unemployment", the author examines the structure and pattern of youth employment in the country. The extent of un-employment and regional dimensions of youth unemployment during 1983 to 1997 is discussed. The author observes that 72.55 per cent of youth population lives in rural areas. The youth form 36.47 per cent of the total labour force in the rural areas and 35.27 per cent in the urban areas. He opines that between 1993-94 and 1997, female employment of youth recorded negative growth rates even in the urban areas.

The last chapter is based on the lecture on "Unorganised Sector in Indian Economy and Public Policy in the context of Structural Adjustment." The main focus in this lecture is on the issues of relative efficiency of the organised vis-à-vis the unorganised sector: the exploitation of unorganised sector by the organised and the public support to unorganised. The study has tried to examine the adverse implications of structural adjustments for the unorganised sector. He observes that neither in Marxian Theory nor in the Classical Economic Theory, does the unorganised sector have permanent place in the economy. The situation in India is different. The share of unorganised sector in employment was as high as 90.66 per cent, while that of an unorganised sector was only 9.44 per cent in 1991.

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Water Resources and Sustainable Development, Edited by Kamta Prasad, Institute for Resource Management and Economics Development, and Shipra Publications, New Delhi, 2003. Pp. xxiv + 468. Rs.900.00.

Water is a prime natural resource, a basic human need and a precious national asset and it plays a multidimensional role in all walks of human life, starting from food security, poverty alleviation, to overall socio-economic development of the society. The book is the outcome of the International Conference on Sustainable Development of Water Resources held at New Delhi recently. The event had many debates including, water as a social and economic commodity, locational dominance, unsafe practices, lack of holistic approach, people's participation and deficiency of data and scientific studies. Over 200 noted experts from various parts of India and 16 different countries working in several disciplines like economics, civil engineering, agriculture, sociology, law, management, etc., participated in the conference and out of which, a galaxy of 45 eminent scholars have contributed 37 papers selected in this publication.

The volume is divided into six parts namely, Overall perspectives and vision; Technological options; Risk Management; Institutional and management aspects; Institutional framework for conflict resolution in the water sector; and Socio-economic and environmental aspects. The recommendation of the conference is separately entitled as 'Delhi Declaration', which was the outcome of the deliberations.

The opening section on overall perspectives and vision of water resource sector in the coming decades lists first five chapters. Y.K. Alagh bestowed his rich experience in irrigation, power and planning by his contribution, 'New Paradigms for Development and Management of Water Resources.' Apart from the need to augmenting, he highlighted the traditional system of water management and the necessity for appropriate policy framework. Issues like uneven distribution, quality, flood and drought, domestic use, dams for energy, transport, ecosystem and biodiversity, have been discussed with global dimension in the next chapter. M.A. Chitale shares his views on South Asian perspectives and it expresses deep concern about the problems related to water for health and industry, eco-system, competing demands for water, river basin management, hydropower, gender issues, institutional reforms, etc. The Mauritius and Portugal experiences have been covered in the subsequent chapters in this section.

The second section opens with divergent views on hydraulics, big dams, rainwater harvesting, tank irrigation system and the Indian experience in development and management of water resources. Gilbert Eitenne emphasises the need to expand the resource base for the long-term benefits. 'Socio Economic Perception on Dams and Development in India' by N.M.P. Varma explicates the complimentary effects of small dams in drought prone areas in India and the problems faced by large dams such as under-utilisation, uneven distribution, cost escalation and delays, etc. Raj Kumar Sen's paper on big dams also stresses the need of optimal mix of big and small dams depending on their comparative advantages and costs. The historical development of dams and its impact on food production, domestic and industrial water supply, hydro power generation and calamity reduction was described with a case study on Ukai dam in the chapter, 'The Role of Large Dams in India' by Gopalakrishnan. Marcus Moench systematically analyses the relationship between groundwater and food security in India. R.S. Prashad and R.K. Khanna's paper touches almost all the issues related to the Indian experience in the development and management of water resources. The papers from R.S. Goel and Shekar Singh talk about the environmental related concerns of the dams and development. K. Palanisami discussed crucial issues like tank performance and the multi-user benefits of tank irrigation systems under different institutional landscapes in south India.

The next section on risk management has three papers, dealing with managing natural calamities and water related disasters. Jacob Burke, in his paper on land and water systems highlights the importance of involving natural parameters and socio-economic settings in the natural resource management. India's disaster capital Orissa has been taken as a case for studying natural calamities by Binayak Rath. He has done SWOT analysis for Government policy towards the Relief, Rehabilitation and Reconstruction measures. Management of Water related disasters with reference to Himalayan Mountain Region of India is the subject matter of the paper by James S. Gardner and R.B. Singh. Widespread deforestation leading to accelerated soil erosion and increased flooding and sedimentation causes deep concern in this region.

Institutional reforms, participatory irrigation management and role of legal framework had been discussed in this section. In the first paper of this section V. Ramachandran outlines the needed institutional reforms in water resource management, in field level, basin level, state level and central level. N.V.V. Char gives details of the structure and functions of River Basin Organisation and gives the country-specific suggestions for effective functioning. R. Gosh and T.S. Bhathija focuses on constitutional provisions governing water resources sector in India and draws attention upon the international scenario. The paper 'Assessment of Participatory Process of Watershed Management in India' by J.S. Samra deals with the methodological issues and highlights the importance of community contribution, women participation, etc. as elements of enhancing participatory approaches. Finally, Amita Bhaduri has discussed the recent initiative in irrigation management transfer in Madhya Pradesh.

The different aspects of conflict resolution are critically analysed in the next section. Ramaswamy R. Iyer's paper reveals that conflicts are caused by wrong principles of the policy makers and he suggests an integrated basin approach, pragmatic regional approach to solve the conflicts through negotiations and agreements. A.D. Mohile argues that water related conflicts are inevitable and proposes 7-point package for discord management in terms of laws, policies and institutions. B.R. Chauhan focuses on the legal aspects of water resource dispute settlement mechanism and he favours for agreement and treaty to solve the crisis. A. Mohanakrishnan looks into the Inter Basin Transfer by Telugu Ganga Project which supplies drinking water to Chennai. Another paper by B.L. Diwan emphasises on the institutional development for conflict resolution by means of mass awareness; educational programmes to apprise the people of the various economic and social benefits along with appropriate linkages. The last paper by Q.K. Ahmad depicts the regional cooperation in water in South Asian countries especially in the Ganges-Brahmaputra-Meghna Region.

The important issues like cost and prices, water use efficiency, water markets, and public-private partnership encircling the socio-economics are dealt with in the final section. Various cost concepts, pricing mechanism experienced from Subernarekha River basin was presented in the first paper authored by Ramesh Bhatia; and C.J. Perry elucidated the Indian case of water pricing in the subsequent paper. Peter S. Lee shows inadequate funding in irrigation organisations in his paper "Framework for Financial Sustainability of Irrigation and Drainage". Marie-Helene Zerah discussed the early outcome of the public-private partnerships on providing water supply to the urban poor in India. Tushaar Shah in his paper 'Groundwater Dynamics in Eastern India' raises concern over the infructuous public policy aimed to stimulate groundwater exploitation. The paper by Kanchan Chopra and Bishwanath Goldar explained the alternative scenarios for sustainable use of water in India and its implications. S.P. Andey and M.V. Nanoti provides insights into the assessment of tangible and intangible environmental impacts of water resource projects. Finally R.P. Awasthi and I.P. Sharma explain the effectiveness of vegetative measures on soil and water conservation especially in the hilly watersheds in India.

The recommendations lays emphasis on the need for assigning the highest priority to water, minimising wastage, developing additional sources of supply, with a focus on development of all, preventing environmental damages, adopting holistic approach. There are about 76 recommendations that emerged out of the deliberations listed under nine heads, namely, overall approach and perspective, technological options, environmental aspects, people's participation, conflict resolution, river basin organisation, flood and drought, socio-economic aspects and farmers participation and organisational aspects. The papers in this book provide a wide range of information, valuable for all those interested in this subject of water resource management.

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Land Relations and Agrarian Development in India: A Comparative Historical Study of Regional Variations, Sakti Padhi, Centre for Development Studies, Thiruvananthapuram, 1999. Pp. 335. Rs. 425.00.

The book is based on a comparative historical analysis of land relations and agrarian development in the districts of Sambalpur and Cuttack in the State of Orissa. It analyses the paths of agrarian social relations and associated technological change and growth. Aside from an empirical analysis of pre-colonial, colonial and post-colonial periods, the author has discussed the need for a theory of agrarian change. According to him, it suffices to focus on two important processes of change in pre-colonial India which call for a modification of the original model of 'Asiatic mode of

Production': one is a supra-village process of land grants, particularly grants of unoccupied land and the other is an intra-village process of individualisation of peasant cultivation and possession of land, as periodic redistribution of land, collective forum of organisation of production, etc., tended to fall into disuse over time.

The book discusses the alternative theories of agrarian relations, including feudalism and provides an empirical analysis of temporary zamindari settlements and its immediate consequences, dualistic land market, structure of tenancy relations, relative profitability of 'rent ownership' and direct cultivation, land relations and credit market, agrarian social and economic changes under colonial rule, emerging contrasts in land relations and agrarian development between Cuttack and Sambalpur.

According to the author, it is the differences in the nature of pre-colonial agrarian structure and in the nature of changes in the colonial period which help explain the contrasts in agrarian structure and growth as between Cuttack and Sambalpur in the post-colonial period. Such historically evolved differences in agrarian structure thus cannot be reduced to or explained by the differences in the stage of development of productive forces. In a particular context, changes in the organisational structure or social relations of production for a given agrarian society, have to be related to processes of class struggle, their specific social forms, the role of the state in such struggles, the specific physical-technical characteristics of production, etc., all of which cannot be reduced to technological conditions. However, as the author rightly admits, the crucial question of the changing nature of land owner-labourer relation and contrasts in the same as between the two districts of Sambalpur and Cuttack, the forms of labour use, the nature of the labour market, etc., have not been studied, even though certain broad contrasts with respect to some of these aspects have been pointed out. Nevertheless, the analysis accounts for certain broad contrasts in the organisational structure of the two districts, against which background the whole question of the nature of social class relations with the help of detailed village level enquiries could subsequently be studied. Also the book serves a useful purpose of highlighting the multi-linear paths of agrarian transition and pointing out the limitations of a general theory which cannot even allow for such multilinearity. It also points out that while the nature of production organisation conditions technological change and growth, a number of other factors such as the role of the state in determining the course of technological change and growth is quite crucial.

On the whole, the book is quite rich in analytical rigour and historical perspective of agrarian relations in Orissa. This is an useful addition to the existing volumes of literature on the subject.

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Agriculture in India: Policy and Performance in India, Edited by B. Sambasiva Rao, Series Publications, New Delhi, 2003. Pp. 274. Rs. 700.00.

The book under the review is a collection of 25 papers presented in the National Seminar on "Agriculture in India - Policy and Performance" organised by the Department of Economics, Nagarjun Sagar University.

The theme of the seminar revolves round the regional study of Andhra State agriculture in the context of the WTO provisions and their implications. Therefore, the book is quite useful for those scholars and policy makers engaged in the development of agriculture in Andhra State. However, there are a good number of contributions addressed to well designed, detailed documentation of WTO and their implementations in the Indian agricultural development.

The papers are a good mixture of research studies based on solid data as well as analytical studies based on available literature of agriculture and WTO. Out of 25 papers large number of papers are directly related to Andhra Pradesh agriculture only. These papers are based on systematic research methods and primary data base. The various issues covered include the SWOT analysis of Andhra Pradesh agriculture economy; land holding pattern; *inter and intra* regional comparison of land use and productivity; impact of credit on farming community; pattern of change in distribution of workers, impact of watershed development and economic efficiency in Andhra Pradesh agriculture, etc.

In addition to that some other aspects such as environment, resource management and even non-performing assets and marketing are also discussed with reference to Andhra Pradesh agriculture.

There are some interesting papers documenting complex provisions of WTO in simple form along with the interesting analysis of various implications based on well known studies. The challenges are clearly brought out in the papers.

Thus, this book provides a very useful storage of data and facts for scholars and valuable findings for policy makers associated with Andhra Pradesh agriculture and also an interesting source of primary information on WTO along with the major impact of WTO on agriculture.

However, the book could have served a better purpose if Andhra Pradesh agriculture analysis related papers could have been arranged in the specific sequences. There is not a single paper which directly and in detail deals with WTO implications and Andhra Pradesh agriculture economy.

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World Water and Food to 2025: Dealing with Scarcity, Mark W. Rosegrant, Ximing Cai and Sarah A. Cline, International Food Policy Research Institute, Washington, D.C., U.S.A., 2002. Pp. xxiv + 322.

This book deals with the likely demands and availability positions of water in future. The role of water as an essential resource in our cultural, economic and ecosystems hardly needs any over-emphasis. However, water is increasingly becoming scarce almost all over the world. The biggest water user is the agricultural sector, particularly irrigation, which accounts for about 80 per cent of global water consumption. In developing countries the percentage is even more. While on one hand food must be produced for the ever growing levels of population, on the other hand increased food production through increased irrigation means, that much more demand for the already scarce water. Groundwater over-drafting, falling water tables, salinisation, etc., reflect on the poor irrigation management. Water is also essential for drinking, household activities, industrial production, and environmental and ecosystem maintenance. Of late, water demand for non-agricultural uses is growing more rapidly than water demand for agriculture. Given the current trends of our water-use and water-wastage patterns, a severe crisis can evolve in future. Meanwhile the costs of developing new sources of water are increasing. Can we avert a crisis? These issues have been rigorously analysed in this valuable book.

The analysis has been done by means of a simulations model, Integrated Water and Food Supply and Demand Model (IMPACT-Water Model) for the period 1995 to 2025. It is a global analysis covering almost all the major river basins in the world - 35 countries and the rest of the world, 16 agricultural commodities and 69 major international river basins of which 13 are from India that include Ganges, Brahmaputra, Godavari, Krishna, Cauvery and so on. The model simulations have been made at the river basin level and then aggregated to the world level. Appendix A (which requires some more proof-reading!) and B respectively contain the model formulation and the numerical projections for the years 1995, 2010 and 2025. Obviously, the data requirements are huge for the analyses here, also demanding technical competence of water and irrigation engineering, hydrology, agronomy, crop production, economics and econometrics.

First, a business-as-usual (BAU) scenario, which assumes that the present trends and policies would continue in future, has been developed. The main results under the BAU are briefly as follows: Though irrigation will be the dominant water user, the domestic and industrial demands will grow rapidly higher particularly in developing countries. Rainfed agriculture contributes 50 per cent of the global cereal production and thus needs a lot of technological support. The declining water availability for irrigation will have serious repercussions on food production, demand, trade and prices. Therefore, the water-productivity and crop productivity must be improved through better management and infrastructure. In some arid and semi-arid parts of the world, conflicts may arise between irrigation and environmental uses of water.

The BAU scenario is the reference with which thirteen alternative scenario results have been compared. The first set has been postulated as two alternative scenarios, pessimistic (deterioration of current trends and policies) and optimistic (improvements) possibilities. Under the pessimistic scenario, named CRI, the governments face budgetary problems, thus allocating less towards water sector. The costs of building new dams, etc., go up. Private sector does not fill in the investment gaps. Basin level water use efficiency goes down. Deforestation increases. Surface water supply declines. Groundwater is over-drafted. Environmental concerns become of less priority. Wetlands endangered, biodiversity disturbed, food production falls, prices soar up. Urbanisation and water demand increase. Inadequacy in quantity and quality of water made available leads to disease and malnutrition. Quite opposite to the CRI scenario is the optimistic scenario, named SUS, with improved water policies, investments, crop management and technology. Food production growth is maintained, prices are under control, water withdrawals for human uses reduced, water stress at the river basins lessened, and so on. These two scenarios demonstrate that dramatic improvements can be effected through due care taken in formulating and implementing water related planning and policies.

The second set of scenarios covers the possibility of higher water pricing with/without higher water use efficiency at the basins level and with the usual/lower water share for environmental purpose. The consumption response to water prices is supposed to be low in agriculture and high in domestic and industrial sectors. The results indicate that the environment gets better with higher water prices.

The third set covers the impacts of elimination of ground water overdraft, increased committed flows for the environment with/without changes in river basins efficiency. Here the results vary across the countries/regions. With the elimination of the ground water overdraft, cereal production in China and India falls and imports increase. However, the global level impact is relatively small.

The fourth set covers the impacts of lowering the irrigation investment and increasing the rainfed acreage and/or improving the effective rainfall use. An obvious result is that rainfed agriculture will continue to be important. The authors argue, “Investment, policy reform, and transfer of technology to rainfed areas, such as water harvesting, will therefore require stronger partnerships between agricultural researchers, local organisations, farmers, community leaders, NGOs, national policy makers, and donors…… Progress in rainfed agriculture may also be slower than in the early Green Revolution because new approaches will need to be developed for specific environments and tested on a small scale before wide dissemination, but as shown here, enhanced rainfed crop production growth would be an important source of water savings” (p.196).

One obvious question is, how far the policy alternatives suggested here are implementable? For example as the authors rightly observe, prevailing water prices are too low. But, when several countries are not able to raise the food prices even to recover the costs of production (for various reasons including political), will they raise water prices particularly when historically they have been too low? Perhaps the authors' answer would be, if these policies are not implemented, then face the inevitable crisis! Another issue that seems to have fallen beyond the scope of this book is with regard to developing private water markets.

The authors of this book deserve commendation for the study. This book should not be meant only for a particular class of intellectuals or policy makers. Rather, it is for every conscious individual, since it is said, "Yoepaamaayatanam Veda, Aayatanavaan Bhavati" (Mantrapushpam in Taittireeya Aaranyakam - Yajurveda -, i.e., whoever knows the source of water, he prospers stably).

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Ecology and Economics - An Approach to Sustainable Development, Ramprasad Sengupta, Oxford University Press, New Delhi, 2002. Pp. xvi + 264. Rs. 250.00.

The book focuses on the linkage between environment and economy and tries to analyse, with the theoretical framework of ecological economics (EE), the impact of economic activity on the environment. The three main laws relating to the functions of nature - entropy, flow of solar energy and bio-geo-chemical cycles of nutrients, are discussed in relation to their implications for the sustainability of economic process. Eloquent illustrations have been drawn from Indian scientific experiments and developmental experiences to provide a distinct Indian perspective to the subject. It is argued strongly that the solar energy flow, the bio-geo-chemical cycles driven by it along with the applicability of the principle of entropy in the use of matter and energy in the economic process would define the conceptual framework to construct the models of ecological economics. However, the problems of non-marketed and non-priced nature of the services from the energy flow and operation of bio-geo-chemical cycles are also highlighted in this context. Subsequent chapters discuss the population growth of species in general and the special problems of human population growth in particular, including the concept of carrying capacity of nature. The discussion on human ecology has also thrown light on the interrelationships among the size of population, gross domestic product (GDP) as proxy for the level of economic activity, income inequality and environmental resources, particularly in the context of a developing economy like India. These chapters provide insights into a rich volume of information, facts and figures for anyone interested in the study of environment and natural resources. A few interesting among them are: (a) the human population took almost 2 to 5 million years to reach first billion where as the latest billion could take hardly a decade!, (b) the nature could have supported a world population size of 170 times of current population (of around 6 billion) if the entire net primary production on land and oceans through photosynthesis could be appropriated for food for human consumption, (c) on the worldwide basis, one hectare of arable land can support three persons while in the US, highly fertile one hectare land can provide food for 24 persons, (d) the amount of food produced in 1997 in the world could have supplied a normal diet for 8.1 billion people, if lavish and wasteful consumption in the West as well as unequal distribution in the 'rest' would have avoided, (e) the total food output of 117 countries of Africa, Asia and Latin America could be increased by 16 times provided there is no soil erosion, all arable land is used for agriculture along with perfect management of inputs, weather, irrigation and technology, and, (f) the expansion of the area under cultivation along with technological and social flexibility will be able to feed the projected 12.5 billion population of the world at the end of 21st century. The author, in this backdrop makes most optimistic and equally emphatic assertion that "persistence of hunger in the world today is not due to the limits of capacity of the ecosystems to produce food, but due to distribution" (p. 137).

With this conceptual overture, scientific theories backed by abundant information, the author gets into sustainable development (SD hereafter) with a passionate prelude that "the sustainability of a development process would depend on the intensity of resource use and that of waste flow, the latter being dependent on the former. While the resource use and the waste flows are inevitabilities, the severity of resource or environmental pollution crisis is to a large extent the expression of inefficiency, carelessness and lack of access to appropriate technology, manmade capital resources and managerial ability due to distributive problems. Human perception of situation of human being in the nature's ecosystem and the shaping of human values are also quite important in explaining part of these inefficiencies" (p. 214). The author adheres to sustainable development as defined by the World Commission on Environment and Development (1987) along with the capital theoretic framework of optimal growth to define the structure of the problem for the purpose of operationalising the concept. Widely acknowledged and well quoted definition of SD, as per the WCED, is the one *"which meets the needs of the present generation without comprising the ability of the future generations to meet their own needs"*. The focus here is to balance intra-generational equity objective (i.e., the needs of all) with the objective of attaining the equity at the intergenerational level. This would require, according to the author, the development process which does not end up with the decline of the human well-being index of the society in an inter-temporal content.

Recent economic analysis of SD centres round 'constant capital' concepts: the basic idea is that it is the capital stock that ensures the capability of future generations to be no worse off than the current generation. Hence this capital stock should be held at least constant in per capita and preferably growing through time. Growth of the capital stock is especially important if population growth - which lowers capital per capita - is expected to be faster than technological change - which raises the productivity of capital (Pearce, 1999). A useful survey is to be found in Pezzey

(1989). The constant capital argument has an intuitive appeal in the sense of conventional business profitability: profit or income should not involve the depreciation of the capital base if a business is to be sustainable and thus income should be 'sustainable'. The author too feels strongly that the natural resources are only means to the end with strong possibilities of substitution existing between one natural capital resource and another, also between natural capital and manmade capital resource (p. 216). The main issues are waste, its composition, flow and attendant impacts on nature's life support function and biodiversity. An important issue of contention has been whether the well-being index or the stocks of natural resources would be required to be non-declining over time for characterising sustainability. The capital theory approach with over-emphasis on neo-classical environmental economics, would choose the former, while the EE with the emphasis on the 'steady state' economy model choose to focus on the notion of preserving the resource and the regenerating power of nature for life support. However, the author seems to have taken the mid path by considering the capital theory approach with an emphasis on the role of regeneration of resources and life supporting in the formation of the problem and retaining the utility maximisation as the objective. In addition, in order to incorporate the objective of equity; both intra and intergenerational levels, a social welfare function was also considered. In this backdrop, by taking the rate of unemployment as a proxy for poverty, the macro-economic social welfare optimisation model for the use of eco-system as source and sink was conceptually defined. The underlying assumption for considering the variable poverty was that the poorer sections without adequate initial endowment of assets or job opportunities, will degrade the environment by directly consuming or over using the nature (p. 218). The objective of the economy, as per the model constructed, is to maximise the inter-temporal well being of a representative individual over infinite time horizon which in turn depends on the time paths of the per capita consumption, the rate of unemployment and the pollution stock. The existence and the optimal path of per capita consumption and well being (u-utility) were assumed to depend on the preference structure of the representative individual, role of the altruistic concerns as expressed in the rate of time discount, sensitivity of 'u' with respect to the rate of unemployment, productivity conditions of the economic as well as ecosystems, ecosystem's capacity to absorb the waste to provide life support to the living organism and the resource use related to environment degrading impact of poverty. As a corollary, the situation of the optimal solution not satisfying the sustainability condition was also postulated. The capital theory model approach was also made to yield the estimates of valuation of all four kinds of stocks; natural, manmade, human and pollution. And finally, an attempt was made to extend the similar model to sectoral or micro level such as agriculture. The book ends with policy approach of SD underlining the role of technology, values and institutions. The author affirms the necessity of technological development to relax the constraints imposed by the ecological principle to the functioning of human economy through appropriate interventions. The development of the knowledge base for such technical change, according to the author, has to take due account of the ecological principles that govern the ecosystem interfering the economy (p. 235).

The above approach seems to possess several elements of the ‘weak sustainability’ under environmental economics rather than the hard core sustainability of ecological economics. Though the theory and methodological tools of environmental economics are well developed, its over dependence on neo-classical economics has fraught with severe criticism especially from conservationists and environmental activists. The basic premise of EE is ‘eco-system contains economy’ rather than ‘economy contains eco-system’. It emphasises the need for an interdisciplinary analysis and integrative approach rather than the narrow reductionist approach of environmental economics. Instead of seeking the ‘optimality’ in pollution and resource depletion based on the marginalism, the EE follows a precautionary approach to understand the ecological consequences of economic processes and policies. Rather than positivism and value free analysis, the knowledge base of EE is subjectivism reflecting the values and ideology with methodological openness. The perception of scarcity under EE is absolute rather than relative where the sustainability is construed as security rather than constraint for economic growth (Sahu and Nayak, 1994). The EE approach of SD is more rigorous with a logical focus on ‘scale, distribution and allocation’ objectives. Accordingly, in order to operationalise the concept of SD, the ecological limits of sustainable ‘scale’ have to be assured first along with the establishment of policies which ensure the throughput of the economy to stay within these limits. A fair and just distribution of resource using system through adequate property rights and transfer system have to be created next. Once, the ‘scale’ and ‘distribution’ solutions have been instituted, market based mechanism can be used to allocate resources efficiently (Costanza *et. al.*, 1997). Though the focus of EE is on the much harder and large scale problems with long term perspective, in order to address more practical and immediate problems with short term perspective, the support of environmental economics is also very crucial.

Under environmental economics, two ‘schools of thought’ have emerged with respect to the constant capital argument. The first, ‘weak sustainability’ argues that all forms of capital are substitutable. Hence the loss of environmental assets is not a particular cause for concern, as long as other forms of capital are substituted. Roads and factories substitute for forests and the ozone layer. The second, dubbed ‘strong sustainability’ argues that there is limited substitutability between natural and other capital, for at least some forms of environmental capital. Where there are no substitutes, natural capital is termed 'critical' capital. To a considerable extent, the debate between the two approaches rests on the judgments about the degree of substitutability between forms of capital. The strong sustainability school, however, stress the uncertainty attached to the life support functions of natural capital, and the irreversibility of losses of critical capital, e.g., of biodiversity (Pearce, 1999; Turner, 1993). There is separate literature which stresses the role of resilience as a condition of sustainability. Resilience measures the degree to which a given system can respond to and absorb stresses and shocks. A system that is unable to respond is in some sense, unsustainable if the stresses and shocks are themselves not capable of control, or for some reason, are unlikely to be controlled. In turn, capability for response to stress and shocks is usually, but not necessarily, thought to be correlated with diversity of capital, either in the sense of a wide portfolio of natural and man-made assets, or a wide portfolio of natural biological assets (Holling 1973; Conway 1992). It is worth investigating the second approach to sustainability noting the potential for its integration with the first approach especially in the context of agriculture in a country like India (Prakash and Pearce, 2000). The core elements of both environmental economics as well as ecological economics may have to be collated to provide a pragmatic approach to sustainable development in a country like India. In this respect Daly (1990) developed three thump rules of sustainable development which include: (a) *sustainable yield for renewable resource* (including forestry and ground water), in such a way that the rate of harvest (extraction) should not exceed the rate of regeneration, (b) *sustainable substitution for non-renewable resources* so that they are used very efficiently and at the mean time, comparable renewable substitutions are developed for them, and, (c) *sustainable waste disposal* in such a way that the rate of waste generation should not exceed the assimilative capacity of the eco-system. In the context of sustainability of agriculture, three more thump rules can be incorporated. They are (a) *non-deckling agriculture natural resource base* which include soil fertility, ground water level and pest/disease control capacity of the productive system , (b) maintenance of *biological diversity across time (crop rotation) and space (mixed farming)*, and, (c) the increased use of *internal, natural resources* such as compost, local seeds, etc. The academic challenge in this respect is to address the issues of (a) ‘failures’ in market and policy arenas, (b) ensuring adequate ‘property rights’ regimes and, (c) valuation and internalisation of ‘externalities’ associated with the use of natural resources and eco-system so as to evolve appropriate policies and programs to attain the goals of sustainable development.

The author was tempted to raise the ideological issues pertaining to capitalist development process driven by market forces, starting from preface to concluding section and tries to link them with sustainable development (pp. vii, 45, 134, 227 and 228). Though the alternative to capitalism was not spelt out clearly, the dominant one, the Marxism has not proved any where, from former USSR, Eastern Europe to present China, as an ideal solution to environmental problem. In fact, both capitalism and Marxism, have not only embraced the similar monstrous machines and centralised mode of industrial production but also became, in a similar, the cause for concerns from the point of view of environmental pollution and over exploitation of natural resources. Hence, it is late Dr. Ramamaonhar Lohia, the veteran Indian democratic socialist branded both, from the point of view of equity (and sustainability, of course), as ‘equi-irrelevant’ (Lohia, 1978). Hence, instead of raising the issues related to sustainability on the ideological plane, it would have been appropriate to relate the same to state’s ‘intervention’ vis a vis the operation of free market ‘forces’. In terms of cost effectiveness and efficiency in achieving the optimal level of pollution (!), the environmental economics literature has theoretically demonstrated the superiority of market based approach compared to ‘standard’ (government control) approach. However, the literature has also cautioned the limitation as well as the peril of the market based approach when confronted with hazardous wastes and pollutions especially under the situation of risk and uncertainties. Under such a situation, rather than a single approach, a mixed approach is advocated (Baumol and Oates, 1992). Hence, it will be illuminating to consider about a combination of approaches; market based approach to achieve allocative efficiency and the government interventions (i.e. command and control methods) to address the issues of ‘scale’ and distribution so as to achieve the goal of sustainable development.

These approaches have to be cemented with the ‘institutions’; both formal as well as informal, so that individual interests merge with the social well being through the process of collective actions which need to be ‘transacted’ at the least cost level (Roy, 1995). So sustainable development calls for a marriage between economy and ecology to solemnisation of which an academic and intellectual churning involving not only the theory and methodologies of environmental as well as ecological economics but also the essence of another emerging branch of economics i.e. ‘institutional economics’ is required. In order to ensure the movement of the economy along the sustainability path, various measures starting from the community level management of common pool resources to imbibing the spirit of co-operation, not destructive competition, in the use of resources have been advocated. As rightly pointed out at the end, the sustainability of the economic well being demands not only eco-restructuring of technologies but also similar restructuring of the human values and the institutions including the property rights arrangements.

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State of the World 2004: A World Watch Institute Report on Progress Toward a Sustainable Society, Edited by Linda Starke with others, World Watch Institute, W.W. Norton & Company, New York, 2004. Pp. xxv + 245. $ 16.95.

Population growth, rising affluence and consumerism in developed countries and the struggle for survival by millions of poor in developing countries impose a heavy burden on world's natural environment and resources. It is tempting to dismiss this problem as one belonging to the distant long-term, something like coming to an end of the solar system with the collapse of sun! Experts monitoring the world's endowments take every occasion to point out that the environmental crisis could be as close as only a few decades away and that it is already knocking on the doors of many developing countries. Recent droughts and floods in India are believed by experts to be an outcome of the prolonged neglect of forests, overdrawing of groundwater and permissive irrigation policies favouring the better-off farmers.

The World Watch Institute (WWI) is a careful monitor of the processes endangering the world's environment. It has been issuing annual reports entitled *State of the World* for the last over two decades. The book under review is its latest report with its focus on the alarming rise in consumerism among the world's elites and middle classes. Before considering WWI's warnings on consumerism, let us take a quick look at the broader survey of what WWI finds disturbing in the environment scenario as it unfolded during the year 2003.

* World Food Programme warns that 40 million people in Africa risk starvation due to weather and related factors.

* An Australian report says human-induced climate change is a key factor in severity of the worst drought in the country's history.

* US environmental group charges that Bush administration made more than hundred rule changes that weakened or rolled back environmental laws.

* A study says withdrawal of world's water supply for domestic, industrial and livestock use is projected to rise at least 50 per cent by 2025.

* Satellite observations of the Arctic region show area covered by sea ice is the smallest in more than 20 years which could trigger climate changes.

* Scientists report industrial fishing has killed off 90 per cent of the world's biggest and most economically important fish species.

* Scientists report earth's northern hemisphere has been hotter since 1980 than at any time during the past 2000 years.

* Scientists report the ozone hole over Antarctica reaches a record 26 million square km and could expand further.

* Scientists report 10 per cent of world's tree species face extinction due to logging, forest fragmentation and plantations of invasive foreign species.

The report does not go into the details of these highlights but it does leave a strong impression that, despite several moves in the right direction, the international community is still fumbling with effective collective action to halt the environmental damage.

Let us now turn to the theme on which the book focuses, viz., the consumer society. Private consumption expenditure "topped $ 20 trillion in 2000 from $ 4.8 trillion in 1960 (in 1995 $). Some of this four-fold increase occurred because of population growth but much of it was due to advancing prosperity in many parts of the globe". In China there were 10 million private cars in 2002 as compared to near absence of private cars a bare two decades back in the early 1980s. This surge in consumption, as the book points out, was heavily biased in favour of the rich consumers: "the 12 per cent of the world living in North America and Western Europe account for 60 per cent of global private consumer spending, while the one-third living in South Asia and sub-Saharan Africa account for only 3.2 per cent". However, the book points out that a "global consumer class" is rapidly emerging consisting of people having incomes of over $ 7000 (of purchasing power parity) and typically using "televisions, telephones, and the Internet along with the culture and ideas that these products transmit". The estimated size of "global consumer class" was 1.7 billion in 2002 - 243 million in the United States, 240 million in China, 122 million in India and 121 million in Japan. Looking ahead, WWI finds the prospects quite gloomy: "few forces are as powerful or widespread (as consumerism)... In the long run, it will become apparent that achieving generally accepted goals -- meeting basic human needs, improving human health and supporting a natural world that can sustain us-- will require that we control consumption rather than allow consumption to control us."

The book offers several suggestions for checking the onslaught of consumerism. We use the illustration of cotton T-shirt: ecologists have recorded devastating harm to birds, fish and other wildlife from chemicals used on cotton. Cotton pesticides sicken and kill farm workers as well and pollute local water bodies. Apparel manufacturers from industrial countries use sweatshops in Central America and Southeast Asia. For a T-shirt user the most ecological choice is a T-shirt made from certified organic cotton grown without synthetic pesticides and fertilisers. At one Egyptian farm project, organic cultivation has boosted cotton yields more than 30 per cent and the fibre is processed into cotton textiles without any synthetic chemicals. In a positive trend, organic cotton and fair-trade garment makers are joining hands to both protect the environment and promote social justice. The book expresses the hope that "as the costs of unbridled consumption become clear, we believe that the innovative responses described in these pages will also catch on at an accelerating pace". At the moment, this hope must seem rather wishful as the multitudes eagerly embracing consumerism appear to outnumber by wide margin those who see the need for a saner and more balanced lifestyle! However, that is no reason not to welcome this well-researched and timely warning about the approaching environmental crisis and the dark shadow it casts on the world's poor countries.

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