

D. Narayana and Raman Mahadevan (eds.), *Shaping India: Economic Change in Historical Perspective*, New Delhi: Routledge India, 2011, 316 pp. ISBN 978-0-415-67804-9 (hardback).

This book focuses on the need to understand and bridge the divide between pre-colonial and post-colonial Indian economic scenarios to bring about a better understanding of the 'old' and 'new' that shape the complex development and growth in India. As the title suggests, the book tries to add the dimension of history and regional variations in patterns of development to understand the dynamics of economic change shaping modern India.

This edited volume is the product of a seminar titled 'Indian Economy: Historical Roots and Contemporary Development Experience' hosted by the Centre for Development Studies (CDS), Thiruvananthapuram, India in 2007. The late Indian economist K. N. Raj described the research focus of CDS as 'history, theory and data', and this volume tries to bring together exactly this. The co-editors are D. Narayana and Raman Mahadevan. Narayana holds the Reserve Bank of India professorship at CDS and has researched and written on issues of human development in India. Mahadevan is a senior economics and business historian and professor at the Institute of Development Alternatives, Chennai, and an authority on south Indian industrial and capitalist development. Among the contributing authors are prominent scholars including C. P. Chandrasekhar (writing on industrial development and growth of the manufacturing sector), A. Vaidyanathan (contributing a chapter on agrarian structure), K. Srinivasan (writing on fertility) and N. Krinshnaji (on population pressure and labour intensification).

The three themes covered are land and agriculture, entrepreneurship and industry, and demographic trends. The volume successfully ties together a number of issues and assesses their historical emergence and the continuing role they play in the Indian economy. In terms of analysis and coverage, the book tries to break the sectoral mould of analysis and to bring together aspects of interconnectedness between the sectors.

The agriculture sector in India has been going through a period of crisis, with its growth rate falling below the growth of the rural population and workforce employed in agriculture (p. 7). Among the reasons discussed for the lacklustre performance of the sector are the institution of property rights in rural India and the failure of land reforms, along with demographic pressures and technology fatigue.

Rural land ownership in India came about with the introduction of the British permanent settlement legislation in 1793 that established intermediaries (zamindars and talukdars) as the owners of the land for the purpose of extracting land revenue (p. 25). At independence, the ownership of land in India was highly skewed, with land concentrated in the hands of a few landed elites, while the actual tillers of the land had no rights. Land reforms in India were initiated to redress this problem and redistribute land, however, the political elites at the centre, being substantial landholders, pushed land rights and reforms as a 'state subject' making it the responsibility of the states now to implement them (p. 30).

Although failure to successfully implement land reforms has largely been attributed to their poor design and implementation, often overlooked is the caste–class composition of landholdings, agrarian relations and ownership distribution (p. 69), which were reinforced by the permanent settlement legislation under the British. Comparing land reform and agrarian change in India to that in China – which had certain structural similarities – reveals the role played by social homogeneity, tenancy, political power and non-socio-political factors such as agro-climatic conditions in the drastic differences in the performance of the sector between the two countries. Although the benefits of land reforms in India have been associated with reducing poverty in states that did manage to implement them, their benefits have been declining over time, mainly due to inter-generational division of land and poor land access.

Demographic pressure in the coming decades will also have an effect on landholding structures. The falling land–person ratio and labour intensification are consequences of rising population pressure. Migration patterns, land productivity, cropping intensity and cropping patterns have also been negatively affected by population growth (pp. 93–95). The role of science and technology dissemination in production and productivity growth is very important for dealing with the future challenges of the agriculture sector. Agricultural research in India has been conditioned by a political commitment to attain food security quickly and so it pushed intensive inputs (fertilizer, water, pesticides) and high-yielding varieties. This must change to accommodate the present challenges of sustainability and growth. Thus there is an urgent need to decentralize research for better capacity building and the development of region-specific and smallholder-friendly technology. The role of science in agriculture has been closely associated with the state since colonial times. In post-independence India, populist measures such as

subsidies have had resource degrading effects on sustainable development and productivity and agricultural science institutions have borne the blame for this (p. 117).

The focus of the volume's first section is to evaluate the major challenges faced by the agricultural sector and contextualize them by drawing analytical inferences from historical influences and origins. This helps to bring an institutional understanding to structural challenges that have shaped India's largest economic sector while highlighting the determinants that will play an important role in addressing them. The authors have clearly brought out the regional variation in agricultural development and the institutions and characteristics that influence these differences.

The second section, on entrepreneurship and industry, deals with the issues of variations in capitalist development, emergence of merchant capitalism, evolution of the banking system in India and the trends in manufacturing growth over a period of six decades. It brings into perspective the historical relevance and regional variations in accumulation trends and capitalist development, the emergence of colonial merchant capital and the development of the plantation sector. An overview of the evolution of the banking sector helps situate the expansion of credit services in India while the last chapter on the industrial sector and manufacturing growth follows growth trends in the sector over six decades.

Studies on the origins of Indian capitalism and entrepreneurship have given disproportionate exposure to favoured regions, classes and the nature of accumulation. The regional variation in the development of capitalism in India is best highlighted when looking at the case of south India, which does not fit the generalizations of most narratives on the development of Indian entrepreneurship. In the south, a 'vysia vacuum' (p. 134), or the absence of a dominant mercantilist class, broadened the social space for entrepreneurship development and allowed entry to the middle peasantry and the artisanal castes. The emergence of capitalist enterprises through agrarian capital, commercial diversification and artisans scaling up to industry is unique to south India. Examples of this are seen in the emergence of cotton mills in Coimbatore, which was largely based on the routing of agrarian capital from the middle peasantry (pp. 136-139), diversification from money lending to 'agents of commercialization' by the Chetty caste of Tamil Nadu (p. 135) and the scaling up of handlooms to textile mills in Tiruppur (p. 140).

A look at the evolution of the plantation sector of south-western India tells the story of export-oriented agriculture and the emergence and con-

solidation of trading capital by European firms in the colonies (p. 149). Literature on the emergence of foreign capital in India and the role of export-oriented agriculture in colonies that brought it about is sparse. Mercantile capitalism emerged as a strong force with the integration of plantation agriculture to industries, and the transforming costal mercantilism. Changes of organization and industrial production in Britain also influenced the way mercantile capital emerged, evolved and consolidated until the late 1940s. In the present scenario it also helps in understanding the emergence of polarized price regimes as there was a shift from producer-driven to consumer-driven supply chains (p. 169).

The banking system in India has been praised for its stability especially as it stands tall when banks and banking systems the world over are in peril. The state has played an important role in developing and expanding a resilient banking sector in India. The nationalization of banks in 1969 was a major move leading to the spread of banking services to the Indian countryside. Prior to this, only 25 per cent of banks provided services in rural areas, with limited credit disbursement. What stands out in the development of the banking sector in India is the performance of the south Indian banks (in Kerala, Karnataka and Tamil Nadu) compared to the rest of the country. From 1930 and well into the post-reform period, banks in this region had great increases in credit dissemination and deposit shares (p. 197). In the post-liberalization period, India has been cautious with relaxing rules in the banking sector. The chapter, however, does not address the looming challenges of the banking sector, especially with reference to rural credit. The changing production dynamics and market changes through globalization have created new challenges and opportunities in the rural sector. Availability of credit on reasonable terms is the need of the hour and the banking sector needs to rise to this challenge.

The development of the industrial sector lagged before conscious policy change intervened. The initial phase of a highly protectionist industrial regime could not sustain growth and development beyond the 1960s as it resulted in disproportionate growth of agriculture in comparison to industry, poor demand creation and growing dependence on imports that affected the balance of payments (import substitution being for the final product stage and not for intermediary stage goods) (p. 210). The turnabout came in the 1980s as a result of increased government spending, liberalization of capital goods imports and increased commercial borrowing from abroad (p. 221). This fiscal stimulus led to a rise in the deficit, which pushed India to liberalize. Growth in the

post-reform period picked up after 2003–2004 as a result of increasing demand and exports. In the wake of the global economic crisis, there are doubts about the sustainability of the growth that was seen in the early part of this century. The worrying signs in the global crisis are declining exports and net outflow of foreign investment.

The final section of the book deals with fertility, mortality and migration in India, which shape its present-day demographic patterns and human development challenges. Fertility rates in India traditionally have been low, owing to social issues (prohibition of widow remarriage, prolonged breast feeding periods, etc.) and public health issues (like the prevalence of diseases such as malaria and tuberculosis). After independence, with modernization and expanding educational opportunity, the fertility rate increased (p. 238). Family planning to reduce population were prioritized in subsequent plans resulting in mixed results with regional variations in performance. The Hindi heartland of northern India lags 20 years behind south Indian states such as Kerala and Tamil Nadu. The mortality transition in India in the late nineteenth and twentieth centuries was remarkable as mortality rates declined steadily and life expectancy at birth doubled. In the post-independence period, improvement in health services, medical technology and education played an important role in bringing this about. Mortality transitions have not been uniform across age groups, regions or sexes (p. 281). In the 1990s there was a particularly strong decline in mortality rates, especially in infant mortality, due to female literacy, child health programs and technological development.

Regional and international migration patterns often have economic factors influencing them. The earliest large-scale migration from India for economic reasons was in the form of indentured labour, and *kangani* system. With the abolition of slavery in 1833, colonial powers turned to their colonies in Asia to recruit agricultural and plantation labour. This led to the emergence of the indentured labour movement across colonies. Indenture was a contract of labour for seven years in a particular region and in the case of British colonist, the favoured destination for indentured labour was to Mauritius, the Caribbean, Natal and Fiji. The indenture system was abolished in 1920 and the *kangani* system took its place. These were short-term labour contracts of 30 days and labour under this format often took people to Burma and the Malay Peninsula. Agrarian distress was the main reason for people to leave their homes for the other colonies and about 30 million Indians emigrated between 1834 and 1947. In the post-independence era the migration patterns

have been varied. Unskilled workers migrated and continue to migrate to the Middle East – a phenomenon called the 'gulf boom'. In contrast, the skilled migration from India to the West emerged as a result of the information technology revolution. The benefit of both forms of migration has been the dividends of remittance.

The volume ends with a chapter on economic historiography from the 1960s onward. Economic history in India has had a rich history of transformation. Initially the dominant influences of this field came from nationalist economics, Marxist political-economy and the Cambridge paradigms which were fashioned by neoclassical economics (p. 327). Consequently they were replaced by cliometrics and subaltern studies. Indian economic history today is in a period of 'experimentation and resurgence as sectoral modes of analysis give way to a more interconnected understanding of how agriculture, industry and services influence each other. The future challenges are how to successfully address and understand sectoral interconnectedness and regional variation and to extend focus to the under-researched post-colonial phases of economic development. This book analytically highlights the connectedness of the 'old' and 'new' Indias, while shedding light on the importance of taking into account regional variation and the influence of institutions. This is an essential book for understanding institutional change, economic development and the importance of historical influences in the context of India and the future challenges it faces.

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