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**Nilanjan Banik, *The Indian Economy: A Macroeconomic Perspective*, SAGE, 2015, 252 pp. \$32 Paperback.**

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## Book Review

Indian economy is an enigma to the researchers and students of development economics and macroeconomics, as the mismatch between the vast potential and modest achievements beg closer relook. On agricultural front, while the economy is among the top global producers in terms of output, the achievement looks far modest in terms of productivity (e.g., per hectare yields). In addition, the sector is heavily reliant on rainfall, as there exists considerable scope for deepening the reach of irrigation network. While the policymakers attempt to boost competitiveness through private participation and other reforms in recent period, food security concerns continue to be a major challenge. On industry front, productivity, efficiency and cost competitiveness issues were the major challenges during eighties. In the aftermath of the IMF prescribed structural adjustment programme (SAP) implemented from 1991 onwards, the industrial licensing policy has been removed and entry-exit provisions for private players has been eased. The recent government initiatives like 'Make in India' is likely to revive the sector on one hand, and integrate the Indian players with the global value chains on the other. Achievements on the services front however look brighter in comparison, with the country already emerging as the global player in the arena of information technology (IT) and IT-enabled services.

The prevailing scenario in the core sectors are duly reflected in the trade performances of the country. Upto eighties the export basket of the country heavily relied on primary exports and low-tech manufacturing products. Since late nineties however economic transition has deepened, and export basket has moved towards high-tech manufacturing products and services. Nevertheless, the country's participation in global value chain and production networks remains weak, perhaps shaped by path dependency. A conscious attempt has been made by the country by entering into free trade agreements (FTAs) with vibrant regions, e.g., Association of Southeast Asian Nations (ASEAN), Japan, South Korea etc. Negotiations for preferential trade agreements are also in progress with developed countries and blocs like the EU, Canada and Australia. Particular interest has been shown towards comprehensive economic partnership agreements (CEPAs) covering merchandise and services trade as well as investment flows, given India's growing interest in all three segments.

The structural transition brings forward major macroeconomic changes and associated challenges in the country. On one hand, the inflows of Foreign Direct

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Investment (FDI) / Foreign Institutional Investment (FII) influence the exchange rate, thereby shaping export competitiveness significantly. On the other hand, the growing demand for skilled professionals both in the manufacturing and services sector is changing the labour market dynamics, with significant cross-province movement of young professionals over the last decade. The rising rural-urban migration and evolving consumption pattern is loaded with short term challenges but long term opportunities. All these underline the crucial importance of the demand management policies to be adopted by the government, so as to control inflation in general and boosting growth and managing inequality in particular. The latter is particularly important in a democratic country such as India, where reform must be packaged to suit the interest of various economic and regional groups. Growing presence of foreign players in the country enhances competitiveness in the long run, but the short term adjustment and exit problems, particularly involving the small players, are not easily discounted. At the same time, the policymakers are also faced with the challenge of augmenting infrastructure and managing public debt. To sum, the macroeconomic challenges faced by India are multi-layered and diverse.

Many books focus on the Indian economy, particularly from the perspective of sectoral strategies, social sector policy framework, exports etc. The book by Banik stand out in the crowd by moving forward through a slightly different track, by covering how macroeconomics works for a developing country like India. It offers a well-structured package to a potential student / reader, not necessarily located in India, to understand Indian macro economy in details. The book is consciously following a writing style based on the principle of, 'What? Why? How?', so as to facilitate understanding in the classroom in an interactive manner. The broad coverage of the book is the following.

Chapter 1 begins with a discussion on Indian economy and then moves to significance of demand management policies in macroeconomics and how such policies are formulated in India. The discussion enables readers to understand the reason for inflation and unemployment, and the relevance of monetary and fiscal policies to control them. The discussion, in the Indian context, greatly facilitates understanding of the policy priorities.

Chapter 2 discusses three important and interrelated concepts, namely: growth, development and income distribution. As witnessed in many parts of the globe, economic prosperity may beget the first, but the second may not follow automatically. Conversely, the third may follow giving rise to dissent, thereby affecting the very process of growth itself. The discussion, covering human development scenario and emergence of Naxalism (ultra-left) movement in India, provides an interesting reading.

Chapter 3 deals with a detailed analysis of demand management, by discussing the working of both fiscal and monetary policies. It also provides a detailed discussion on the policy instruments that are used for formulating fiscal and monetary policies, and how national budgeting and monetary policy is done in India. In particular, the discussion becomes more fluid by inclusion of the topical issues such as the upcoming Goods and Services Tax policies, and application of Taylor's Rule in formulating monetary policy.

Chapter 4 covers the anatomy of food price inflation in India and the 'job-less growth' phenomenon. The outward movement from the farm sector and several other factors has led to a fluctuating trend in food inflation in India. On the other hand, while contribution of the service sector has crossed 50 percent in the economy long back, its capacity to absorb the vast workforce, with widely differing skill-set, is still limited. The discussion provides a structured analysis on such nuances.

So, where is the country headed in terms of long term growth dynamics and policy certainty? This is a crucial question, because despite the tremendous growth potential and attractiveness, the country still holds a moderate position in terms of 'Doing Business' ranking. Chapter 5 covers the past reforms and their effects on five broad areas, namely, infrastructure, labour, corporate law, services, and judiciary.

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Developments in all these segments have tremendous ramifications on the overall macroeconomic performance of the country and the discussions presents the macro growth scenario in a wider canvas.

Chapter 6 focuses on the evolving dynamics of India's trade pattern during recent times. The evolving trade direction provides an idea on India's geopolitical interest. Chapter 7 covers the discussion on measuring the *correct* value of exchange rate. The analysis is indeed helpful in understanding the recent movements in Indian Rupee vis-à-vis US \$.

Chapter 8 discusses Indian participation in the World Trade Organization (WTO) forums. While upto mid-nineties India played a passive role at the multilateral forums, in the new millennium it has emerged as a major leader of the developing country coalitions. Besides examining WTO structure, the chapter discusses, India's negotiating stance at WTO and major negotiation milestones achieved at various WTO rounds, indicating their significance for Indian economy.

Courses on macroeconomics in any developing economy invariably follows the standard practice of using textbooks that are written in context of the developed economies such as Western Europe, Northern American economies or Japan, with limited comparative significance. To compensate, most of the time, such books put greater emphasis on macroeconomic theories with limited explanations on the actual working of the macroeconomic structure or the evolving dynamics. The way the economy functions for a developing country like India is different and certainly needs a different treatment. The present volume is able to fill this void in the market to a large extent by showcasing application of various macroeconomic theories purely in the Indian context. In particular, the inclusion of various case studies in the volume from the author's editorial articles on contemporary issues written for popular business newspapers has been a wise decision, enabling proper linkage between theory and real-world practice.

One caveat, though agricultural sector is repeatedly referred to in the discussions, a separate chapter on this area would have been commensurate with the importance of this sector in the Indian economy. Also, discussions on India's participation in the global climate change forums and the implications for the economy would have enriched the discussions further.

The increasingly deepening trade-investment linkage with macroeconomic policies in the Indian context requires newer explanations, so as to facilitate dynamic learning in the classrooms across the globe. The present volume contributes significantly to the existing literature and should be an important point of reference for business schools and universities for their courses in the area of macroeconomics and emerging economies.



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