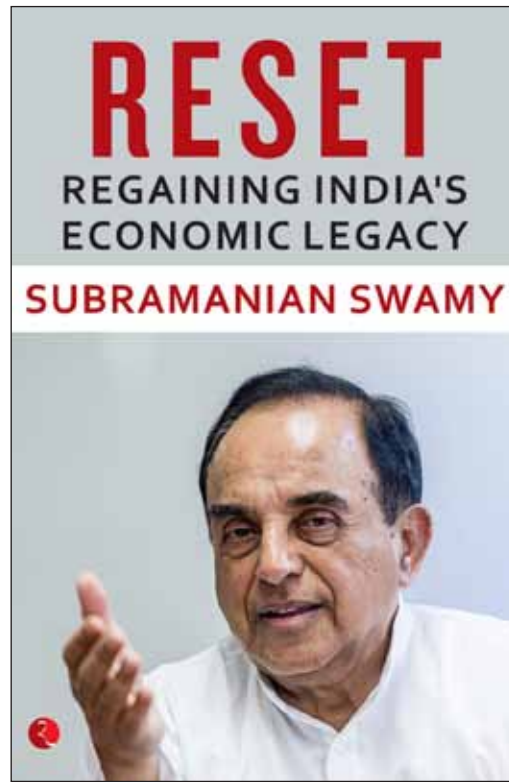


BOOK REVIEW



**SUBRAMANIAN SWAMY: RESET-REGAINING INDIA'S ECONOMIC LEGACY,
RUPA PUBLICATIONS, 7/16, ANSARI ROAD, DARYAGANG, NEW DELHI 110 002;
FIRST EDITION, THIRD IMPRESSION, 2019, PP1 TO 200+xvi.**

- Reviewer: **N.S. Viswanath**

The book under review is the latest treatise on the Indian Economy from a temporal, historical and critical perspective scholarly written by Subramanian Swamy, well known for his candid exposition of the performance of the Indian economy and its related ramifications.

This two-hundred page thesis begins by demarcating trends after independence to make an assessment of the Indian economy between 1947-80 (Phase-I), 1980-90 (Phase-II) & 1991-2019 (Phase-III). The division of the time frame is based on historical turbulence which began much earlier in 1857 and the consequences, thereafter, lead to the way the time has reflected on the people & their response to change. The purpose is to mark out how Imperial Government systematically exploited Indian Agricultural System and by making laws to change the systems of Education to 'de-culturize'

Indians. The British Education System had myopic aim of producing clerks to sub-serve the Monarchy. There are accounts of how economic planning was done to meet the administrative needs without caring for people priorities and needs. Examples are Railways and Postal systems. The country which had a share of 25% of World Income gradually stagnated in per-capita income for over a century (1820 to 1940) and consistently declined in GDP, consequently to become a poor country in National Wealth.

There is a comparison to China and its vicissitudes to that of India to demonstrate how the two economies are similar and dissimilar in terms of growth, change and performance.

The author begins with his account of the way British

planned to get raw material (cotton for instance) to feed and supplement Industrial revolution in their country; how they managed to get the support of the Indian army at our cost to win over the world and the way Indian Agriculture became a supply chain for ensuring their ends.

The second chapter examines the way India lost an opportunity in history because of subjugation of India by the British. Coal, Jute and Cotton, the core industries and the Railways infrastructure were not allowed to develop mainly to make India a market for finished British products. TISCO began in 1923 to demonstrate the Indian entrepreneurship. Tata's use to get the expertise from Germany (or any other country outside India) which later lead to Core research center in Bengaluru (Thanks to Swami Vivekananda for his advice to Tata on ship to begin a science institution in India - Indian Institute of Science - popularly known as Tata Institute in Bengaluru was established). The chapter has made a comparison of China's economy in terms of reflections by key indicators.

The fulcrum of essay is in chapter-3. The 'command economy' was introduced by emulating the Soviet Union model of growth. The arguments advanced is that, state commanded development will enable equitable distribution of growth benefits. An economy has its societal base factors, which dictate the goals of life, which in turn gets transformed in to individual and collective goals reflecting the society at present and what it aims to be in the long term future. Historically, the political system that was emerging to rule newly born India 'imposed' command economy by making wrong choice of a system accepted in Soviet Union. Absorption of the 'Best' from outside has to be by consensus and camaraderie of values, culture and lifestyles to match with the domestic system. While there were differences in the model of growth of the economy, although experiments were there by Sir M. Viswesvaraya and others in a provincial country ruled by kings, the Nehruvian model of planned economy was envisaged to make the country meet 'Tryst with Destiny'. The critical note of the author is logically convincing in the way the five year planned progress was imposed. The license raj took over along with

public sector firms wholly owned by the Government. The author demonstrates that the growth was around 3.5% during the plan period (1950-1990) whereas it was 6.78% (1992-97) during post reform period. An output analysis has been done to show how China has fared better than India. The sectoral performance and share, over 1950-90 period, at factor cost and at constant prices show the dismal performance of Agricultural sector with services sector occupying the highest share. Manufacturing sector, however, did not generate enough levels of employment. Agriculture, which had the potential to absorb people for jobs lost a critical opportunity. This is because the fundamental assumptions of the Soviet Model was not compatible to Indian conditions. Having recognized the folly of planning base on unmatchable assumptions, the time has now come to allow the economy to grow at a higher pace by investments in those critical areas where growth rate would be higher and generate employment. The system of Governance must tone up to manage inflation and at ease for higher trajectory of growth.

How can we expect transformation to happen for an Elephant size economy? The author suggests: 1. adaptation of a new model of growth, 2. modernization of Agriculture, 3. cost-conscious-quality oriented industry, 4. new forms of ownership & 5. fiscal reforms. All these measures have been projected by several other economists earlier. How to operationalize them to reach the bottom of the pyramid?

India never reached its fast pace of progress of GDP (at factor cost) during 1950-80 which was at 3.4%. It could show a GDP rate of 5.2% during 1980-1990 and achieved 7% during 2016-19. It is, however, now in shambles to less than 2%. The tryst with destiny of the Indian economy has had its own vicissitudes for the last seven decades. Economic reforms coupled with transformation in Agriculture, Industry and emergence of Services sector have resulted in structural change. In spite of this, the economy has not been able to achieve 10% growth consecutively. Two reform measures, demonetization and introduction of GST, have not brought about the desired results. In the midst of Covid19, which is disrupting the economy, the economy is on a consistent decline.

The author argues that there is still a chance for the growth to bounce back. It is here that the questions begin to emerge on the naïve solutions offered by the author. In order to bring about ideological change, bring it by persuasion of the individual, raise investment by increasing FDI, incentivization of households, the rate of interest on FD should be kept at 9% and increase household savings by 34%. Are these practicable? The interest rate on FD in public sector banks is at 6% now. How can it be realized to 9% as suggested?

There is another suggestion to shift to fixed rate regime from the current flexible exchange rate. Further, the author suggests to abolish participatory notes operating as parallel system in the banking sector. How can these be operationalized?

Swamy has been arguing for abolition of income tax since several years on the ground that it will induce consumer demand. Given the poor performance of GST, how to reconcile revenue by abolition of income tax?

Another argument is for introduction of contract farming. It is in operation in the case of areca gardens. How can we make contract sale enforced for other commodities in Agriculture?

The edifice on which the thesis is based, loses its rigour, when ideas suggested to bring about change are looked into. There is a need for intellectual churning to capture them.

The book scores on another count on a new ideology of integral humanism after building a ground for it, as had been experimented in other countries and declared as failed ideologies such as Marxism, Communism, Socialism and Capitalism. The concept of Integral Humanism can be incorporated provided it is practiced and understood as Complete Humanism (Poorna Manavathva) on which the Economic model of growth can be based. The seven postulates based on Integral Humanism sounds interesting. The test of them needs deeper thinking for a sound foundation of an economic policy.

In all, the entire book is worth reading by any individual. It triggers new thoughts for an intellectual discussion across the Nation or in an economic entity.

The author has scripted a document of eminence for a leader, manager, a common man or any economic agent to make these their base of functioning. I recommend this book for all to read and get introduced to the area of macroeconomics.