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India's Long Road: The Search for Prosperity by Vijay Joshi (Oxford University Press, New York, 2017), pp. xi + 347

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Vijay Joshi's book *India's Long Road* is a work that anyone who has spent a lifetime thinking about their home country would be happy to have written. It is insightful, comprehensive, practical – and every page displays an impressive depth of knowledge and thinking. Joshi does a fine job of balancing between being accessible to a general audience, and providing data and technical detail to satisfy a reader looking for rigour.

The book is based around three propositions. First, India's growth performance since 1980, while a significant improvement on the previous 30 years, has in recent years shown signs of faltering. Second, to meet the objective of 'rapid, inclusive, stable and sustainable growth of national income' (p.35) it would be necessary for India to achieve per capita growth of 6 to 8 percent over the next two to three decades. Third, meeting this growth target will require radical reform in Indian institutions and policy. As Joshi puts it, the disjunction between India's dynamic private sector and its weak and ineffective government sector (p.7) '…has now reached such a level as to seriously endanger India's ambitions.' *India's Long Road* sets out to establish these three propositions, and to then lay out an agenda for the radical policy reforms needed for India to achieve the suggested growth target.

This is done in five main sections. Part I is on 'Setting the Stage'. Chapter 1 provides an overview of the book's main arguments, chapter 2 gives a neat summary of India's economic development from 1947 to 2016, and chapter 3 addresses the appropriate role of the state and markets. Part II is on 'The Growth Challenge'. Chapter 4 presents a growth accounting analysis of India's recent economic performance. Chapters 5 to 7 examine three major areas - employment, productivity, and ownership and infrastructure - where it is argued that operation of the Indian economy can be improved, and analyse the institutional impediments that are limiting performance in those areas. Part III is on 'Stability and Inclusion'. It addresses aspects of government policy relating to macroeconomic stability and the scope for the Indian population to contribute to and share in the benefits of economic development.

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Chapter 8 is on macroeconomic stability. Chapter 9 evaluates government policies for health and education. Chapter 10 considers safety nets and social protection. Part IV is on 'Political Economy'. Chapter 11 describes the main problems with the Indian state and institutions. Chapter 12 reviews India's external economic position, and the main forces that affect that position. The book concludes with Part V on 'The Future', a single chapter that brings together and summarises the main recommendations for radical reform, and appraises the performance of the Modi government (two years into its term).

What distinguishes this book throughout is its logic and clarity. Economic theory, data and findings from empirical studies are applied in a straightforward and common-sense way to reveal problems in the Indian economy and to propose policy solutions. The drawing out and clear explanation of major themes makes it easy to read.

Chapter 5 on 'Growth and the Employment Problem' is a nice example of this approach. It begins by characterising the 'employment problem' in India. The essence of this problem is mal-distribution between the high productivity organised sector where employment is growing only slowly, and the low productivity unorganised sector where the vast majority of India's workforce is employed. Employment in the organised sector is then examined in more detail – showing how the bias against labour is manifested in high capital usage and small firm sizes. Having established that (p.75) 'India does not offer an enabling environment for enterprises to enter the market and grow', the chapter moves on to ask why it is in this situation. The main answer given is labour laws regulations which protect workers in the organised sector. An excellent summary of the evolution of these laws and regulations, and how they have raised the costs and impeded the hiring of labour, follows. The summary leads directly to a template for reform of labour laws – for example, recommendations to remove the requirement for prior government approval before retrenchment of workers, and to allow companies more flexibility in assignment and redeployment of workers between tasks.

Chapter 10 on 'Safety Nets and Social Protection' is even more ambitious in its proposals for policy reform. The two pillars of social protection in India have been food subsidies and rural employment guarantees. An incisive analysis of the limitations of these schemes is presented (for example, noting massive leakages from the subsidy scheme and the limitations of merit good programs). This leads to a discussion of the possibility of replacing subsidies

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with cash transfers to households, and in particular the opportunity to make technology-enabled transfers. Alternative ways of making cash transfers are evaluated, and a basic income is argued for as the best option. Such is the current cost and inefficiency associated with food and other non-merit subsidies that Joshi estimates that this reform is certainly feasible (p.213): '[By abolishing subsidies] …resources of at least 10 percent of GDP…could be liberated annually for public purposes. Suppose that 2 percent of GDP is set aside to increase public investment and another 2 percent of GDP to reduce the fiscal deficit. That still leaves at least 6 percent of GDP that would be more than sufficient to finance a basic income scheme…'.

What is most striking from these chapters is the scale of India's policy problems. The scale makes it entirely credible that solving its policy problems would put India on the path to a sustained period of high rates of growth in per capita GDP. Of course, with great scale in policy reform goes great difficulty. This difficulty is acknowledged, and indeed given a detailed treatment. Joshi argues that (p.225) 'The fundamental constraint on state action in India is that the country is a democracy as well as an extremely diverse society.' While the fact of Indian democracy is to be celebrated, it has the drawback of constraining policy reform – and especially so, it is suggested, in India where cleavages based on caste, religion, language, region, ethnicity and economic status make it more difficult to achieve national gains and to share the benefits and costs of pursuing those goals.

How the constraint on policy reform is to be overcome, and the details of policy implementation, are topics about which the book has less to say. Joshi proposes that the rise of an Indian middle class and the devolution of policy-making to state governments may assist the cause of policy reform, but he has doubts. Hence, much will depend on having political leaders with the 'courage and the powers of persuasion' (p.82). There is also a suggestion that major policy reform may only occur 'in the aftermath of a major crisis' (p.316).

What is certain is that no problem is more deserving of attention than how to achieve policy reform. In *India's Long Road* Vijay Joshi has provided a blueprint for policy reform in India that is compelling: thoughtful, well-argued and drawing both on economic theory and real politik. At the same time his work is a powerful call-to-arms for making those reforms

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(p.317): ‘At least two-thirds of India’s people have incomes and opportunities that are meagre enough to limit sharply their capacity to lead a fulfilling life.’

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