Book Reviews


Mango is recognised as king of fruits on account of its nutritive value, taste and attractive fragrance. It is produced and consumed world over. India is largest producer of mango in the world accounting for about 53 per cent of the world production. It is grown over in an area of 1.2 million hectares constituting about 22 per cent of total area under fruits in the country. Annual production is estimated at 11.0 million tonnes forming about 33 per cent of total fruits production in India Uttar Pradesh, Gujarat, Andhra Pradesh, Maharashtra, Bihar, Tamil Nadu and West Bengal are the major mango producing states in India.

The book under review is based on the field study covering three states, viz., Andhra Pradesh, Maharashtra and West Bengal. These three states together accounted for 45 per cent of total area under mango cultivation and 30 per cent of total production in the country. Apparently selection of the states for indepth study appears to be based on the convenience rather than the importance of the states in mango production in the country.

The book devotes India’s position in global mango, analyses the growth patterns in area, production and productivity of mango in selected states vis-à-vis India, discusses the cultivation and cultural practices of mango, examines marketing of mango, price spread, methods of mango processing etc. Economics of mango orchards/processing units, export performance of mango and mango based products, and post-harvest management practices of mango along with constraints and policy prescriptions have been covered in the report. Besides tabular forms, graphical presentations, and percentages etc, the field data was analysed with reference to various profitability ratios, discounted cash flow techniques, marketing efficiency, (consumer Price-Producers’ Farm Gate Price) and export competitiveness. The reference year of the study was 2005-06.

It has been pointed out that mango reaches to the consumers through four channels, i.e., (i) Growers to Pre-Harvest Contractors (PHC), (ii) Grower to UP Country Traders (UCT), (iii) Grower to Village Trader/Commission Agent (VT/CA) and (iv) Grower to Mango Processing Units (MPUS). However, it is very difficult to come out with a clear cut demarcation of channels as some PHCs also act as CAs, some CAs act as traders. They themselves also act as local wholesalers. The study reveals that channel 1 constituted 55 per cent of total arrivals followed by 25 per cent by channel 2, 10 per cent by channel 3 and 7 per cent by channel. The UCTs obtain supply prospects of mango from the village and supply to the terminal markets. UCTs acting as traders, also determine prices at the village level and at the terminal
markets. Mango growers’ mostly small and marginal farmers are unaware of the final price of their produce, which they sell to the traders. Farmers feel cheated as traders garner higher margin. The commission agents (CAs) are the most important link in the marketing of mango controlling about two-thirds of the total markets. These CAs also act as grower cum trader and facilitate the trade between the mango grower and UCTs.

The study further revealed that the purchasers normally pay Rs.60 for loading/unloading/grading of mangoes to CAs. They are required to pay 1 per cent of the turnover as market fee to the AMC and 4 per cent of the turnover as commission to the CAs. The CA collects the market fee from purchasers on behalf of the AMC. For this purpose the AMC provides receipts to the CAs. CAs, who is also traders, avail Second Over Draft (SOD) from banks and utilize the same in lending to mango farmers for consumption/production purpose (@24 per cent interest per annum). The amount of advance is decided on several factors such as areas under mango, expected production, past track record of the mango supply to the CAs etc. After harvest of mangoes, farmers sell mangoes to the CAs and 10 per cent of the sale proceeds as commission charges.

Producer’s share in the consumer price is high when the marketing efficiency is high. Producers’ share in consumers’ price in channel 1 stood at 28.80 per cent, while it was 34.74 per cent in channel 2 and 33.59 per cent in channel 2. Channels 4 and 5 accounted for 44.05 and 100 per cent respectively.

Due to the presence of Commission Agents (CA) and Whole sellers (WSs), and retailers, the cost of production get multiplied and the burden is ultimately borne by the consumer, in the form of higher prices. This has increased marketing expenditure. The percentage spread being 20, marketing efficiency is low. The marketing efficiency can be increased by reducing the interference on the commission agents, thereby lowering the intermediate cost. The commission agents and traders charge commission for marketing the produce. There is no standard procedure for charging commission. Incidentally in APMC markets, there are approved rates for charging commission by agents which followed in breach than practice.

So far financial viability is concerned it may be noted that according to discounted cash flow technique the financial rate of return was more than 15 per cent for all the sample orchards and such the investment in mango is financially viable IRR is highest at 23.21 per cent in Aurangabad followed by Chittore (20.83%) and Sindhudurg (17.66%). The sensitivity analysis in two varieties of Mango in Maharashtra stated that the BCR is more than one in both Alphanso and Kear variety of mango. Thus, the investments in these varieties are beneficial. Similarly, the IRRs at 15.15 per cent and 20.82 per cent stand in test of sensitivity analysis. It is more than the threshold limit of 15 per cent reckoned for opportunity cost of capital.

Apart from consumption of fresh mango as table fruit it is also processed by establishing pulp unit. The indicative cost for establishing mango pulping unit with
an installed capacity of 600 tonnes of pulp per annum is estimated about Rs. 35 lakh. While for an aseptic unit the cost is estimated at Rs. 2000 lakh. The length of operation of mango processing units depends on the varieties of mango processed and source of procurement.

The export of mango pulp in Chittor, Maharashtra showed a quantum jump from 13 thousand tonnes in 1999-2000 to 120 thousand tonnes in 2006-07, revealing the importance of mango processing industry in the region. The low variability in the unit value realisation in case of mango pulp as against the unit value realisation of mango fruits seems to suggest the need for greater incentives for the processing sector. The processing industry is backwardly linked with six marketing channels basically to source the major raw materials, i.e., mango pulp and accounts for 80 per cent of total raw material by processing forms.

The IRR of small firms (19.31%) is the highest followed by that of large firms (17.5%) and medium firms (13.87%). All three size class of firms is available as their IRR is greater than the opportunity cost of capital. Thus, the small firms rank the highest and the medium firms rank the lowest as per the FRR criteria.

As far as bank loans are concerned data collected from a sample of 10 bank branches (3 branches of Indian Bank, 5 branches of Regional Rural Bank and 2 District Central Cooperative Bank) revealed that crop credit to mango during the last three years constituted a share of 38.7 per cent of total crop loan accounts and 47.1 per cent of total crop loan amount.

The apathy of farmers towards bank loan is primarily due to the fact that alternate options for arranging maintenance expenses are in practice in the district. All times, the input agents provide inputs on credit and collect their dues in harvesting season. But traders cum middle men, who normally lift the produce through their local agents, are continued to be the primary source of finance of the farmers.

The field study reveals that lack of availability of genuine plant material, improper orchard management, non adherence to application of recommended doses of plant growth regulators at the appropriate stages of fruit growth, dearth of training and awareness creation on various cultivation practices for producing good quality mango, non-availability of proper infrastructure in terms of facilities for handling the produce, poor transport and storage facilities are some of the problems faced by the mango farmers.

While majority of findings of the study are quite interesting, most of the suggestions are of routine nature. Some of the routine suggestions including proper forward and backward linkages, enhancement of domestic consumption through campaigns and producing diversification, adoption of quality standards and the technology favouring the market, evolving promotion cluster approach. The weakest suggestion of the author is to establish co-operatives to improve the situation. Most of the co-operation are in red and incurring losses day in and day out. How come beleaguered co-operatives will help others. It goes without saying that co-operatives in the present form have outlived their relevance because of excess state interference
and vested interests. In this context the importance of producers companies can not be over emphasised because of in-built safe-guards for good governance. Rather than establishing mango co-operatives, mango producers companies should be organised to improve the present situation. Furthermore there is hardly any meaningful suggestion towards improving the marketing efficiency. APMC route is relic of past and a costly proposition. It will never eliminate middlemen and ensure marketing efficiency. Needless to say that agricultural marketing reforms like safal auction markets, terminal markets, Apani mandies, and e-choupal type innovations should be tried with advantage. In order to enhance flow of credit to growers it has been suggested to route the credit through marketing organizations. Apart from delay in credit it may push up the cost of credit. Apparently remedy is worst than disease. Adequacy, timeliness and reasonable cost of the credit are imperative pre-requisites for investment credit which will be possible only if credit is directly purveyed by banks. There are large number of such debatable suggestions that may require relook while taking policy decisions.

Nonetheless some of the suggestions are worth pondering. They included (i) growth and sustainability of small pulp units and (ii) to give a boost to export of fresh mangoes the Government may develop Horticulture Hub with an end to end approach under private – public partnership (iii) encouraging contract farming. This apart, following export promotion efforts were also recommended.

(i) strengthening infrastructure base, (ii) efficient post harvest management, (iii) better improved packaging, (iv) excluding new markets, (v) improving cold storage and transportation logistics (vi) developing India brand mangoes and campaigning abroad about the quality, (vii) promoting an efficient export marketing net work to optimize our export and (vii) setting up of more quality control laboratories in the export processing zones. Exploring new export destinations has to be the priority coming from researcher cum developmental banker who epitomizes sober economic analysis nicely. Though lengthy yet a highly scholarly foreword by K.G. Karmakar has further enhanced the value of the book. This book is a valuable addition to the existing literature on mango cultivation and marketing in India. The co-author is young and technically qualified person yet style of presentation is by and large traditional and new and innovative ideas are seldom reflected.

Despite these limitations this book is very useful for students, teachers, researchers, policy makers, bankers and economists who are interested to keep them abreast of the developments in agricultural commodity sector.

Mumbai – 400 063. C.L. Dadhich


Kisan Credit Cards are the prime vehicle for the agricultural credit. As on 31st May, 2011, the banking system has issued 10.42 crore KCCs with a sanction loan
amount of Rs. 5,02,987 crore. During 2011-12 (April to May 2011), 4.09 lakh KCCs were issued by Commercial Banks, co-operative Banks and Regional Rural Banks with a loan amount of Rs.2,616 crore. Banks have been advised to issue Kisan Credit Cards to all eligible farmers. The State Governments have been requested to take this task on a campaign basis so that Kisan Credit Cards are issued to all eligible farmers. However, the recent directive by the finance ministry instructing banks to provide farmers easier access to the KCC scheme following a decline in the farm loans disbursed by the state run banks is a clear indication that the provisions made under KCC scheme has not been implemented effectively or has failed to reach the small farmers.

The author’s Ph. D. Thesis which forms the contents of this book seeks to examine the adequacy of credit extended under Kisan Credit Card scheme in India, evaluate the impact upon the efficiency of rural credit delivery system and identify the major constraints and issues that comes in the way of hassle free credit and make recommendations in order to ensure that the KCC becomes viable to both the farmers and issuing banks. Apart from the introductory chapter, it contains six chapters involving the above aspects and the summary and recommendations are presented in the eighth chapter. In the form of appendices, the author has outlined the structured methodology adopted for the taking up this study and the literature review of government, RBI, NABARD and other related studies on agricultural credit to bring into focus the issues which needs to be addressed. This is followed by a brief write up on the features of the smart card system and advantages of the use of biometric technology in providing accuracy of information of borrowers and in improving the privacy of individuals. The foreword is by K.C. Chakrabarty, one of the experts on banking.

The KCC scheme was conceived by NABARD in 1998 as a unique credit delivery mechanism, which aimed at provision of adequate and timely supply of short term credit to the farmers to meet their crop production requirements. The objective was to provide an instrument, which would allow farmers to purchase agricultural inputs such as seeds, fertilisers, pesticides and also withdraw some cash for meeting their production related requirements was introduced in August 1998, with a major share of crop loans being routed through it was further extended in 2006-07 to the state co-operative agriculture and rural development banks so that all short term loan requirements for cultivation could be covered under a single window. As part of this book, the author of the book who is an academician and a banker with considerable experience in the area of agricultural credit presents an excellent account of the evolutionary process of KCC in the backdrop of development of agriculture in India. On the basis of the findings of his analysis, he then explores the possibilities of improving the credit delivery under KCC through technological delivery channels.

The introductory chapter gives a brief background and sets out the objectives of the study. The two main objectives are to examine whether “the intended hassle-free credit under KCC is hindered on account of procedural constraints product limitations
and cash flow vulnerabilities of the farmer and to study whether along with making credit access faster and easier if KCC has made the cost of credit lower (p.2)”. An overview of the performance of agriculture sector in Indian economy during last fifty years, the various development issues and the emergence of KCC scheme in India is presented in the next two chapters. The study observed deceleration in overall growth rates of production and productivity of food grains. They also find a high correlation between agricultural growth and gross capital formation. There exists good scope for increasing the share of public and private investments in agriculture. Chapter 6 contains detailed information on the different types of loan products including crop loan, term loan and cash credit to farmers. It also tries to discuss the procedures adopted, prior to KCC in the crop loaning activities and identify issues that were causing difficulties for the farmers to avail agricultural credit.

Chapter 7 is essentially concerned with the findings of field surveys conducted in two districts of Maharashtra, viz., Ahmadnagar district in June 2009 and Sangli district in February 2010. To the dismay of the interested readers, one does not find any detailed discussions about the findings of the field study in Ahmadnagar district. The last chapter is one of the most important contributions of the author where after studying the inadequacies in the implementation of KCC scheme so far, he has made some valuable recommendations for procedural changes in the implementation of the scheme. According to the author, even though KCCs have been initiated in the formal credit system, the extent of outreach to the small and marginal farmers is less than satisfactory. Some of the suggestions made include developing rural credit products which are flexible and free from procedural hassles, introduction of smart card KCC to small farmers, interest subvention should be worked out taking into account both big as well as small loans, educating the farmers on the use of KCC etc.

It would have enhanced the usefulness of the volume if the author had incorporated annexures in the text itself rather than separately to facilitate smooth reading. Notwithstanding this point, the study is a very welcome addition to the scant literature on kisan credit card scheme in India and should be of interest to students of banking and those who want to undertake research particularly in the area of agricultural credit.

*Mumbai-400 063.*  Vijaya Venkatesh


It is now accepted that development economics is a failed God. This is true both in terms of theoretical constructs and policy inputs. It now transpires that efforts by economists like Robert Solow to capture the essentials of growth in a mathematical or econometric formula were misdirected. Today the World Bank’s Commission on
Growth and Development asserts that there is no generic formula for growth. Secondly, a recent critical appraisal of the much touted WB’s World Development Reports (WDRs) has demonstrated that these were empty vessels offering little meaningful inputs for development policy formulation. Where do we go from here?

Writing in Tribune about Duncan Green’s monumental volume “From Poverty to Power”, Andrew Dodgshan explains “Duncan Green Uses numerous case studies to demonstrate this book is not merely an academic textbook but a manual for real, practical and lasting social change”. (Revised and enlarged Edition published in 2012). Duncan Green has been in the business of international development for 30 years. He was Head of Research in Oxfam for eight years. The book explores many ways in which poverty is being fought through the empowerment of people whose deprivations relate ultimately to their helplessness. The book discusses a number of different types of initiatives across the world that have enhanced and expanded powers of the powerless. There are case studies from diverse backgrounds. Brazil, Bolivia, Philippines, Israel, Egypt China, Gautemala, Papua New Guinea and so on. Distilling these experiences, the author has attempted to prepare a manual for alleviation of poverty.

First, the road to alleviation of poverty or development more generally, lies through the state. History has amply demonstrated that no country has prospered without active state intervention and participation. Effective state is a pre-requisite. “By effective states, we mean states that can guarantee security and the rule of law, and can design and implement an effective strategy to ensure inclusive economic growth. Effective states often known as “developmental states” must be accountable to citizens and able to guarantee their rights”.

Secondly, state is not the only instrument for tackling poverty. What the book calls “active citizenship” can be another effective way of seeking and securing solutions for the pervasive problem of poverty “By active citizenship we mean that combination of rights and obligations that link individuals to the state, including paying taxes, obeying laws and exercising the full range of political, civil and social rights. Active citizens use these rights to improve the quality of political or civil life, through involvement in the formal economy or formal politics or through the sort of collective action that historically has allowed poor and excluded groups to make their voices heard”.

Most development practitioners now acknowledge the centrality of citizenship and the state to alleviation of poverty. This also brings into focus the need to grapple with the critical role of politics in development. This takes us to the third point namely a “social contract” – a deal whether explicit or implicit that builds confidence and trust between citizens and the state. Finally, the book recognizes the case for including private sector as a third pillar in the structure, along with the state and citizens. This is because it drives economic growth by creating jobs, transferring knowledge and technology.
Oxfam’s experience on the ground suggests that some such combination of the three factors mentioned above lies at the heart of attempts to build a humane and sustainable development path – tackling inequality and poverty during the course of the current century. While Oxfam’s efforts to channel the moral outrage that global poverty evokes into effective action based on solid case studies, are welcome, it is necessary to pose the question. To what extent have we succeeded?

The dimensions of global inequality are formidable. The income of the world’s 500 richest billionaires exceeds that of its poorest 416 million people. Every three minutes somewhere in the developing world, two women die needlessly in childbirth or pregnancy: Over 40 children are killed by avoidable diseases like diarrhoea or malaria. Is there enough moral repugnance at the world’s yawning social and economic divides? A system that allows 850 million people to go hungry, while an epidemic of obesity caused by over-feeding blights millions of lives in rich countries is sick.

Poverty thus is not merely an economic disease, but a moral, ethical and social disease. Amartya Sen who has written a Foreword to this book quotes with approval Bernard Shaw: “The greatest of evils and the worst of crimes is poverty”. Nearer home, Mahatma Gandhi has given us a more graphic spectre of what poverty is about. Bhiku Parekh has admirably encapsuled the poverty profile as sketched by the Mahatma in the following paragraph:

“…. Poverty dehumanises human beings, wastes the potential and deprives their lives of all sense of meaning and purpose. It is one of the worst violence that human beings can commit against other human beings. It is as bad as killing, and even worse for the fact that it is silent, slow and invisible, and arouses no anger and is outside the purview of anyone’s direct responsibility. As long as even one person is starved, is malnourished, or lacks decent housing, the social order stands indicted, lacking legitimacy. Basic human needs have the first claim on society’s resources and it is an obligation to arrange its economic affairs in a manner that the needs of all members are met”.

Are we heeding to the advice of the Mahatma? Not at all. Despite all the euphoria about the Indian economy being in the high growth trajectory in recent years, India continues to be the abode of the largest number of under-fed and undernourished people in the world. Indian policy maker’s insensitiveness to this situation was reflected in the fact that India exported a huge quantity of 27 million tonnes of rice and wheat during the three consecutive years 2001-02 to 2003-04. The same policy makers who cut down subsidy on domestic consumption of foodgrains had no qualms about subsidising exports of rice and wheat. I had the occasion to write: “If the Mahatma were alive today, he would have conducted a mass satyagraha against such thoughtless policy of exports of foodgrains. Active citizenship could perhaps have helped. Or take the recent case of mid-day meal scheme being sabotaged in Maharashtra. The unholy alliance between unscrupulous contractors
and bureaucrats resulted in the supply of sub-standard food to school children. But where is the outrage?”

The answer is simple. We have not inculcated the appropriate values into our society.

Mumbai – 400 063. 

N.A. Mujumdar


This is a fascinating book. It reports the findings of a study done in Kotah state of pre-Independence Rajputana in the early 1930s with Independence still almost two decades away. It was a small study done by a research scholar for his dissertation with a methodology which may appear simplistic by the present academic norms. It is also necessary to be cautious about generalising the findings given the small size and descriptive mode of presentation. However, one can argue on the other hand that there is no reason to believe that Kotah was very different from the rest of Rajputana to make the findings atypical of the larger society and cultural area to which Kotah belonged. More positively, glimpses of lives of the bottom strata of society provided by the study are not only of interest in themselves but they can also serve as a benchmark to compare the early 1930s with the present situation.

The castes covered in the study belonged to the lowest strata in the society. There were two categories—those in agriculture and those who were nomadic and had to resort to criminal activities for survival. The period was without any policies guided by development planning or welfare paradigm. The terms like empowerment and social justice remained in dictionary as the governments remained preoccupied with administration and law and order and the mainstream society viewed the lower strata—particularly the nomadic castes—with disdain and even apprehension about their criminal activities. Drawing on official documents, the author describes in his own words the attitude of the governments and the better-off parts of the society. Consider, for example, the following quote relating to one of the nomadic group.

“The Kanjar tribe, in many parts of British India and in almost all the states of Rajputana, has been classified as criminal….some of the states in Rajputana do not allow their members to enter their boundaries” (p. 17). The author gives such glimpses and even retains caste names “which may not be correct in today’s political context” to bring out the “social reality of the time” (p. 6). He clarifies that his own attitude “is not only sympathetic to the lower castes and classes, but is actually disapproving of the exploitative nature of the system” (p. 6).

There is very useful material in the book on the customs, rituals and cultural practices of different castes which could be of interest to sociologists and anthropologists. The castes are many and the material is too detailed to be covered in
this review. Only a few highlights are mentioned here to whet the appetite of those who belong to these disciplines. In some castes, boys and girls got married only at age 18 or 20 or above! Widow remarriage was permitted and freely occurred in many castes. In some it was customary to train girls for prostitution and women for begging. These, obviously, are manifestations of precarious life, but the interesting point is that the responses differ from caste to caste. This has the implication that the castes struggled isolated from each other rather than coming together. There are also indications that while the castes are isolated from each other, they desperately try to get close to the castes above them to get at least a toe hold in the mainstream. The author points out the changing habits and practices—particularly in religious rituals—reflecting the urge of lower castes to imitate the upper ones to improve their social status. There have also been cases where the castes have changed their names. However, closer contacts with those in the mainstream have not proved a blessing to the lower castes. They might have only jumped from the frying pan into the fire!

In the last two chapters, the author points out a number of recent changes which seem to be favourable for policy intervention to improve the social and economic status of the lower castes. The more important of these are enumerated below.

*There has been a trend though weak for the nomads to move to settled occupations. This is a significant change to improve the access of lower castes to education, health and other development programmes. The author believes that settled occupations raise the status of nomads vis-à-vis the castes above them. This occupational shift also helps them to move away from their hereditary occupations considered as degrading.

*The caste panchayats were very strong among the nomads and also other lower castes serving as barrier against modernising changes. Owing to a number of factors like movement to settled occupations and exposure to urban influences, there has been a noticeable decline in the power of caste panchayats. This could be of help in making PRIs more inclusive and also in organising new institutional forms like SHGs and co-operatives bringing together all groups of poor who are now struggling in isolation.

* “The depressed caste people did not hold the Brahmins in the same esteem in which they used to hold them some two decades ago. Thus the restrictions imposed from above were becoming loose” (p.163).

Besides these, greater mobility, wider and more frequent contacts with the world outside, exposure to mass media and the helping hand extended by the activists may also be bringing about changes to make the lower castes both ready and willing to break out of the trap in which they find themselves. Hopefully, the book under review and similar studies would trigger region-specific and caste-specific analysis of socio-economic changes since Independence taking the pre-Independence situation as the benchmark. The author and publisher need to be commended for bringing out the seven-decade old study which is all the more useful because of its focus on the pre-
Independence period with sharply different features compared to the present and the emerging situation.

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Monetary economics and monetary policy impinge on the lives of citizens of a country. Often, policymakers, opinion makers and academics freely criticise monetary policy for all the shortfalls in public policy. In India, monetary economics and policy is the least understood segment of the overall economic discipline.

Asuri Vasudevan is one of the few persons in India who can claim erudition in monetary economics and policy. This slim volume is an outstanding path breaking contribution and should be mandatory reading for policymakers and opinion makers not only in India but in all emerging market economies (EMEs).

At the outset, Vasudevan raises the question as to what should be the content of “monetary governance” from the viewpoint of the Common Person. Should it be the old objective of monetary-fiscal policy to attain price stability with growth or should it be more broad-based to envelope financial stability with the overarching idea of ‘inclusiveness’? Price stability could be defined to include commodity prices and exchange rates. According to Vasudevan, monetary governance should be viewed as consisting essentially of institutional mechanisms and processes required for undertaking tasks that devolve on governments and central banks.

Vasudevan stresses that monetary governance requires appropriate institutional mechanisms for formulating and implementing policies. There is no universally laid down institutional structure. Monetary policy making in many countries is not exclusively in the hands of the top management of the central bank but governments invariably have an over-arching role in the formulation of monetary policy.

In several countries monetary policy committees (MPCs) have representation from outside the central bank. Some MPCs have full-time external members. While in many countries the MPCs have a system of voting and decision taking powers, India has an unusual set up with a Technical Advisory Committee consisting of the Governor, Deputy Governors, two Board members and five external members. The advice of the Committee is, however, not binding on the Governor.

While it is often argued, in the Indian context, that there should be an empowered MPC which can take final decisions, this is not meaningful in a government dominated central bank where ‘independence’ of the central bank is at the ‘convenience’ of the government in an otherwise tightly controlled central bank. There is also the problem of conflicts within the MPC when external members are
empowered and the central bank becomes accountable to the external members-
parallel authorities can emerge which often result in an impasse. Vasudevan rightly
argues that the case for an empowered MPC is not necessarily robust in the Indian
case. Membership of the committee can be a problem as the choice of members
could be of those aligned with the authorities’ policy preference; in such a milieu,
contrarians would not be welcome. In this context Vasudevan makes an important
point that MPC members should have fixed terms and not arbitrary terms depending
on the ‘convenience’ of the authorities.

Vasudevan argues that central banks are created essentially to eliminate the
misuse by government to create money at its will. In practice, however, in many
cases the central banks are ineffective because of the overbearing power of the
government.

The architecture of monetary governance should ensure coordinated action. The
institutional arrangements, however, have to be country-specific and there can be no
universal model which can be followed across countries.

It has become fashionable to laud the UK model of a unified regulatory-
supervisory body outside the central bank for the entire financial sector. The failure
of the UK Financial Supervisory Authority (FSA) reflects a failure of governance as
it ignored the need for integrating macro policy considerations with supervision
which is vital for effective financial regulation. It is surprising that despite the failure
of the UK FSA, the FSA model is still being advocated in influential quarters in
India.

Vasudevan argues that the government—central bank relationship should not
reflect the principal-agent framework where the Ministry of Finance is the principal
and the central bank is the agent as is prevalent in a number of EMEs. The Ministry
of Finance and the central bank seek each other’s views on a number of sensitive
matters. From their different vantage points there are inherent differences of
perceptions. These differences are best discussed in free and frank exchanges in
private but it can become combative when the government criticises the central bank
in the public gaze. Transparency in government-central bank differences can, at
times, be counterproductive as in the recent instance of the Government of India
being explicit in its criticism of the RBI on policy issues which are in the domain of
the RBI.

Vasudevan presents a veritable tour de force of the analytics of monetary policy,
setting out different regimes that countries follow such as inflation targeting or
interest rate targeting; there are a few countries like Singapore and Hong Kong which
use exchange rate targeting. He refers to one of the alternative frameworks which he
calls ‘eclectic which is elaborated in India as ‘multiple indicator’ approach wherein
the particular objective to be given priority varies from time to time without
foresaking other objectives. The choice of policy instruments could have an impact
on government debt management and exchange rate policies. Vasudevan pinpoints
the difficulty in the eclectic approach in that while it has the advantage of a wide
intuitive appeal, it could be abused if economic governance is weak or if the Ministry of Finance is too powerful and too obsessed with the logic of pursuing its own objectives. Vasudevan is percipient in anticipating the recent stand-off that has taken place between the Ministry of Finance and the RBI.

In the international financial crisis of recent years, the model of the industrial economies being the locomotive of global economic growth has been overturned with the EMEs experiencing higher growth rates and hence they are expected to help propel higher global growth. Vasudevan rightly cautions that a model in which the industrial countries piggy-back on the EMEs is not sustainable as the savings and investments rates and institutional and structural adjustments required to enable the EMEs to support industrial countries to return to the growth trajectory of the pre-crisis years would be burdensome on the EMEs. In other words, EMEs sitting on the G-20 big boys table should be circumspect in their enthusiasm in delivering on expectations put on them to pull the global economy out of the low growth trap.

The sagacious message in Vasudevan’s book is that institutions which are required to deliver good monetary governance would need to be led by good analytical frameworks for the monetary-fiscal authorities. While sound communication policies would help in understanding the focused rationale of policies, they would be credible only if policymakers finetune their analytical frameworks to the needs of the economy and consult each other for purposes of attaining macroeconomic balance.

Monetary governance in democratic societies can be complex in view of the business and political interests. The authorities have to be seen as effectively addressing the concerns of the majority of the people, in particular the poor and the vulnerable.

Accountability can be tricky when macroeconomic policies are discussed between government and the central bank. In such situations, central bank governors are at great disadvantage as they are appointees of the government. In the history of the RBI, there were four Governors who had to leave before their term- Sir Osborne A. Smith, B. Rama Rao, K.R. Puri and R.N. Malhotra- each being a distinct case. Since time has passed since these episodes, a monetary historian should attempt to undertake an in depth retrospect of these four very different episodes.

The book is a path breaking contribution to the literature on monetary governance which should be of interest to policymakers, opinion makers and academics, not only in India but in all EMEs. In particular, the top echelons in the Government of India and the RBI would greatly benefit from perusing this book. In India, there is, at present, a Financial Sector Legislative Reforms Commission which is deliberating on evolving a new financial architecture for the next two decades. The book is a must read for our respected Commissioners as also the Commission’s Secretariat. Rarely is a book instrumental in changing the course of financial history and it would be no exaggeration to say that this book is one such landmark in the literature on monetary economics and policy in India.
This book has many merits, not least of all that it is a short volume of only 127 pages. Academic Foundation needs to be commended for the get up of the book with invaluable End Notes for each Chapter, a comprehensive list of References and a well produced Index.

*Mumbai.*  

S.S. Tarapore