

5. Most appropriators share generalized norms of reciprocity and trust that can be used as initial social capital.

6. The group appropriating from the CPR is relatively small and stable. (p. 211)

Given that the margin for errors in decisions that can inflict irreversible changes for the resource base is diminishing, and given that neither state nor market solutions to common-pool resource problems have been uniformly successful, there is a genuine need to learn more about how common-pool resource use schemes can be organized to avoid both excessive consumption and administrative cost. Ostrom's detailed review and discussion on the rules communities adopt to cope with common-pool resource problems and of the related problems of implementation and enforcement should be of particular interest in this respect. On the whole, this book is well-written, in a terse, jargon-free prose, and it provides a good beginning for future studies bearing on this issue.

MARIA LUISA SEDA-POULIN
Research Fellow
Institute of Southeast Asian Studies

***Industrial Policy.* By A.M. Khusro, et. al.** New Delhi: Vikas Publishing House P. Ltd., 1990. Pp. 106.

This slim but very useful book is based on a panel discussion organized by the Institute of Economic Growth in New Delhi on the 31 May 1990 industrial policy measures announced by the Indian Government. These concerned the promotion of small-scale agro-based industries, and changes in procedures for industrial approvals.

The measures relating to the small-scale sector consisted of raising the exemption limit (that is the level beyond which a firm is not considered small-scale and thus not eligible for the relevant benefits), locational subsidies, enlargement of the items reserved for production in the small-scale sector, technological modernization, provision of credit, and assistance for marketing and for development of business skills. These represent a mixture of

protectionist and developmental measures. The consensus among the panellists was that the mix needed to be shifted decisively in favour of the developmental measures such as assistance in achieving economies of scale in design, marketing, and research and development; and provision of appropriate infrastructure. Several panellists such as Dhar and Krishnamurthy felt that the 31 May measures do not alter the mix sufficiently in favour of the developmental measures. Some panellists (for example Desai) emphasized a need to graduate firms from small to medium scale categories; and to combine easy entry policies with appropriate exit policies. Desai (p. 77) also makes an important point that various rules and regulations of the government need to be made more user friendly, and made easily available throughout the country to reduce search and information costs.

In the area of agro-based industries, the measures were aimed at integrating the producers of the raw materials with the setting up of the processing industries.

Measures concerning the industrial approvals were aimed at increasing the freedom of those in the business sector to make their own investment decisions based essentially on commercial considerations. The procedural changes involved exemption from licensing for small and medium sized projects. Thus, all units up to an investment limit of Rs. 750 million (US\$1 equals Rs. 26) in backward areas and Rs. 250 million in the non-backward areas were exempted from licensing. For foreign investment, for those projects where the import component of the capital goods is below 30 per cent of the total value of the plant and machinery required for the unit, licensing was eliminated.

The above measures represent a continuation of the deregulation and liberalization process followed by successive governments since the late 1970s. As Khusro (pp. 16-17) argues, these were in response to certain economic and socio-political developments in India and abroad and, therefore, were not much affected by which party was in power. Several panellists (e.g. Chelliah, Rao) emphasized the need for thorough going reforms rather than piecemeal ad hoc measures as announced in the 31 May 1990 package. Isher Ahluwalia makes an important point that it is not just employment, but productive

employment and improvements in factor productivity that ought to be the objectives of industrial policies, and that these aspects should not be ignored in the debate on small versus large scale industries (pp. 61–62). Siddharthan argues that microelectronics and bio-technology revolutions currently under way should be harnessed to help develop the small-scale industries; and that science and technology policy should be integrated with industrial policy (pp. 80–84). Kabra is concerned that the conventional mode of international investments and technology transfer tend to perpetuate unequal relationships between those who sell and those who purchase it (p. 37). How to overcome technological dependence is a problem faced by many countries, not all of which are in the low and middle income categories.

In July 1991, the newly-elected government announced a comprehensive industrial policy which has significantly accelerated the pace of deregulation and liberalization compared to the 31 May 1990 measures (*The Economic Times*, Bombay, 25 July 1991). Under the July 1991 policy, no licensing is required for all but 18 industries. The asset limit on the size of the firm or business groups has been removed. Instead, the focus is now on the monopolistic and restrictive trade practices. The policy aims to promote competition, scale economies and international competitiveness of the Indian economy. Towards this end, foreign companies may now own majority equity. The procedures for investments by domestic and foreign companies have been simplified and made more transparent and less discretionary. While certain protectionist measures, such as reservation of items, continue, for the small-scale sector, the developmental aspects, particularly technology upgrading and design and marketing assistance have received greater emphasis in the new industrial policy.

In spite of the announcement of a new industrial policy in July 1991, the book remains quite useful for several reasons. First it sets high professional standards of economic analysis which other forums and bodies in India could attempt to emulate. Second, the book can be regarded as a case study in how economists from research institutions, universities, and government are attempting to arrive at a consensus on a more appropriate set of reforms for

the 1990s. In this connection, Chelliah's call to redefine the concept of self-reliance, particularly the means by which this is to be achieved, is quite timely (pp. 31–32). In a large, diverse, and democratic country such as India, this process of consensus seeking through dialogue is obviously quite important. There now exists a consensus in India that the role of international trade and international linkages should be enhanced. The debate is about the most efficient means of bringing this about, and the trade-offs involved. Third, many of the points raised in the book by the panellists and others (for example, the need for public sector reform, and the importance of sound macroeconomic framework) have been addressed by the government elected in June 1991.

In my view, the panellists and discussants could have given greater emphasis to the following. The first is the need to adopt more co-operative and less antagonistic attitudes towards each other by workers, management and government. Second, the need to alter labour as well as management practices and philosophies prevalent in large segments of the Indian industry. The third is the need for re-orienting education towards technical education. The fourth is the need to increase economic literacy, particularly the role of transaction and information costs and the resulting importance of the administrative constraint in the design of economic policies.

There are two suggestions to make future volumes more user friendly. First, a short introduction on the nature and operations of industrial policy in India; and a statistical appendix on the industrial sector (number of firms, employment, value added by sector, etc.) would have greatly assisted the non-specialists and foreign audiences in following the discussion. This would make the book more self-contained. Second, there is a need for better editing of the book.

The above points notwithstanding, the book is a valuable addition to the literature on Indian economic policy in general, and industrial policy in particular. It is hoped that other panel discussions on important areas will be organized by the Institute of Economic Growth, and the resulting publication will be more user friendly.

MUKUL G. ASHER

National University of Singapore