

**B. A. Prakash (ed.).** *Kerala's Economic Development: Issues and Problems.* New Delhi: Sage Publications, 1999. 392 pages. Hardbound. Indian Rs 495.00.

The distinctive development experience of Kerala, which has come to be known as the '*Kerala Model*', has attracted widespread research interest. Successive state governments have pursued a number of objectives that included increase in per capita income at least to the national level, attaining self-reliance in food, terminating the tenancy system, solving unemployment problems, reducing regional inequalities, and protecting the vulnerable sections of society, particularly the Scheduled Castes and Tribes. The improvements continued till the first half of the 1990s, taking Kerala ahead of India by 25 years in demographic transition. Life expectancy and literacy rates are high, while the birth, death, and infant mortality rates are the lowest in all of India.

This book reviews the growth phase of the first half of the 1990s and the recession that followed it in the mid-1990s. In the first chapter, the editor presents an overview of the book, highlighting the major areas to be discussed by other contributors to the volume. Chapter 2 looks at the economic reform process and the performance of the state economy. Economic recession started at the end of 1994; leading to a fall in real estate prices, a halt in construction activity, and large-scale return of emigrants from the Gulf countries. Chapter 3, authored by S. Irudaya Rajan, discusses the aging population and the social security system in Kerala. He forecasts that the number of the elderly aged 60 and above is likely to increase twofold in the year 2021, and shows concern about whether the state would be able to provide social security assistance to the elderly.

Chapter 4, written by M. Mohandas, is a fine attempt to examine the interlinkage between the trends in food intake and poverty, the effects of food production on the level of poverty, and the role of the public distribution system in supplementing lower levels of cereals consumption in Kerala. The author argues that there is a declining trend in Engel's ratio, an indicator that shows the portion of per capita consumer expenditure on food. The declining trend in the ratio exhibits better living standards. Chapter 5 deals with the educated unemployed in Kerala; the state has three to five times the national average of the educated unemployed.

Prakash, Ashokan, and Rajeev in Chapter 6 describe the life patterns of people who migrated to Delhi from Kerala. The authors find that unemployment in Kerala is the major cause of migration, and migrants are ready to face the problems associated with a South Asian metropolitan city. B. A. Prakash in Chapter 7 analyses the economic impact of migration to the Gulf region on Kerala's economy. More than 50 percent of the Indian migrants to the Gulf region are from Kerala. Migrations have an effect on the labour market, consumption and savings, and poverty and income distribution, and they have a broader impact on the regional economy. Remittances have helped to overcome the need for the capital which is

required to transform the poor and industrially backward economy of the state. D. Retnaraj in his contribution discusses the causes and consequences of urbanisation in Kerala. Among the southern Indian states, Kerala has the highest town density, which represents the number of towns per 1000 sq.km.

Chapter 9, by P. M. Thomas, analyses the agricultural sector in Kerala. He looks at the changes in land use pattern, the relative share of the sector in the income of the state, and cropping pattern changes and growth rates in the production of crops, and takes them as indicators of performance. Chapter 10, authored by K. T. George, is a fine study of the natural rubber sector; it traces the evolutionary dynamics of the sector and discusses the emerging issues in the 1990s.

Chapter 11, coauthored by J. A. Thomas and T. A. Thomas, examines the dynamics of re-emerging tenancy in Kuttanad. The study is based on field data and the authors present the details of tenancy and leasing practices that exist currently. Tenancy contracts of today resemble relations in the market, land is a commodity, and rent is paid for its use. Sukumaran Nair in his contribution studies the recent development of the labour market and the labour shortage trend in agriculture. Rural labourers are highly organised in trade unions and can considerably influence the supply decisions in the labour market. He examines the demand and supply patterns of the labour market in the state from the data taken from the field survey and finds that, with high demand, supply has not been elastic in response to the increasing demand.

Chapter 13 authored by M. M. Thampi looks at the industrial development in Kerala. Some major handicaps of Kerala in attracting investments are identified. These include, an organised labour force that demands higher wages and better benefits than available in other Indian states, erratic costs of land, and a power shortage crisis. In Chapter 14, K. J. Joseph analyses Kerala's experience in developing a software industry. The Indian software industry is regionally concentrated, as this industry is considered to be a footloose industry. This concentration is paradoxical but is explained in terms of better communication facilities and initiatives taken by the state governments when the industry developed. Chapter 15 analyses the paradox of high levels of physical quality and literacy that should supplement industrial development; but industrial stagnation in Kerala is quite abnormal. P. M. Mathew explains industrial backwardness by the Crisis and Cushion approach, where extreme crises are averted by state intervention, whereas the effectiveness of the cushions to overcome the crisis is limited now due to the changes taking place in the economy. Chapter 16 looks at the still-unresolved power crisis that started in the mid-1980s. Kerala was initially a power-surplus state. Mild shortages began in the 1980s but the concerned authorities ignored the warnings. This led to a full-fledged power crisis in the 1990s.

Chapters 17 and 18 in Part VI deal with the financial crisis and poor management of state finances in Kerala. Kurian and Abraham view the sustainability

of the Kerala Model sceptically amid the ongoing financial crisis. The crisis mainly originated from the revenue deficit and mounting debt liability of the state. It is noted that the constraint in financial resources has led to low investment in infrastructure, which is retarding economic growth. At stake is the future growth and sustainability of the impressive human development that has already taken place in the state.

The last chapter of the book looks at the impact of the World Trade Organisation (WTO) on Kerala's economy. The author argues that the state has a greater outward orientation than other Indian states; in some export products it has a monopoly in India. Insistence of rich nations on social clauses is bound to affect Kerala's exports and its production base adversely. The WTO allows rich countries to use import controls in sanitary and photo-sanitary measures "to protect human, animal or plant life and health". Further, environmental and labour standards, safeguard measures, voluntary export controls, anti-dumping measures, and the IMF-World Bank-led reform agenda in India have all the potential to hit even harder the state's economy. The chapter looks at possible implications of the WTO for the regional economy of Kerala in a befitting manner, covering almost all the important issues.

However, this book, which provides valuable insights into Kerala's economy and its development experience, in which economists like Amartya Sen have shown a keen interest, is not without its limitations. In the overview, the editor notes that the contributions are to look into the ongoing economic recession of the state, a topic that lacks literature and research. The chapters on Aging and Social Security, and on Migration of labour to Delhi, seem irrelevant to the main theme of the book. In the chapter on Economic Impact of Migration to the Gulf, written by the editor himself, the author does not explain the comparative advantage of the state's labour force with respect to other Indian states in migrating to the Gulf region. The exclusive demand pattern for Kerala's labour in the Middle East remains unexplained.

Analysing industrial development, M. M. Thampi has compared the relative performance of Kerala with other Indian states, but what is significantly missing is a breakdown of industrial production in Kerala, the question whether there is stagnation in every industry or growth can be shown in some of these. A part of this analysis, which examines entrepreneurial ability, however, makes it worth reading. P. M. Mathew's study of industrial stagnation takes into account some finer elements like the absence of a dynamic entrepreneurial class, whose emergence leads to industrial development, and that is an important reason for stagnation. Another missing link is the effect of change in the policy environment on industrial and investment decisions and the current level of foreign direct investments in the state. An exclusive chapter in the trading patterns of the state would have been a useful addition to the contributions collected by the editor.

Studies discussing the financial crisis of the state make the book somewhat complete in the sense of issues discussed. Also the chapter on the likely effects of

the World Trade Organisation on Kerala's economy makes it a reference book for future studies of this kind and for students of international economic relations. The suggestions for better financial management by K. P. Joseph are estimations without providing any numerical estimates that could show how much these would result in saving for the state government.

This collection of articles, despite these drawbacks, is a substantial addition to the literature about Kerala and its development. The authors deserve appreciation for the in-depth look into the emerging development issues being faced by a model South Indian state.

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