

for emergency relief is the model the Ethiopian government hopes to pursue. China offers hope for the Ethiopian government. The book could have ended with this hopeful prospect for the future, instead the book ends with an interview with one of Ethiopia's opposition leaders who is currently living in exile. The opposition leader threatens rebellion and the reader walks away fearful that the last two decades of development progress may be stalled or reversed as tensions build against the Ethiopian government.

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India: The Emerging Giant. By Arvind Panagariya. Oxford and New York: Oxford University Press, 2008. Pp. xxx, 514. \$39.95. ISBN 978-0-19-531503-5. *JEL 2008-0655*

India has emerged as one of the fastest growing economies in the world over the past decade. This constitutes a major transition from a situation when India was typically grouped with the poorest countries in the world. Poverty and slow growth were seen as almost synonymous with the Indian condition. After a century or more of no economic growth before independence in 1947, India has exhibited sustained growth since then. Although the rate of growth was seen to be slow over the first three decades, it has accelerated significantly since the early 1980s. Consequent to the comprehensive economic reform program that was initiated in 1991, India's growth momentum has got elevated further and the country now aspires to sustained growth in the future at the high levels attained in recent years.

Given the size of the country, its geopolitical importance in the world, its record of democratic governance, and its remarkable growth story, it is notable that there is no book that provides a definitive, integrated, and comprehensive view of India's economic development since its independence in 1947. Arvind Panagariya has attempted to do just that in this impressive volume. Whereas he does not shy away from sharing his views on every stage of Indian economic policy as it evolved over the past sixty years or so, Panagariya succeeds in providing a balanced picture that recognizes the complexity of policymaking in the Indian economy. He is a clear votary of

the market-oriented economic reforms that have characterized Indian economic policy over the past two decades. Unlike many external observers of the Indian reform process, however, he endorses the gradualism that has been among its distinctive hallmarks.

The book is organized in five parts. Part 1 provides a detailed account of the growth record of the Indian economy since 1951. Its analytical contribution is to relate the differences in growth across periods with shifts in economic policies over time. Part 2 documents the changes in poverty levels and inequality that have been observed over the whole period. Here also Panagariya analyzes these variations in the context of evolving policies and rising economic growth rates. He is broadly critical of policies that attempt to address poverty directly through redistributive mechanisms unconnected with those that aim to enhance overall economic growth. Part 3 focuses on the macroeconomic conditions and policies that have provided the backdrop to the Indian growth process. Although Indian fiscal deficits over the past thirty years have been very high by global standards, the Indian macroeconomic environment has been "exceptionally stable" throughout the period (p. 171). Panagariya attempts to explain this apparent contradiction by connecting India's macroeconomic stance with its external sector policies, including those related to capital account management. Part 4 shifts to an examination of microeconomic policy reforms pertaining to India's transformation from a predominantly agrarian economy to one based increasingly on industry and services. This involves more detailed analysis of the very substantial trade reforms undertaken since the early 1990s to the present, which have transformed the Indian economy from being largely closed to a relatively open one. Yet manufacturing growth has been slower than expected, particularly relative to services, and especially so for labor intensive manufacturing. Panagariya lays particular emphasis on this aspect of the Indian growth process, which has also resulted in slow movement of labor from agricultural to other pursuits. Part 5 has a portmanteau title of "The Government" and includes within it discussion ranging widely from tax and subsidy reforms to delivery of various services like telecommunications and electricity, transportation,

education, health, and water supply. The common focus of the chapters in this part is on the ability of the government to organize or supply these essential services, the efficient expansion of all of which is vital to the prospect of sustaining high economic growth in the future.

This is an ambitious book. It is not easy to trace the historical evolution of a complex economy like that of India; document in an analytically rigorous fashion the key changes that have occurred; and find connections of these observed changes in economic performance with economic policy reforms over time. Panagariya has successfully assembled a vast quantity of data in digestible form to provide a sound empirical basis to his India growth story. He has reported faithfully the various contentious debates that have arisen over time, both regarding the substantive content and rationale of economic policy and in the interpretation of outcomes as they occurred.

In interpreting Indian economic development since independence, the received wisdom ascribes initial slow growth to "Nehruvian socialism," which is alleged to have led to an inefficient, dirigiste, closed economy dominated by the public sector until the reforms of the 1980s. Panagariya provides a refreshingly different interpretation of the Indian growth process (chapters 2 and 3). He recognizes the vital contribution of Mr. Nehru's modernizing vision for Indian economic development. He documents carefully the performance of the Indian economy during the Nehruvian period of 1951 to 1965, which recorded almost 4 percent annual GDP growth. He characterizes this Nehruvian era as a take-off period under a liberal regime following at least a century of economic stagnation and increasing poverty. The Indian economy was in fact much more open during that period in terms of trade restrictions and levels of tariffs. Panagariya argues that it was really in the subsequent period of 1965 to 1981, mostly during Indira Gandhi's regimes, that "socialism strikes with a vengeance" (p. 47). He documents the host of restrictive economic legislations that were enacted during that period, which effectively restricted domestic entrepreneurship and closed the Indian economy to foreign trade, investment as well as foreign academic research and thinking. This was in some way the darkest period of postindependence

Indian economic history, which set back Indian economic development by almost two decades. Moreover, it coincided with opposite trends elsewhere, particularly in Asia, whereby the dominance of the earlier central planning paradigm was replaced by thinking that favored market-oriented open economies.

Another area where Panagariya has departed from the views of many liberal economists is on external sector policy, particularly as regards opening of the capital account. He has documented well the active management of the external accounts through foreign exchange intervention and capital account management by the government and India's central bank. They have fostered much greater movement in India's exchange rate, reflecting fundamentals, while managing destabilizing financial volatility. The capital account has been opened substantially to investment flows while restricting debt flows. He concludes that this policy has brought financial stability to the country, while reaping the benefits of capital flows that are needed to finance the domestic savings-investment gap. Parenthetically, the book was written before the onset of the recent global (in reality, largely North Atlantic) financial crisis, which has subsequently made such views more respectable in the economic community!

One concluding quarrel with Panagariya. As most other observers, he has correctly noted the distressing deficits in India's public services such as education and health. Despite the remarkable growth that the Indian economy has exhibited in recent years, its record in education and health delivery to the poor, which is mostly supplied by the government, remains dismal. The current fashion among liberal economists is to propose private provision of these services. Panagariya joins this bandwagon: "Both elementary and higher education can be provided efficiently by the private sector, which must operate on the principle of full cost recovery" (p. 454). The use of vouchers is often propagated with little evidence of efficacy, except at the margin. Arguably it is contrary to almost all international experience and economic principles. Private provision of these services has seldom served the poor, and universal coverage has almost always been provided by the public sector, broadly defined. Given that India's future is greatly dependent on realizing the demographic dividend, much

deeper analysis is needed on what ails the delivery of such public services in India, rather than a facile escape to the private sector which has seldom delivered on a large scale in this area.

This is a monumental piece of work and a great service to the study of the Indian economy. It is timely too, in view of the greater salience of India's role in the global economy today. It will serve as a key resource for study of the Indian economy for some time to come.

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Y Miscellaneous Categories

Heroes and Cowards: The Social Face of War. By Dora L. Costa and Matthew E. Kahn. NBER Series on Long-Term Factors in Economic Development. Princeton and Oxford: Princeton University Press, 2008. Pp. xxvi, 315. \$27.95. ISBN 978-0-691-13704-9.

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Heroes and Cowards: The Social Face of War describes the effects of communities and peer groups on individuals' actions in combat during the American Civil War, as POWs, and later in their lives. This book is written by Dora Costa, the leading economic historian of her generation, and her equally distinguished collaborator Matthew Kahn, linking together a series of previously published papers on the Civil War with additional historical material. A common thread running through the book is the proposition that group diversity, net of individual characteristics, reduces loyalty and the individual's willingness to sacrifice for the common good. This mirrors recent evidence from many different settings that public good provision is lower in heterogeneous communities. An attempt is made to connect the historical findings to these contemporary results, perhaps as a way to make the material more relevant, but I will argue that this is actually unnecessary since the historical evidence is interesting in its own right.

Before proceeding through the different sections of the book it is worth describing the data. These data were collected as part of an ongoing NIH funded research project led by Robert Fogel at the University of Chicago. Costa was

first involved with the project as a graduate student, later as a senior investigator, and finally as the project leader. These data, which have been painstakingly compiled over a fifteen-year period, start with 331 white and 52 colored Union Army infantry companies. Information on *all* the men in these companies was collected using military service and pension records. The military service records provide information such as year of enrollment, age, birthplace, and height, as well as the individual's service record (whether he deserted, became a POW, or died during the war). The pension records provide information on health, residential location, and occupational status later in life. These records were linked back to the 1850 and 1860 population censuses (for whites) and forward to the 1880, 1900, and 1910 censuses (for blacks and whites). Because information on all of the approximately 100 men in a company is available, this unique data set can be used to study peer effects (net of individual characteristics) on desertion, survival conditional on becoming a POW, and postwar outcomes. The bulk of the analysis in the book is devoted to these three outcomes, which are discussed, in turn, below.

Three introductory chapters, which situate the book within a broader literature on peer effects, motivate the use of the Civil War as the setting for the analysis and describe the data. The analytical section commences in chapter 4 with desertion as the outcome of interest. This chapter cleverly weaves qualitative description of the lives and actions of specific individuals into the quantitative analysis. Despite the fact that most deserters were never caught, and those caught were rarely executed, just 10 percent of the soldiers in the sample deserted. Costa and Kahn explore alternative explanations for this loyalty, including individual attributes, ideology, morale, leadership, and comradeship. Keeping with the theme of this book, and the extant literature in sociology, psychology, and military history, company diversity is the single most important determinant of desertion. Men who belonged to more homogeneous companies, measured by ethnicity, occupation, or age, were much less likely to desert. Given the fact that companies formed endogenously, the reader will naturally wonder whether individuals belonging to homogeneous companies differed