

**BOOK REVIEW**

**INDIA EXPRESS – *the future of a new  
superpower* – DANIEL LAK  
THE POST-AMERICAN WORLD – FAREED ZAKARIA**

Reviewed by

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The reviewer had initially thought of taking on only the first of these two remarkable books, but soon found that its broad theme meshed intriguingly with the part on India in the second book, thus making a joint review appropriate, so here goes!

Daniel Lak's book "India Express" is very much an indophile's narrative of post-1991 India, economic reforms, nuclear tests, IT/BPO boom and all that – the diverse themes interwoven into a beguiling evocation of the country's possibilities. In style and content, it bears close similarity to Edward Luce's "Inspite of the Gods: the strange rise of modern India"; but Lak's avowed partiality for India sets it apart and some critics would say, even exposes it to attribution of bias. "So be it", Lak says towards the end of the book, all but anticipating such a reaction.

It may not be good form to commence the review of a book by referring straight off to its conclusion, yet in this case such a procedure suggests itself. In the last chapter of his book, Daniel Lak visualizes the year 2040 when, at a session of an enlarged UN Security Council with twenty five permanent members, one of the most powerful among them offers to fund on its own a UN peace force to establish and keep the peace between two countries fighting a border war – the powerful country is India. Lak goes on to say that the scenario may be seen fanciful in the unipolar world of today, but it is not much of a stretch to predict that there will be some new superpowers on the block by 2040; one of them seems certain to be India, the other is China. As for the US, "it would be rash to guess what its status will be, given its

current military overreach, the parlous state of public finances and the poor outcomes that characterize the US education and public health systems”.

In Fareed Zakaria’s view of the post-American world (meaning end of the American imperium), India will be among the world’s four biggest economies in the next few decades, with the US still remaining the last superpower even if experiencing relative decline and facing new powers strongly asserting their interests. Of these, China bids fair to being the ‘challenger’, as she is already exploring and developing ways to complicate and erode American military supremacy, such as space and internet-based technology. But the Chinese challenger will not resemble the erstwhile Soviet Union; much as Beijing may strain “to keep pace in military terms”, the country is more likely to remain an “asymmetrical superpower” that will “use its economic strength and political skills to achieve its objectives without having to resort to military force”, such as would become the country that produced Sun Zi.

As against this, Zakaria sets off India with its “messy, chaotic and largely unplanned growth”, but having several strengths to power its rise – a vibrant private sector, a youth bulge as against China’s youth gap in demographic terms, vast human capital of entrepreneurs, managers and business-savvy individuals with easy access to the language of modernity that is English and a dominant service sector already resembling middle income countries entering the post-industrial economy. Not only does India look strikingly similar to the US in that in both countries society has asserted its dominance over the state, but according to the author the country’s policies having now become ‘more realistic’ it is now “poised to become a great power at last” with a much closer relationship with the US at the centre of its new role in the global order. He goes to the extent of positing ‘a natural and almost permanent partnership’ between the two countries, like what the US has with Britain and Israel. The Indo-US nuclear deal is seen by Zakaria as something “that would alter the strategic landscape, bringing India firmly and irrevocably onto the global stage as a major player on par with the other members of the nuclear club”.

While Zakaria perceives India as a great power as also an ally of the US, Lak has a grander conception: India as a “liberal superpower” in the likeness of the US and in contradistinction to the EU which is “perpetually constrained by internal contradictions and different views of member states on almost every issue” and China which is “an authoritarian, rather brutal society that is opaque about its hopes and dreams for the rest of the world”. India, for her part, “stands out from the crowd of

countries that could equal or even replace the United States in attributes of a 'liberal superpower'. The raw material is all there, even if the many challenges and difficulties besetting India are well-known: "poverty, inequity, corruption, environmental degradation and a rather fissiparous approach to politics lead the pack. But it can be argued that at least India knows where the pitfalls lie and understands that they must be overcome".

Certainly very reassuring for Indian ears, but rather sweeping nevertheless, all the more since Lak hardly offers any factual support to his assertion. Fareed Zakaria's take on India is less flattering but many readers are likely to go along with that and with his analysis of how India and China are positioned to pursue the will to power.

Says Zakaria in an incisive analysis of the attitudes and motivations behind China's foreign policy: "simply being China and becoming a world power in a sense fulfils China's historical purpose". China's mandarin class has been able to rethink their country's new role as a world power with skill and effectiveness, while India's elites have not shown themselves the equals of their neighbours. India is a strong society with a weak state; it cannot harness its national power for national purpose. India's diversity and division may make for societal energy and creative ferment, but "as expressions of a structural reality in Indian politics" they make it difficult for New Delhi to define a national interest, mobilize the country behind it and then execute a set of policies to achieve its goals, whether in economic reform or foreign policy. So, "India may not become the global power that some hope for and others fear".

But India can have the consolation prize – dominating South Asia, "it can still capitalize on its advantages: a vast growing economy, an attractive political democracy, a vibrant model of secularism and tolerance, a keen knowledge of both East and West and a special relationship with America.... (It) will still make for a powerful package, whether it is technically two, three or four in the world".

Daniel Lak, for his part, would find precisely in such package the makings of a new superpower. As if turning Zakaria's argument on the head, Lak believes that the sheer heterogeneousness of Indian society is already giving rise to the sort of politics and problem-solving that prepare the country for a future global role. But still, for all his affection for India, he does not ignore the vast challenges that India has to overcome to get there: elimination of poverty, upliftment of agriculture, assurance of

equality and dignity to the lower castes, devolution of power to regions and communities, attending to the vast problems of India's urban areas and fostering of good relationships with India's neighbours.

Both the authors have captured notable insights into the India of here and now. But it is Fareed Zakaria who appears to have the last word: India's political system is weak and porous and thus not well-equipped to play its rightful role in the new world and, absent a shock to the system, India's society will stay ahead of the Indian state in the new global game.

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## **REVIEW OF “MANAGERIAL ECONOMICS – ANALYSIS, PROBLEMS AND CASES” BY P.L MEHTA\***

Reviewed by :  
**S.G. Iyengar**

This is the fourteenth revised edition of a popular textbook written especially for the students of MBA, M.Com, M.A (Business Economics) and M.Tech (Management) courses. The author is a senior Reader in SRCC, Delhi University. Dr. Mehta has been a teacher, researcher and trainer for over 35 years and has a large volume of published work to his credit including research works and articles as well as textbooks.

The book consists of a comprehensive coverage of economic theory as applied to business situations and managerial decision-making.

The first two chapters give an overview of managerial economics and the basic concepts of microeconomics relevant for analyzing business problems. An interesting part of this is the introduction to the case study method.

The initial chapters are expositions of microeconomic concepts: consumer choice and demand forecasting. The case problems at the end of each chapter help to understand the application of the concepts in real-life situations. The questions and problems given at the end of each chapter have been calibrated to provide progressively deeper understanding of the subject.

Chapter 9 on advertising and sales promotion explains the criteria of determining the advertising budget of a firm. Sequentially, this could have come after the chapter on pricing practices and strategies. Chapters 10 to 14 deal with production, cost and pricing theory, based on familiar principles of micro economics. The figures illustrating the variables and their operations are well drawn, but the mathematics in the text may get a bit intimidating for the non-initiated. The chapter on inventory cost management contains a good exposition of ABC analysis and the EOQ approach, and is particularly relevant for MBA students.

After expounding on the theory of pricing under different market conditions – perfect competition, monopoly and oligopoly – the practical aspects of pricing resorted to by managers based on a variety of real-life situations are explained with suitable examples. Some advanced topics in pricing theory – such as peak-load pricing, multi-products pricing, transfer pricing, etc.- and issues relating to pricing policy are dealt with in the concluding chapters of this section.

The chapter on Profit explains the justification for the pursuit of profit and the different approaches of Accountants and Economists for measuring profit. The next chapter contains applications of break-even analysis and ratio analysis for profit planning and control.

The criteria for evaluating capital projects and the calculation of the cost of capital are covered in two chapters relating to capital budgeting. The methodology of calculating discounted cash flow, net present value and internal rate of return is well illustrated with examples drawn from industry. This is followed by a brief account of decision-making under conditions of risk and uncertainty. A more technical analysis of dealing with risk in investment proposals, giving an outline of the decision-tree approach and the simulation method, is given in the next chapter: Following this is an analysis of the considerations that go into the decision of locating an industry. In addition to a brief review of various economic theories on location decision, specific aspects of deciding about locating manufacturing, warehousing and retail facilities are discussed.

Chapters 26 to 31 deal with macroeconomic subjects like National Income, Business Cycles, and the role of Government in Business, International Trade and Finance. While various facets of economic policy in the first four decades of independent India are well covered, the developments in the post liberalization era, from 1991 onwards, have been given a short shrift. The chapter on economic decisions in a multinational setting is very sketchy and fails to give adequate inputs on the complexity of international investment.

The concluding chapters (and appendix B) explain mathematical techniques like linear programming, input-output analysis and game theory and their applications to managerial economics. The case studies given in appendix A require the integrated application of the concepts explained in the previous chapters. The review questions in appendix C would be very helpful to teachers and students using this book.

In conclusion, this is a well-established textbook which has gone through several editions. The only drawback is that in his attempt to write a comprehensive book on the subject, the author has included a vast number of topics all of which are not well knit. The writing also veers from the elementary (suitable for beginners) to the complex (understandable only by advanced students) in the same chapter. A guide to the tutors on the sequence of topics and chapters suitable for different levels of students would be a valuable addition.

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