

## Foreword

For several decades Kuznets's hypothesis provoked many academics to analyse the nexus between growth and inequality across countries. While hypothesising this relationship, Kuznets analysed long-time series data for three developed countries and proposed that inequalities increase initially in the process of growth, stabilise for a while and then decline. A large number of Kuznetsians reiterated the findings in various situations and at different periods in time, with a few challenges. Not many however, tried to analyse a triangular relationship between growth-inequality on one hand and rent-seeking on the other, especially in the context of a developing nation. Further, it is difficult to find studies exploring reasons for this relationship across the borders of academic disciplines. This monograph by Professor Michael Walton, VKRV Rao Professor at ISEC, is an important attempt to establish some new hypotheses in this context of inequality, rent-seeking and growth in India. The author has delved into the political economy of India in terms of its joint influence on rent-seeking and rent-sharing. In today's context rent-seeking and its influence on the quality of growth has become an important theme and that calls for an institutional policy frame for dealing with this.

India's growth experience during the last two decades has been quite impressive as also its performance on the front of decreasing poverty ratios has been heralded by many. However, certain intricacies, such as the differential gains of the process across social and economic groups assume importance. Prof Michael Walton brings out clearly that the poverty ratios have gone down between 1983 and 2004 along with increasing growth. Further, he also sketches the picture of growth, inequality and certain important indicators (including corruption index), during these two decades for India and varied experience of different countries. Analytically approaching the changes in the political economy of India, Prof Walton brings forth the concept of 'patronage democracy' put forth by Prof Chandra and discusses some political economy scenarios. The explanations about the differential performance across states come from his analyses of the interaction of varied pictures of political economy across states. While doing so he has also touched the aspects of conflicts as well as wealth generation. It is interesting to read these arguments and their connection with the theme of the monograph. The author elaborates on the rent-sharing equilibrium and the relationship between GDP growth and corruption index. Socio-economic intricacies and their relationship with the state is an interesting idea put forth that could be taken forward. Prof Walton also touches the relationship across social groups and views the role of the state especially focusing on the rent-creating and rent-sharing mechanisms. The analysis indicates that in the coming decades India is likely to experience a large number of social, economic and political changes, some of these may be towards better delivery of welfare but a few may create incremental rent-seeking and power patronage behaviour.

This excellent monograph makes it clear emphatically that the process of economic liberalisation is an essential policy platform for India but it may lead to inequalities and rent creation, influence of which across social groups needs to be observed. Long-term development of an institutional economy like India will require foresight of economic and political institutions to understand the growth process, its impact on inequality, poverty and rent-seeking. Professor Michael Walton provided quite a few leads through this monograph. He worked on this theme while he was at ISEC holding the prestigious VKRV Rao Professorship. The monograph reflects the erudite understanding and in-depth perceptions of the author about the intricacies of Indian economy, polity and social structure. It is an authoritative text in the direction of the stated hypothesis. I am sure that this monograph will provide readers an overview of the experience of economic transformation during the last two decades and fresh hypotheses for the future work.

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