

ice hockey where the professionals are overwhelmingly born in the early months of the year. The cut-off date is 1 January, and at age 8 or 9 or 10 a boy born in January is a lot bigger than one born in December. So they stand out, they get more ice time, they get more coaching and that little boost makes a big difference. It would be interesting to see when English rugby players were born – according to *Outliers* it would be mostly September to December. There's an interesting research note for a young analyst.

Another of my favourite insights was to do with 'naturals' versus 'grinders'. He claims there is no such thing as a 'natural' as in a super-gifted person who rises to the top without apparent effort. The Beatles practised for years; Bill Gates put in his time. Indeed, Gladwell has a figure of 10,000 hours. Across a range of activity from music to sport to computing it takes that amount of work to reach the peak. On a 40-hour week that is five years of practice.

'Grinds' are equally interesting. Once you get to the music academy level, say, just as there are no naturals so there are no examples of people who put in the hours and then fail. Once you get into the top elite group all that counts is sheer hard work. And the very top of the elite don't work a little harder, they work a lot lot harder.

Gladwell quotes a fascinating study of a top group of German violinists who all started playing roughly at age 5 and were now say 20ish. They were all graded by their professors into three groups: elite, good and 'future music teachers'. They were then asked how much they had practised over the years, and the results were 10,000 hours, 8,000 hours and just over 4,000 hours. Point taken.

The second half of the book asks: 'Can we learn something about why people succeed and how to make people better at what they do by taking cultural legacies seriously?' Like Gladwell I am a huge fan of the work of David Hackett Fischer and in particular his book *Albion's Seed*, and I was consequently delighted to see its influence here. Hackett's thesis is that different waves of British migrants ended up in different US locations and that the very different cultures they brought with them still influence those regions to this very day.

This section of *Outliers* ranges from the famous Hatfield-McCoy feud through 'The Ethnic Theory of Plane Crashes' (why Korean Air was 17 times more dangerous than United Airlines) to Asian maths skills to how much some students forget during long summer vacations. Every single chapter is a total grabber.

I wrote above that Gladwell's books are hard to pigeonhole and at the end of the day so are his political views, although he has clearly been exposed to the classical liberal view of the world. Again, just like Tiger Woods, he holds his political cards close to his chest, not wanting to offend and of course wanting a big following. I suspect he has fans across the spectrum who draw different things from his books. It would be interesting to read *Outliers* page by page with somebody of opposite views to mine to see what we each got out of its rich texture.

Whatever, *Outliers* is a huge achievement. You simply cannot read this book without learning a terrific amount and ending up viewing the world a little differently and (in my case) through a slightly more focused pair of spectacles. Well done Malcolm.

John Blundell

Director General

Institute of Economic Affairs

jblundell@iea.org.uk

## SUSTAINING INDIA'S GROWTH MIRACLE

Jagdish Bhagwati and Charles Calomiris (eds.)

New York: Columbia University Press, 262pp., ISBN: 978 0 231 14366 0, \$27.95 (pb), 2008

In early 2007, when the Indian economy had reached new dizzying heights, its forex reserves overflowing and its people joining the middle class by the millions, Finance Minister P. C. Chidambaram reminded his countrymen: '8 to 9% growth did not occur because some kind God smiled on us'. To consider what further economic reforms India needs to undertake, economists from Yale, Columbia, Stanford and Carnegie-Mellon, along with an Indian minister and ambassador, gathered in

New York for a two-day conference, the result of which is this excellent volume.

According to Arvind Panagariya, a Columbia University economist, one disappointing aspect of India's performance has been the failure of its manufacturing sector to take off. One hardly sees Wal-Mart shelves stocked with 'Made in India' goods. This is rather unfortunate, for a proliferation of Chinese-style mass-production factories could provide employment to India's large swathes of unskilled labour that are yet to see much come their way. The country's manufacturers are being held back by highly restrictive labour laws that are more like France's than its East Asian neighbours', and poor infrastructure, which keeps them from matching the Chinese on cost and speed. It takes five days to load a ship in Mumbai, compared with 12 hours in Shanghai.

His advice to bump up infrastructure development might go down well – what government is able to resist the invitation to spend more money on roads – but any mention of labour reform in the government draws protestors to the streets. In a classic example of Mancur Olson's logic of collective action, the 10% of India's labour force that is formal and benefits from the protective legislation is able to leave the other 90% in the cold.

Erratic power supply is another thorn in the side of Indian producers, so severe that several big factories have taken to generating their own but expensive supply. In a chapter on electricity industry reform, Stanford economist Frank Wolak notes that state-owned public utilities are ill-positioned for expansion, all having been made insolvent by politicised price-setting. Electoral compulsions keep the utilities from charging a price high enough to cover costs, or clamping down on theft and delinquency. He recommends stricter means-testing of recipients of subsidised electricity, as well as imposing caps on their maximum use. Staffing regulatory bodies with permanent professional staff would make the regulatory process less political and provide it with institutional memory and stability, rendering the industry attractive to private and foreign investors. All very sensible suggestions, but the challenge lies in making them politically feasible.

In commenting on Wolak's chapter, Jessica Wollack of UC-San Diego suggests that the central government should promise more money for upgrades to states that promise reform, therefore making higher prices more palatable by tying them to better service. She worries though that better cost recovery might not be enough to spur necessary expansion. New power plants are hindered by difficulties in getting fuel, permits and land, as well as bottlenecks in transmission. A more comprehensive reform strategy is called for.

And it is not just the utilities that are in the red. For a country whose households save an astonishing 30% of their income, its elected representatives are rather profligate, running a fiscal deficit equal to 10% of the GDP. Such a high level could cramp growth, argues Yale economist T. N. Srinivasan, if the capital inflows that have kept private investment buoyant in previous years suddenly reverse. India's fiscal federalism is partly to blame, with the centre doing most of the tax collecting and the states doing the spending, neither having an incentive to improve efficiency on its part. In addition to rational scrutiny of public sector spending, a lot of which is with little social merit, he argues for making individual states more responsible for their own deficits, by letting them borrow on their own credit, and thereby subjecting them to capital market discipline. He also suggests a peer-review mechanism that would bring together state leaders to share ideas and progress on deficit reduction, hopefully leading to a virtuous competition in this respect.

Carnegie-Mellon economist Ashish Aurora's chapter on India's software industry is a heartwarming portrait of an underdog that made it big, its success lying in a fortuitous mix of affairs including the country's large reserve of engineers, a successful and entrepreneurial diaspora in the United States, and a benign neglect by the government. Starting out as 'body shops' that would rent out programmers to test software or fix the Y2K bug in America, Indian IT firms now regularly manage multi-million-dollar R&D contracts from Microsoft, Oracle, IBM, etc.

Though their contribution to GDP (4%) and share in employment (<0.5%) is modest, the author believes that their

significance lies in the unseen possibilities they signal, the ambitions they have stoked among the youth, and the newfound respectability they have brought to entrepreneurship. As the country's pool of technical talent gets used up, the industry's growth will depend on the government's willingness to let educational institutions expand, by letting them charge tuition fees, for example.

Though well-argued for, the proposals made in each chapter are going to be politically tricky to implement, so formidable are the entrenched interests. Strategic bundling of reforms, for example, by tying liberalisation of labour laws with expansion of safety net, may help blunt some of the distributional effects. The recent re-election of the Prime Minister Manmohan Singh with an expanded majority should also provide some political space. One can also derive hope from a speech he made in 1991 as the country's finance minister. In introducing India's first liberal reforms at a budget session in the parliament, he quoted Victor Hugo: 'No force can stop an idea whose time has come.'

**Nimish Adhia**

PhD candidate in Economics  
University of Illinois at Chicago  
nadhia2@uic.edu

## INTEGRATED TRANSPORT: A WILL-O'-THE-WISP?

**John Wylde**

Tweedmouth: John Wylde, 181pp.,  
ISBN: 978 0 9533502 3 0, £20.00 (pb)  
or £9.95 (e-book), 2007

This is a book with a very wide potential interest, and an important text for anyone concerned with transport. If you want to know what has happened since the start of the twentieth century, you will find it here. If you can't remember a date or the title of a report, you will be able to look it up. It is a very *useful* book. But it is much more than that, because it opens a question that needs to be answered: what do we mean by those tricky words 'integration' and

'co-ordination'? They have been around for a long time, and they seem interchangeable, so why haven't they happened – yet? As Professor Begg says in his Foreword, only John Prescott's White Paper of 1998 did anything – encouraging the switch from private to public transport – but there is more to it than that.

In his opening chapter, on p. 14, the author goes to the heart of the matter. He finds three definitions of integrated transport: *service integration*, *operational integration* and *financial integration*. The first is what the user looks for, convenient connections between trains and buses, or different bus services, to make travel easier. Little is done about it, and bus/train connections are getting worse. The second is the operator's objective: the removal of competition, including competition between one firm's services, to reduce costs and maximise efficiency. The third is control of the financial demands of transport, particularly on the part of government. It is plain that the objectives of the latter two are in conflict with those of the first.

The book then consists of separate chapters on each decade of the twentieth century, with a reference to the three kinds of regulation – or the lack of it. The final chapter is headed 'The Millennium – Quo Vadis?' and consists of a deep and wide-ranging study of the situation today. Each chapter consists of a review of what happened over the whole range of inland transport, and these will be of great value to beginning students and to readers unfamiliar with the story. The final chapter contains a radical study of contemporary and future problems, which is a challenge to policy-makers today. A telling passage reflects on the subject of *Competition Law* – *The Enemy of Integration* – interference with the first of the three objectives, which was expected to follow from deregulation. The author is unafraid to tackle controversy, which is in itself one reason why the book makes such good reading.

My only serious criticism is the lack of reference to the Smeed Report of 1964, *Road Pricing: The Economic and Technical Possibilities*. It is surely the absence of point-of-use pricing for roads that is the biggest obstacle to integration. Today the objective of government, however far away it remains, it is surely road-use