**How do you analyze the present situation of India’s political economy?**

The spectacular economic resurgence of East and South Asia in recent decades has been the most important global development of the late twentieth and early twenty-first centuries, roughly on a par with the West European ‘industrial revolution’, and even more important than the collapse of Europe’s Communist regimes in 1989-91, the al-Qaeda attacks on the New York World Trade Centre and the Washington Pentagon on 11 September 2001, the US-led invasions of Afghanistan in 2002 and Iraq in 2003, and the Arab Spring of 2011-12. ‘The phenomenal growth of China and India in recent years [...] has set in motion a process of social change that is, in its scale and speed, unprecedented in human history’ (Partha Chatterjee 2011: 16). ‘Economic growth at a pace that doubles an economy’s size every seven or eight years is not a process that simply requires a country to maintain a steady course [...] It is a process that requires a country to maintain itself in a constant state of radical transformation’ (Emmott 2009: 22), arguably one that is in many ways even more radical and pervasive than the old Trotskyist concept of ‘permanent revolution’.

This upsurge is quite rapidly bringing into being a new world economy in which, for the first time in human history, the biggest players will not be the world’s richest countries, but two of the world’s poorest countries: China and India. By 2040 India’s population will have overtaken China’s, and these two countries will have become the world’s two largest economies mainly by sheer weight of numbers (albeit increasingly harnessed to ever-rising levels of education and technology). This ongoing economic resurgence of China and India represents a ‘return to normality’, rather than an historical aberration or novelty. During most of the last 2000 years, ‘greater China’ and ‘greater India’ have each represented between 22% and 33% of global GDP (Maddison 2007: 381), and they have accounted for most of the world’s scientific, mathematical and technological innovations (Hobson 2004).

At least until the recent Indian economic boom sharply decelerated and threatened to stall in 2011 and 2012, it seemed that India – in common with many other Asian countries – had ‘locked into’ a trajectory of ever-accelerating technological, structural and organizational change and dizzying rates of economic growth. Overall, the per...
capita GDP of East and South Asia rose roughly seven-fold between 1950 and 2003 (Maddison 2007: 176; and Emmott 2009: 16). This boom has been seen primarily as the culmination of successive accelerations in the long-term rates of economic growth in the two largest Asian countries and as a resurgence from their respective economic nadirs during the 19th and early 20th centuries.

It has been estimated that India’s annual rate of GDP growth averaged only c. 0.2% per annum between 1500 and 1820, c. 0.4% p.a. between 1820 and 1870, c. 1.0% p.a. between 1870 and 1913, and c. 0.2% p.a. between 1913 and 1950 (in each of these periods failing to keep pace with population growth), before moving onto a considerably higher growth trajectories of c. 3.5% between 1950 and 1973 (a substantial ‘growth dividend’ from the greatly increased autonomy conferred by Independence) and c. 5.2% p.a. between 1970 and 2003 (Maddison 2007: 280). India’s annual rate of GDP growth surged even higher, to 6.0% between 1994 and 2003, 7.6% in 2004, 9.0% in 2005, 9.5% in 2006 and 10.0% in 2007, decelerated to 6.9% in 2008 and 5.9% in 2009 (under the impact of the Western economic crises of 2008-09), briefly rebounded to 10.1% in 2010, and then decelerated again to 6.8% in 2011 and 4.9% in 2012 (IMF 2012: 194).

For comparison, Angus Maddison has also estimated that China’s GDP grew by only c. 0.4% per annum on average between 1500 and 1820 and by only c. 0.6% p.a. between 1870 and 1913, and that it actually contracted slightly between 1820 and 1870 and between 1913 and 1950, before China lifted itself onto much higher economic growth trajectories of c. 4.9% p.a. between 1950 and 1973 and c. 7.3% p.a. between 1970 and 2003 (Maddison 2007: 280). China’s GDP growth reached 10.1% in 2004, 11.3% in 2005, 12.7% in 2006 and 14.2% in 2007, decelerated very slightly to 9.6% in 2008 and 9.2% in 2009 (under the impact of the Western economic crises of 2008-09), rebounded to 10.4% in 2010, and then decelerated to 9.2% in 2011 and 7.8% in 2012 (IMF 2012: 194).

Since the 1980s, the world’s major multinational companies have been steadily relocating low and medium technology manufacturing activities and ‘dirty’ polluting industries away from relatively high-waged advanced capitalist countries (the West plus Japan, Australasia and, more recently, South Korea, Taiwan, Singapore) to relatively low-waged countries in East Asia and more recently to India and Bangladesh, mainly in order to supply Western and Japanese markets as cheaply and profitably as possible, but also in order to help them penetrate more deeply into the markets of the much faster-growing ‘emerging economies’ of mainland Asia, Indonesia, Latin America and Africa. However, it needs to be kept in mind that the bulk of the gains from this relocation of manufacturing activity to mainland Asia accrue, not to the increasingly industrialized but still very low-waged Asian countries which account for ever-growing shares of global manufacturing, but to the Western companies which still supply and control most of the technology, design, R &D, finance, insurance, marketing and transport and distribution networks involved in delivering these manufactures to mainly Western and
distribution networks involved in delivering these manufactures to mainly Western and
Japanese customers, and to the hundreds of millions of Western and Japanese
consumers whose real incomes are ever-increasingly boosted by the ever-growing
availability of ever-cheaper manufactured goods made in mainland Asia (see Jacques
2012: 213-215). So long as the main benefits from the dizzying expansion of mainland
Asian manufacturing continue to accrue to Western and Japanese companies and
consumers, the further development of manufacturing per se in mainland Asian
countries is unlikely to enable these countries ever to catch up fully with the high-
income West and Japan. They are liable to remain trapped in a situation of ‘perpetual
catch up’, for ever hanging onto the technological, financial and infrastructural coaltaills
of the high income economies. In order to overcome or escape from this latest form of
dependency, they will have to move beyond mere manufacturing, which is increasingly
one of the least remunerative parts of the design, production and marketing chain, and
gradually take over control of the associated (and still highly remunerative) design,
R&D, finance, marketing, transport, distribution, and logistical functions which are still
mainly controlled by Western and Japanese companies and some of their employees.

However, even more dramatic and remunerative developments and innovations have
been taking place in the service sector, especially financial services, capital markets,
and information and communication technology (ICT), especially in India and Sri
Lanka. The ICT-driven revolution in financial services and capital markets has fostered
‘financialization’, ‘finance capitalism’ and ever-increasing scope for capitalists to make
vast fortunes out of ‘dealing’ (buying and selling, rather than producing), whether it be
in money, stocks and shares, futures, patents, licenses, commodities, or real estate.
Advances in ICT have also contributed to the development of new products and
activities in the media, leisure, recreation and entertainments industries, as well as to
the commoditization of knowledge, information and know-how. What are often still
misleadingly referred to as ‘non-tradable’ outputs or activities of the service sector have
in fact increasingly been converted into internationally tradable commodities. Service
provision in high-income capitalist countries is increasingly being digitized and
‘outsourced’ to low-income countries, above all India. As a low-waged but English-
speaking country with a 30 to 40 million strong diaspora which is increasingly well
integrated into Western as well as Asian and African host countries, India has been
extraordinarily successful in these ‘new economy’ activities. Largely for this reason,
service activities now make up 59% of India’s GDP (Roberts 2012: 10). Manufacturing
contributes only 15% of India’s GDP, and agriculture (despite occupying 52% of the
workforce) contributes only 17%, and construction, mining and transport account for
the remaining 9%.

Time spent in India during 2010 and 2011 brought home to me the degree to which
India’s educated elite continually compares India’s economic, educational, health care
and public policy performance with that of China. Hardly a day goes by without The
Hindu and/or The Times of India publishing at least one article or op. ed. making
comparisons of one sort or another between India and China. For many highly educated
Indians, China’s performance on the economic, social and educational ‘fronts’ have
Indians, China’s performance on the economic, social and educational fronts have become targets or yardsticks by which to evaluate India’s performance, or benchmarks to aim at. The world’s largest and most democratic developmental state is in effect engaged in a contest or race with the world’s largest authoritarian developmental state. The rest of the world ought to be taking a close interest in this important titanic contest, because a great deal hangs on the outcome. During the past four or five years the current Indian government headed by Dr. Manmohan Singh has been continually ‘talking up’ the feasibility of lifting India onto a trajectory of ‘double-digit growth’ (10% or more per annum) over the next thirty decades, during which India’s changing age-structure and demographic trends are expected to closely replicate the very favourable age-structure and demographic trends that have allowed China to save, invest and grow at historically unprecedented rates during the past 35 years. Conversely, mainly as a largely inescapable result of the same ‘one child family policy’ which has strongly contributed to China’s low dependency ratios and phenomenally high levels of saving, investment and economic growth during the past 35 years, China is expected to become one of the most rapidly aging societies that the world has ever known during the next three decades. Furthermore, mainly as a result of the largely inescapable consequence of this rapid aging, the relative contraction of its working-age population, and the resultant dramatic rise in its dependency ratio, there is quite a high probability that China’s rate of economic growth will decelerate dramatically over the next 20 to 30 years. As set out in the major report entitled China 2030: Building a Modern, Harmonious and Creative Society, jointly produced by the World Bank and the Development Research Center of the State Council of the People’s Republic of China, very impressive counter-measures are being planned and have already begun to be implemented by the Chinese government, in an endeavor to minimize and/or mitigate this potentially serious economic deceleration and the damaging impact that this would have on the standing and legitimacy of China’s Communist Party and regime, but it remains to be seen whether these measures will prove strong enough to defy the laws of gravity.

If India were to accomplish the ambition of outperforming China economically over the next three decades, this would be widely seen as at least a partial vindication of the arguments put forward by Amartya Sen and other eminent Indian economists that liberal democracy, free media, the rule of law and respect for human rights ought not to be treated as luxury ‘add-ons’ which developing countries can only ‘afford’ after they have achieved relatively high levels of development, but ought to be prized in their own right and as very valuable (even crucial) inputs into broader and ultimately much sounder and healthier conceptions of development.

export-oriented strategy that uses heavy investment in manufacturing capacity and infrastructure to drive development. The sectors that grow fastest are typically those that use the initially abundant supplies of cheap labour. Thus, these economies usually started out by scaling up low-skill exports like making ready-made garments, toys, cheap household items and so on. With time, they all move up the value chain as wages rise and their workforce becomes more skilled. Exports shift to things like high-end electronics and automobiles. The services sector becomes an independent driver of growth at a much later stage, if at all. Japan was the first country to successfully use this strategy to develop, but it was followed by Singapore, [South] Korea, Taiwan and Hong Kong. South-east Asian countries like Thailand, Indonesia and Malaysia also began to apply this strategy from the [1980s] [...] China’s recent performance may be dramatic due to its sheer scale and speed, but it is merely the latest manifestation of the standard East Asian model” (pp. 70-71).

He adds: “The Indian growth experience [of the 1990s-2000s] did involve rapid internationalization. However, this is where the similarity ends [...] Even before [the economic] liberalization [of 1991-92], India had a skew towards skill-intensive production [and] this skew has become even more pronounced after [the] liberalization. Unlike China, which started out by selling cheap toys and t-shirts, India’s manufactured exports include complex automobile parts and pharmaceuticals while its rapidly expanding service exports include top-end software and complex back-office outsourcing operations. This is a counter-intuitive trajectory for a country that has a mass of cheap labour [...]. Instead, it appears to have become even more skill-intensive than before. Thus we see growth in sectors like software, airlines, media and finance. Even traditional industries became more skill-intensive after the restructuring of the [1990s] [...]. Another key difference with Asian ‘tigers’ is that India did not see a major acceleration in investment activity till after 2004 [...]. Heavy investment is a key driver of the usual East Asian model. The most extreme example [...] is China with an investment rate of around 48 per cent of GDP, but virtually all other [East] Asian successes had also experienced a sharp increase in investment and construction activity at the point of “take-off”. In contrast, the overall fixed investment rate in India was around 22 per cent [of GDP] in 1991 and was roughly at the same level a decade later.’ (p. 72). ‘In East Asia, export-oriented manufacturing and construction were the boom sectors. In India, in contrast, it has been the services sector that generated the bulk of the growth. The sector has grown so fast that it now dominates the Indian economy’ (p. 72). ‘The tentative reforms of eighties led to an acceleration of overall growth [...]. Although this acceleration would prove unsustainable, it saw the emergence of an independent growth dynamic to the services sector [... and] of first-generation businesses in this sector – small media production companies producing soaps for television, IT companies like Infosys and NIIT [...] Then, the reforms of 1991 ignited the sector. Over the next seventeen years, the sector would grow by an average of 8 per cent per year, far faster than the other two segments of the economy.’(p. 73).
Why these differences? Until the 2000s, savings rates were much lower in India (at around 22% of GDP) than in China (between 40 and 50% of GDP), and capital was therefore much scarcer and dearer in India than in East Asia (Sanyal 2008: 75-76). Furthermore, because the service sector was initially of relatively little interest or concern to most Indian economists and economic policy-makers, it was largely ignored/neglected. Consequently, it was left relatively unfettered by the kinds of restrictive labour laws and bureaucratic over-regulation (the notorious ‘licence raj’) and official extortion rackets which had stymied most of India’s manufacturing industries and agriculture under Jawaharlal Nehru (1947-64) and his daughter Indira Gandhi (1965-77, 1980-84) (Sanyal 2008: 76-77). “The third and possibly most important factor was the kind of human capital available. Most other Asian countries had tended to expand primary education first, then secondary […] and finally tertiary […] Thus they had [comparatively] high literacy levels at their “take-off” but a relatively small pool of high-skill workers. It was the opposite in India. Even in the [1990s], almost half the [Indian] population was illiterate.” (Sanyal 2008: 77).

In addition, the voracious investment needs/appetites of the producer goods industries prioritized by the highly centralized Soviet-style planning model established by Nehru and Professor P.C. Mahalanobis and continued under Indira Gandhi resulted in the country having ‘invested heavily in tertiary education and built up a handful of world-class institutions such as Delhi University, the Indian Institutes of Management and the Indian Institutes of Technology’, while the primary education needs of the mass of the population remained relatively neglected (Sanyal 2008: 77).

As a result, the centre of gravity of the global ‘service revolution’ has begun to tilt (rather than ‘shift’) towards South Asia. In 2005, services accounted for about two-thirds of global GDP and about 52% of South Asian GDP, whereas manufacturing accounted for only 16% of South Asian GDP (Ghani 2010: 35-37). ‘The promise of the services revolution is that countries do not need to wait to get started with rapid development. There is a new boat that development latecomers can take. The globalization of service exports provides alternative opportunities for developing countries to find niches, beyond manufacturing, where they can specialize, scale up, and achieve explosive growth, just like the industrializers. The core of the argument is that as the number of goods and services produced and traded around the world expands with globalization, the possibilities for all countries to develop based on their comparative advantage expand. That comparative advantage can just as easily be in services as in manufacturing or indeed agriculture. We do not argue for services and against manufacturing […] but we do argue against the long-held proposition that industrialization is the only route to economic development.’ (Ghani 2010: 3).

Moreover, ‘technological changes (telephone and internet) and [...] splintering and
disembodiment of services have made many services tradable, just like manufactured goods. These services, called modern impersonal progressive services [...] include communication, banking, insurance and business-related services. They are being built by [...] technology, transportability and tradability – the 3 Ts [...] The third T, tradability, refers to the fact that many modern services, which are transported digitally, face few government barriers when they are moved from one country to another.” (p. 4). ‘The 3 Ts have unleashed a services revolution riding on the wave of the internet [...]Service exports from developing counties almost tripled in the last ten years, growing by 11 per cent annually ....’ (Ghani 2010: 5).

Furthermore, globalization, the Asian industrial, service and ICT revolutions, the emergence of colossal, educated and professionally trained Asian technocracies and middle classes, and the steadily growing complementarities and synergies (above all between India and China) have been deepening integration and complex interdependence between Asian economies. They are now rapidly becoming each other’s major customers and business partners, thereby turning an increasingly integrated and interdependent Asia into an increasingly autonomous, dynamic and pace-making (rather than pace-taking) component of the global economy, marching to its own rhythms rather than ones dictated or set by the West (see Shambaugh 2006 and Shambaugh & Yahuda 2008).

At the same time, Asia is ‘becoming more like Europe in the way in which its economies are integrated with one another. It is also becoming more like Europe in the way in which its biggest countries interests – both political and economic – are spreading across the continent and overlapping with each other.’ (Emmott 2009: 42). ‘Economics, rather than nomadic horsemen, is the force that is turning Asia into a coherent entity.... The commercial links that are emerging inside Asia are producing the deepest and most extensive integration that Asia has ever seen. They are bringing about the very creation of Asia. They are, in effect, creating a new continent.’ (Emmott 2009: 25). The parallels with European integration are striking and suggestive. Jean Monnet, the chief architect of the European Communities established in the 1950s, stressed that until the launching of the European Communities in the 1950s, ideas and conceptions of Europe had remained just that – ideas and conceptions – and that ‘Europe’ had never previously assumed a more concrete form (Lee and Bideleux 2009: 163). Likewise, the new ‘facts on the ground’ of Asian integration are finally beginning to transform mere ideas and conceptions of Asia (mostly products of overheated Western imaginations!) into something more concrete and consequential. By at least partially ‘de-coupling’ Asian economies from their Western counterparts and from the West’s fluctuating economic fortunes, such changes have helped to gradually ‘liberate’ many educated Asians from the former excessive, asymmetric, debilitating and demeaning (and often misplaced) dependence on and faith in Western ideas, technology and ‘know how’, Western markets and marketing and distribution networks, and Western hi-tech
The most striking manifestations of the sea-changes in the relationships between Asia and the West have occurred during the past decade. The following IMF observations apply most strongly to Asia’s emerging market and developing economies, especially China and India: ‘During 2003-07 growth in emerging market and developing economies accelerated [...] even as growth in advanced economies remained weak’ and, even though ‘more than half of emerging market and developing experienced negative growth in 2009 [...] they quickly bounced, and during 2010-11 many of them grew at or above pre-crisis rates. As a result, they now account for virtually all global [economic] growth.’ (IMF 2012: 129). Furthermore, during the financial crises that have bedevilled the West since 2008, the major Asian emerging economies – above all China and India – have shown themselves to be considerably more sturdy, buoyant, resilient and self-reliant than their Western counterparts, while in some ways Asian governing institutions have also shown themselves to be more ‘prudent’ and responsible and more capable of absorbing exogenous economic shocks than their supposedly more ‘advanced’ Western counterparts (IMF 2012: 131-41). Increasingly, therefore, ‘the question on policymakers’ minds is whether this strong performance will last’ (IMF 2012: 129).

In your opinion, how will the situation likely evolve over the next five years?

Output trends are notoriously wayward and difficult to accurately predict. After all, relatively few people were expecting India’s economic growth to decelerate as sharply as it did in 2011-2012. However, there is a broad consensus over India’s medium-term demographic prospects. Taking these anticipated demographic trends as a starting point makes it easier to formulate potential medium-term scenarios for the Indian economy, and that in turn makes it easier to formulate or identify the more immediate strategic choices and constraints confronting Indian economic policy-makers, voters and the somewhat dilatory political establishment.

India’s Prime Minister, the 80-year-old economist Dr. Manmohan Singh, and Pranab Mukherjee, his former finance minister (now President of the Republic), have repeatedly ‘talked up’ expectations that India was on the verge of moving to a new trajectory of ‘double-digit growth’. On one level, as mentioned above, the anticipated ‘demographic dividend’ makes it theoretically possible for India to replicate the very rapid expansion of the population of working age, the very low levels of dependency, and the extraordinarily high levels of saving and investment which have made possible the colossal economic boom in China during the past 35 years (Ghani 2010: 4-12). Over 10 million (mostly educated) young people will join India’s workforce each year for the next 20 to 30 years. ‘India’s working age population will increase from 691 million in 2005 to 829 million in 2015 and 942 million in 2025, before stabilizing at around 1050 million in the late 2030’s’ (Saxen 2008: 142). Henri Keesing claims that if
around 1050 million in the late 2030s. (Sanyal 2008: 143). Homi Karas claims that, if India’s economy were to grow at 10% per annum from 2010 to 2025, India’s middle class would expand from around 59.5 million people in 2010 to a staggering 1026 million in 2025, using relatively broad (albeit constant) income criteria for inclusion in ‘the middle class’ (Kharas 2011: 67, 70). India’s urban population is likely to expand from 376 million (30 % of the population) in 2010 to 764 million (48% of the population) in 2040 (Ghani 2011: 20, 240). However, for this colossal abstract potential to be even remotely translatable into spectacular ‘double-digit growth’, major reforms and structural changes would need to be implemented during the widow of opportunity opening up over the next five years.

**What are the structural long-term perspectives?**

As argued by Nandan Nilekani, the influential co-founder and co-chair of India’s hugely successful computer software giant ‘Infosys Technologies’, what India most needs (in order to return to the rapid economic growth that has fuelled India’s dramatic socio-economic transformations since Rajiv Gandhi’s partial liberalization and ‘opening up’ of the Indian economy during the 1980s and the much more far-reaching economic liberalization and ‘opening up’ launched by Premier P.V. Narasimha Rao and his finance minister Manmohan Singh during the turbulent summer of 1991) are radical reforms, restructuring, and redistribution, designed to create or promote an open access society: ‘the most important driver for growth lies in expanding access to resources and opportunity. People everywhere, regardless of their income levels, should have access to health facilities, clean water, basic infrastructure, jobs and capital a reliable social security system, and good schools where their children can be educated in the English language (1) [...]. For an economy to shift into an open access [system] we need competition and markets, because [...] this “ensures that neither political nor economic power is permanent or inherited, as people innovate and unleash their creativity.” Such an environment also encourages social stability, as it creates a sense of fairness and a belief that everyone has a chance to change their income and status [...]. India is [...] still in the throes of becoming an open access order ... The low standards of our state-run schools and our weak infrastructure have especially hurt the poor in terms of access: those of us who can afford alternatives merely opt out, turning to private schools, private electricity and gated communities – or we emigrate.’ (Nilekani 2009: 18-19)

He adds: ‘There is great resistance to an open access order, and it comes from both business and government. Interest groups and elites are leery about relinquishing power. There are good reasons why they prefer the status quo: labor reforms threaten not only businesses employing cheap contract labour but also protected trade unions. Better empowered parents and students in schools challenge the sway of teachers’ unions and administrators. Greater economic and social rights for women threaten the
power of male citizens and relatives. Reforms that expand access are thus crucial for the disempowered. They are critical in bringing income mobility to the weakest and poorest groups. And this mobility is at the heart of the successes of free markets: we tend to forget that a prerequisite to productivity and efficiency is a large pool of educated people, which requires in turn easy and widespread access to good schools and colleges.’ (Nilekani 2009: 20).

Quoting the Microsoft billionaire Bill Gates, with whom he clearly identifies, Nilekani also declares that: ‘when it comes to our development goals, I strongly believe that our greatest advances “come not in our discoveries, but in how we apply [them] to reduce inequality and create access.” Ignoring this is not just bad policy – it carries high political risks. Across countries, we have seen a populist backlash against markets when they have failed to address crises around access – such as in Europe during the 1920s and 1930s, and more recently in large parts of Latin America.’ (Nilekani 2009: 21).

In the absence of the kinds of changes that Nilekani is calling for (an open access society, labour market reforms, and greatly expanded universal - rather than selective - provision of education and training), it will be extremely difficult to absorb India’s rapidly expanding working-age population into remunerative economic activities, and the number of unemployed Indians will simply multiply to levels that would greatly increase India’s already very high incidence of poverty. That in turn would threaten to destabilize the political system and completely de-rail economic growth – thereby establishing an extremely vicious circle of instability, stagnation and further impoverishment.

There are several reasons for highlighting Nilekani’s ideas on India’s ‘way forward’. Firstly, they emanate from one of India’s most widely admired, hard-headed and visionary self-made billionaires, who appears to have acute antennae and is listened to with respect by people across a wide political spectrum. More importantly, his ideas and proposals offer a platform and a set of reform priorities around which not only the incumbent United Progressive Alliance, but also the more neoliberal, ‘economistic’ and reform-minded sections of the centre-right BJP-led National Democratic Alliance, many of India’s smaller regional parties, and many Indian socialists and communists could readily unite. (The state of Kerala, which has been one of India’s Communist Party strongholds since the 1950s, has had one of the strongest records of progressive economic and social reforms promoting an ‘open access society’. See Heller 1999 and Parayil 2000.) Such a cross-party ‘progressive’ consensus should be capable of overcoming the political gridlock that has severely reduced economic growth, the pace of ‘progressive’ socio-economic reform, and levels of investment and political and economic confidence during 2011 and 2012; and of promoting and implementing a large swathe of quite radical reforms that would increase equality of opportunity, reduce labour market rigidities, establish an open access society, and re-energise the entrepreneurial, investment, training and economic growth which will be needed if
entrepreneurship, investment, training and economic growth which will be needed if India is to reap its potentially huge ‘demographic dividend’ in ways that could potentially benefit a majority of its population – and not just big business and the rich. In ten to fifteen years from now, after India has been successfully re-launched on a fresh trajectory of reform, restructuring, redistribution and rapid growth, it is quite conceivable that such a ‘progressive’ reforming, restructuring and redistributing consensus would eventually break down amid disputes over how the fruits of economic growth, restructuring and increased productivity are to be distributed. In the meantime, however, especially during the run up to the all-India parliamentary elections which are supposed to be held by April-May 2014, there is both a pressing need and a golden opportunity to bring together a ‘rainbow coalition’ committed to the kinds of reform, restructuring and redistribution outlined by Nilekani (2009), in order to overcome India’s current political gridlock and its stalled economic boom and reform programme, and to help Indian society to reap in full the potential ‘demographic dividend’ on which many hopes and expectations are being built.

Nilekani also persuasively contends that India ‘has enormous advantages in its young population and its entrepreneurs, a growing IT capability, an English-speaking workforce, and its strength as a democracy.’ (Nilekani 2009: 5). Consequently, ‘India has far more to gain than to lose by embracing globalization more fully’, because it has ‘the biggest pool of English speakers in the world and ambitious young entrepreneurs who are experimenting with low-cost models of doing business. Our large domestic consumer markets, besides the opportunity they offer, also provide some insulation from the ups and downs of global trade.’ (p. 21).

However, even if the broad, progressive and reform-minded coalition advocated by Nilekani were to be brought together in time for the forthcoming parliamentary election (in 2013 or early 2014) and held together for at least one or two decades thereafter, and even if the ‘open access society’ envisaged by Nilekani were to be at least partially realized in practice, it is by no means certain that India would either accomplish ‘double-digit growth’ or outperform China over the next three decades. There is much more widespread poverty and illiteracy in India than in China, and India’s poverty and illiteracy will remain huge burdens and drag anchors on its economy for a long time to come. Despite the colossal and exhilarating transformations that have taken place in post-Independence India, ‘South Asia remains home to the [world’s] largest concentration of people living in conditions of debilitating poverty, human misery, gender disparities, and conflict. More than a billion people [in South Asia] lived on less than $2 a day in 2005. Nearly 250 million [South Asian] children are undernourished .... Child mortality and malnutrition are amongst the highest in the world. More than one-third of adult women are anaemic. One woman dies every five minutes from preventable pregnancy-related causes. The share of female employment in total employment is among the lowest in world. More than 1 million people have been displaced by internal conflict. Although economic growth has reduced the poverty rate,
dispersed by internal conflict. Although economic growth has reduced the poverty rate, [this] has not fallen enough to reduce the total number of poor people.’ (Ghani 2011: 3). Furthermore, as highlighted by Pranab Bardhan (2010), Kunal Kumar Kundu (2010) and Ejaz Ghani (2011), both India and China are now facing very severe (and in many ways growing) infrastructural and logistical bottlenecks and other structural impediments to rapid economic growth in the future, partly as a result of their economic successes and the colossal urban expansion they have experienced over the past 30 years. So far, India’s economic reforms have concentrated on liberalization of markets for outputs (products), and that was mainly during the 1990s; relatively little has been done since then to reform markets for inputs, especially labour, land, and electricity (Economist 2011a and 2011b). Moreover, ‘India’s liberalisers over the past two decades [...] have reformed by stealth. That now looks like a liability. No popular consensus [now] exists in favour of change or tough decisions.’ (Economist 2012). The surges in Indian economic growth in 2005-07 and in 2010 look more like blips, aberrations from the long-term trend, than harbingers of a higher ‘double-digit growth’ trajectory. In the absence of major economic reforms, these surges are mainly attributable to fiscal stimuli and accelerations in capital investment, including inflows of foreign capital. The Indian economy was temporarily ‘on steroids’, rather than on a more sustainable higher growth trajectory.

In addition, over the past three to four decades Indian politics and society have become increasingly fragmented, ‘Balkanized’, clientelistic and conflictual, along regional, ethnic, caste and sectarian lines, especially in the northern half of the country, and this has been eroding or even undermining the universalist and secularist principles on which newly independent India was founded by Mohandas Gandhi, Jawaharlal Nehru and the Congress Party (Desai 2009: 361-63, 378-80, 389-92, 400, 456-57; Chatterjee 2011: 30-31), during what in retrospect can be seen as the global ‘high tide’ of universalism and secularism in the aftermath of World War II and the Holocaust. South Asia also suffers ‘the highest incidence of conflict among all the major regions in the world’ (Ghani 2011: 24).

If these trends towards ever-increasing fragmentation and Balkanization of Indian politics and society were to continue, this would make it much harder to establish the kind of ‘open access order’ or ‘open access society’ seen by Nilekani as the key to overcoming many of India’s problems. Indeed, it would make it much harder to implement far-reaching reforms and restructuring of any kind. The problem has been further exacerbated by the magnitude of the corruption scandals which have cast ever deepening shadows over the Congress Part leadership during 2010-12, including scandals over the shambolic management of the October 2010 Commonwealth Games, which had been intended to showcase India’s progress. Ever since the Congress Party (albeit deservedly) ceased to enjoy the almost hegemonic intellectual and popular support that it had under Mohandas Gandhi and Jawaharlal Nehru, India has no longer had any equivalent to the strong central power, direction, discipline and enforcement
provided by China’s Communist Party and regime. Taking all these considerations into account, it must be concluded that India would be doing very well if it were simply to maintain the 6 to 7% per annum long-term trend rate of economic growth that it has achieved since the 1980s. Even though this would fall far short of ‘double-digit growth’, it could nevertheless suffice to bring about further ‘great transformations’ of India’s economy and society.

Notes:

1) Nilekani simply focuses upon the immense practical advantages of expanding popular education in English: ‘once outsourcing made English the entry ticket to a global economy and higher incomes, the language rapidly became a popular aspiration, a ladder to upward mobility for both the middle class and India’s poor.’ (Nilekani 2009: 7). During my visits to India, I have been impressed by the degree to which Indians on very modest incomes (e.g. taxi drivers) are prepared to scrimp and save and sacrifice in order to send their children to private schools, at which they fervently believe that their children are more likely to attain higher proficiency in English than in state schools, and that this is crucial to their children’s chances of upward mobility.

References:


Kunal Kumar Kundu, ‘India’s double digit growth fantasy,’ in ft.com, 1 April 2010.


Robert Bideleux is Reader in Politics & International Relations, Department of Political &
achieved since the 1980s. Even though this would fall far short of ‘double-digit
growth’ that had been intended to showcase India’s progress. Ever since the Congress Party
(albeit deservedly) ceased to enjoy the almost hegemonic intellectual and popular mantle
which had been provided by China’s Communist Party and regime. Taking all these considerations into
account, the good times of the 1980s were followed by a period of stagnation – even in the late 1990s.
Furthermore, as highlighted by Pranab Bardhan (2010), Kunal Kumar Kundu (2010) and many others,
‘this has not fallen enough to reduce the total number of poor people.’ (Ghani 2011: 3).

Realizing the growth potential in India has been a daunting task. The economic policy of the
government (in 2013 or early 2014) and held together for at least one or two decades thereafter, and
the Congress Party leaders have recognised the need for a new economic policy. However, the country
still faces few government barriers when they are moved from one country to another.’ (p. 4).

The story of India is one of entrepreneurship, investment, training and economic growth which will be needed if
the country’s economy is to continue to grow at the same rate as in the 1990s. However, the country
overcoming the political gridlock that has severely reduced economic growth, the pace of change and
the country’s economic progress. The current government is keen to see India’s economy grow at a similar rate to
those achieved in the 1980s, but it is unlikely to happen without the right policies being put in place.

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