China and India: Growing Challenges

THOMAS E WEISSKOFF

There has been a great deal of interest in the comparative performance of China and India since the late 1940s, when India gained its independence from Great Britain and the Chinese Communist Party established the People’s Republic of China. This is not only because these are by far the two most populous nations of the world, but also because their political structures have been starkly different: China an authoritarian state, India a parliamentary democracy.

In the 1950s and 1960s there were also major differences between the economic development paths being pursued by the two nations. China was building a full-fledged socialist economy, initially along Soviet lines and then increasingly along more decentralised Maoist lines. Although India was ostensibly pursuing the goal of a “socialistic pattern of society,” to be achieved via central government planning, the bulk of the economy was based on independent private enterprise. By the 1970s the comparative economic achievements of China and India were being closely scrutinised for evidence of the comparative ability of an autocratic regime and a democratic regime to promote economic development.

Comparative evaluation of the two different systems continues to the present day, as manifested in the abundance of China vs India books and articles that have been published over the past half century. The book here under review—a compilation of 11 articles by different authors who participated in a conference organised by the British Academy in 2010—is yet another entry in this genre. It departs from many others, however, in that it stresses not the contrasts between the two great nations but instead the similarities. This is neither surprising nor unreasonable. The profound changes that have taken place in both nations since the 1970s, and which have accelerated over the past two decades, do not amount to a convergence of their socio-economic systems. But there are many respects in which China’s and India’s patterns of development are significantly less divergent than in the past.

China has moved from a relatively authoritarian state-dominated socialist economy to an internationally much more open and domestically more decentralised crony-capitalist economy. Private sector enterprises—foreign as well as domestic—and also decentralised public sector enterprises have gained importance relative to centrally-controlled government entities. India has moved from a mixed economy, in which the private sector was much larger than the public sector but the state exercised considerable control via the “licence Raj,” to a less regulated and more internationally open economy with a private sector much more significant and powerful than the public sector. In both China and India central government controls and regulations have been reduced, and market-oriented domestic and international reforms have been implemented.

The book consists of an introduction by Barbara Harriss-White and then 10 chapters by different authors, offering a welcome variety of perspectives on the two countries. The introductory essay is particularly useful in explicitly comparing the two countries. The subsequent chapters are divided into five pairs, each essay on China followed by one on India, which address, in turn, the following themes: the domestic economy as a whole; its relations with the international economy; demographic changes; migration and labour regimes and deterioration of the environment. These articles focus mainly on developments during the increasingly market-oriented period since the 1990s, and on challenges for the future.1

Similarities and Differences

The similarities between the two countries highlighted by the various authors are manifold. As is well known, the economy of each country has been growing much more rapidly over the past several decades than in the earlier post-independence period, the incidence of headcount poverty has declined considerably (albeit more so in China than in India), and economic inequalities—by region as well as by class—have risen substantially. Other important similarities include the key role that central-state-owned monopolies continue to play within a predominantly market-oriented economic framework, the rising proportion of services and declining proportion of agriculture in gross domestic product (GDP), growing interdependence of the domestic economy and the world economy, an impressive rise in life expectancy, increasing discrimination against girl children, and a completely unsustainable trajectory of environmental destruction.

There is not sufficient space here to discuss every one of the articles in the book in a comprehensive fashion, so I will confine myself to some of the major issues raised by contributors to the volume. Carl Riskin’s overview of China’s pattern of economic development (Chapter 1) emphasises macrostructural imbalances. These include an excessive dependence on investment and exports, at the expense of correspondingly low consumption, due to the relatively low share of household income in GDP, as well as heavy reliance on natural resources and energy (exacerbating...
environmental destruction). Riskin links these imbalances to China's growing economic inequalities and argues persuasively that both threaten the pace of economic growth in the future (as is being confirmed by the slowdown of China's GDP growth since the paper was written). He suggests that solutions to both imbalances will require the same corrective policies—such as rising wages, greater government social welfare spending, and reduced macroeconomic dependence on investment and low-cost exports.

Vijay Joshi and Devesh Kapur's discussion of India's growing engagement with the global economy (Chapter 4) focuses on the changes brought about by the 1991 reforms and the dismantlement of barriers to foreign trade and investment in particular. They note that India (like China) has not fully liberalised capital flows—in particular, short-term debt inflows have remained under tight control—and that this helped to preserve stability even in the wake of the global financial crisis of 2008. They make a strong case that India's increasing global integration, far from having a (previously much-feared) negative effect on the vitality of the domestic economy or on overall economic stability, has done much good by promoting rapid growth in exports, significant positive net capital inflows, much improvement in the balance of payments and growth in foreign exchange reserves. They attribute the limited success of India's more rapid economic growth on unemployment and poverty to domestic policy impediments that limit both market flexibility and government capacity to deliver socially-empowering public services.

Dorothy Solinger's analysis of geographical mobility within China (Chapter 7) addresses the huge flow of migrants from rural areas into urban municipalities, much of it in response to foreign investment pouring into southeastern China, and describes their often distressing social consequences. Victimisation and exploitation of peasants has been rampant, especially in the case of the majority “floating population” of migrants who have not had their officially registered permanent residence switched to an urban area. They are relegated to dangerous, dirty, low-paid jobs, also deprived of the human rights and basic social and economic security made available to permanent residents. Solinger suggests that this is due in considerable part to the lack of any incentive for municipal government officials to improve conditions for the floating migrant population.

Stuart Corbridge, John Harriss and Craig Jeffery document and analyse India's failure to include large segments of the population in the benefits of its economic growth (Chapter 8). Despite years of high rates of growth of India's GDP, and the declining share of agriculture in GDP, there has been no corresponding decline in agricultural employment, and the share of marginal and unviable holdings continues to rise. Furthermore, only a small minority of jobs outside the agricultural sector involve secure wage employment in the organised sector, so the vast majority of people take up insecure and poorly rewarded jobs in the informal sector that accounts for two-thirds of India's GDP and 90% of India's livelihoods. To be sure, the much-heralded information technology sector has been booming, but it employs relatively few people.

The two essays on changing demographic profiles and their social consequences—by Delia Davin on China and Patricia Jeffery on India (Chapters 5 and 6)—address significant similarities between the two countries. Each has experienced considerable fertility decline, partly due to mortality decline and also to government initiatives. However, in each country the ratio of boy to girl children has risen steadily, due to longstanding son preference, excess female infant and child mortality, and increasing sex-selective abortion. And the final two essays on the environment—by Minqi Li on China and S Ravi Rajan on India (Chapters 9 and 10)—spell out clearly the ongoing ecological degradation and resource depletion that have characterised rapid economic growth in both India and China, the threat that this poses to the quality of life of the people of the two nations, and the failure of their governments thus far to address their enormous ecological challenges.

**Growing Challenges**

The essays by the multiple authors of this book lead one to reflect on the long-run trajectories of Chinese and Indian economic development since the late 1940s. No doubt both countries' achievement in recent decades of more rapid economic growth and reduced poverty is due in considerable part to the shifts in economic policy towards a greater role for the market and a more limited degree of central government intervention in the economy. At the same time, however, it has become increasingly evident that predominantly market-based economic growth cannot meet the severe challenges faced by both countries, most notably persistent economic and social deprivation among a significant proportion of the population and accelerating devastation of the natural environment—both of which are likely to impose ever greater constraints on economic growth itself. To make progress in combating these mounting threats will surely require effective government policy intervention, not to thwart private enterprise or the operation of markets, but to create a context in which both will advance broad social rather than narrow individual interests. How well either China or India will be able to meet the growing challenges remains to be seen.

Thomas E Weisskopf (tomw@umich.edu) is Professor Emeritus of Economics at the University of Michigan, Ann Arbor, the US.

**Note**

1 Most of the articles are well documented, with numerous informative tables and figures, but almost all of the historical information does not extend beyond 2010.

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