

India and China

Course outline - 2016

Objective of the course is to the students to the main aspects of functioning and evolution of these two giant economies of Asia, in a comparative perspective. As these economies face similar economic problems of promoting economic development and finding their rightful place in the global economy, they are competitors and collaborators at the same time. A sound understanding of strengths of these economies and challenges they face could be valuable for prospective managers.

Course duration: 10 lectures of 90 minutes each, delivered over 3 weekends in January and February 2016.

Evaluation: Term-end examination, with short questions.

Recommended books:

Justin Lin's text on Chinese economy: The book seeks to convey the message as to how creation markets after the reforms in 1978 provided incentives to expanding production by private agents. It does not give adequate recognition to how the foundations were laid in the pre-reform period; how initial economic equality, social development helped create the right prerequisites for markets to perform well. Again, Lin does not seem to give credit to SOEs which continue to play a vital role in China by providing infrastructure, take risks in high technology industries.

Tarun Khanna: comparing businesses in China and India: Focuses on institutional underpinnings of private sector economies in the two economies. Khanna is of the opinion that legal foundations of business are better founded in India than in China, therefore, he believes that in the long run the prospects of growth of private business are better in India than in China.

Pranad Bardhan: Comparing economic performance and problems in the two countries. While applauding the reforms, Bardhan highlights the vulnerabilities – Feet of low in the sub-title of the book – of the two economies, especially growing inequalities, which has grown enormously after state withdrew its support in providing many social services.

A set of readings in soft copy is also provided to follow lectures.

The message sought to be conveyed in this course:

Prior to the industrial revolution, China and India accounted for nearly ½ of the world economic output. But by mid-20th century they were among the poorest regions of the world. When they initiated economic development under national governments, they were roughly at similar levels of under-development – large labour surplus economies, as described by the Lewis model. Around 1950, both the economies launched Soviet inspired industrialization effort. After nearly 3 decades, both the economies made way for market oriented reforms – with dramatic outcome in China and modest results in India.

Yet the comparison between the two economies (in my view) is far from over, as they still face many similar challenges – with varying economic and institutional strengths. Both the countries are still far behind the levels of living attained in the advanced economies; both still have large agrarian informal economy to transform. Both economies face growing inequalities that threaten political stability. If China has greater economic strengths, it perhaps has deeper political vulnerabilities. If one believes that India has “lost the economic race” with China, India’s democratic and institutional strengths dwarf China’s, perhaps enhancing the long term sustainability of the economy and polity.

The course, therefore, would like to convey this complex situation, which defies easy and simplistic generalizations.

Course Structure:

Lecture 1: Motivation for and the method followed this course

Lecture 2: The initial conditions – economy, polity, social inequality and geography – to allude to similarities in size, complexity and diversity.

Lectures 3-4: The planning era in China and India: 1950 to 1978/1980: Similarity of the strategy, outcomes; severe food constraints. China’s policy flip-flops, Cultural Revolution, and famines and droughts. India’s deepening electoral democracy with violent steps and reactions.

Lecture 5: Population policy and demography – China’s one-child policy and its consequences; India’s more gradual approach and its implications.

Lecture 6: Post-reform growth and inequality: Genesis of Reforms: Need for expanding output and productivity, given population pressure.

Lecture 7: Agriculture – Effects of reforms: 1978/1980 to present.

Lecture 8: Industrialisation: Sequencing of the reforms and their underlying logic in the two countries, and their outcomes.

Lecture 9: WTO and globalization – The boom and bust.

Lecture 10: Post-financial crisis challenges – on-going global financial turmoil.