

**India and China**  
Course outline  
(Prepared for IIM Calcutta)  
September 23, 2014

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

Course duration: 10 lectures, each of 90 minutes duration, delivered over 3 to 4 weekends in December and January 2014-15.

Evaluation: An essay-type examination at the end of the course.

Texts to follow:

Justin Lin, *Demystifying the Chinese Economy*, Cambridge University Press, 2012.

Tarun Khanna, *Billions of Entrepreneurs: How China and India are Reshaping Their Future and Ours*, HBS Press, 2007.

Pranab Bardhan, *Awaking Giant, Feet of Clay: Assessing the economic Rise of China and India*, Princeton University Press, 2010.

The message proposed to be conveyed:

Prior to the Industrial Revolution, China and India accounted for a major share of world economic output. By mid-20<sup>th</sup> century, however, they were reduced to being the poorest regions of the world. When these economies initiated modern economic growth under national governments, they were roughly at similar levels of under-development – large labour surplus economies, with modest industrial sectors as conceptualized in the Lewis model. Both the economies initiated Soviet-inspired industrialization around the same time. After nearly 3 decades, both the economies shifted to greater reliance on markets – with a dramatic outcome in China, and modest results in India. Today Chinese economy is about 2½ times India's; China's manufacturing sector is world's second largest, India stands at the 9<sup>th</sup> position.

The comparison between the two economies is far from over, as they yet face similar challenges – with varying demographic, economic and institutional strengths. Both the countries are way far behind the levels of living attained in the advanced economies; both have large agrarian sectors to transform. China and India require growing amounts natural resources to meet their domestic needs, and they are eager to acquire advanced industrial technologies to expand their markets into the advanced economies.

But, both the economies face growing unemployment and inequalities that could threaten the political stability. If China has greater economic strength, it has perhaps deeper political

vulnerabilities; its population is likely to get older before it gets richer. If one believes that India has “lost the economic race”, it perhaps has the potential demographic dividend on its side, India’s democratic and institutional strengths seem to dwarf China’s, enhancing the political sustainability.

The course would, thus, like to convey these complexities – defying easy and simplistic generalizations – in a theoretically informed and empirically grounded manner.

Course Structure:

1. The initial conditions –Economy, polity, social inequality and geography – to allude to the similarities in size, complexity and diversity (Lecture 1)
2. The planning era: 1950 to 1978/1980: (Lecture 2)

Similarity of the strategy, outcomes; severe food constraints. In China policy flip-flops, Cultural Revolution; famines and droughts. India’s deepening electoral democracy; economy fraught with recurrent food and fuel shortages causing external instability.

Reform era:

- 3 Economic growth and distribution (Lecture 3)
- 4 Agriculture, land reforms and rural industrialization (Lectures 4-5)
- 5 Population and internal migration policy (Lecture 6)
- 6 Export oriented industrialization, and open door policy starting in 1992 (Lectures 7-8)
- 7 Reforms of capital market and financial sector (Lecture 9)
- 8 Global financial crisis and its aftermath; is China headed for a Japanese like deflation? (Lecture 10)