People Power

Disparity Between the Giants

China caused major convulsions in global markets by delinking Yuan from the dollar, and announcing its decision to shift to the “managed float” against a basket of currencies. In line with this policy, Yuan has been allowed to appreciate by a mere 2.1% against the dollar. But even this limited revaluation has had a dramatic effect on currency, bond and commodity markets world-wide.

China’s rise to power and prosperity is astonishing. The ancient civilization which gave mankind most of the innovations was in deep slumber for centuries. For about three decades after the revolution, China seemed to follow the predictable Communist-Maoist path to economic ruin. Though there was measurable human development, suicidal policies of the Great Leap Forward and the Cultural Revolution launched by Mao Tse Tung did enormous damage to Chinese society, polity and economy. Mao’s departure from the scene, and the assumption of power by Deng Hsiao Ping in the late 70’s proved to be a watershed in China’s, and in hindsight modern world’s, history. With astuteness steadfastness, pragmatism, and foresight, Deng and his successors embraced market policies and buried Marxist orthodoxy several fathoms deep. The results are for every one to see.

Earlier this week, professor Amartya Sen rightly rejected adversarial approach to China in economic terms. China spurred growth all over the world, and economies and consumers everywhere benefited from Chinese success. And China serves as an inspiring model to emulate. In fact, China is increasingly bracketed with India, Brazil and Russia as the emerging economies with dramatic effect on global economy. As the Economist points out, “China’s growing influence stretches much deeper than its exports of cheap goods. It is revolutionizing the relative prices of labour, capital, goods and assets in a way that has never happened so quickly before …. Over the coming years, developed countries’ inflation and interest rates, wages, profits, oil and even house prices could increasingly be ‘made in China’”.

We in India have more than a passing interest in China’s success. The conflict of 1962 apart, we both are comparable countries, and are inheritors of the world’s two longest, continuing civilizations. Both have huge young populations. Both are fast-growing economies. But there are many dissimilarities too. China, even after discounting statistical errors, recorded over 9 percent growth rate continuously over the past 20 years. In other words, the GDP is doubling every 8 years or so, and since 1978, GDP has grown nearly eight-fold. As population is more or less stable, percapita income grew dramatically, promoting an unprecedented consumer boom. One only has to visit Walmart outlets in the major cities to recognize the boom. Vast infrastructure has been, and is being, built, matching the best that the west can offer. Almost all cities in the east, south and central

China are connected by 6 or 8 lane express highways. The maglev train track scheduled to be completed between Shanghai and Beijing by 2008 will carry passengers over the 1400 km distance (two hours' flying time) in four hours! Over 150 million young Chinese found productive employment in the last twenty years. India's average of 6 to 6.5 percent growth pales by comparison, doubling GDP in twelve years. Our employment generation is at best tardy.

Why is there such a difference in outcomes between China and India, despite both countries embarking upon market policies? In a substantial measure, there are three factors which slow down India's growth. First, we have never given adequate importance to education and healthcare. Productivity therefore suffered, and the bulk of those seeking employment are unproductive in a modern economy. Even the declared ambitions of the state in education sector are extremely modest. Universal enrolment in elementary schools and low drop out rates are our goals! Quality of education, guaranteed classroom instruction for at least eight years, higher education reform, and knowledge creation are not seriously on the agenda. Contrast this with China, which guarantees free, accessible and high quality education upto 8th grade to all children. After that, for high school or college, sizeable tuition fee is collected, but again quality of education is far superior to ours.

Equally important, our health indicators are appalling. Even now, with a new rural health mission on the anvil, there is no serious effort to change the incentives in healthcare delivery, generate public demand for better care, or enforce accountability. Our public health expenditure continues to languish at 0.9% of GDP, and even if the projected additional allocation of Rs.100,000 crore by the union over the next 7 years materializes, we will still be hard put to maintain 0.9% of GDP as public health expenditure!

Second, severe infrastructure bottlenecks have bedevilled our economy. Roads, power, public transport, ports, water resources, drainage, sanitation – all are in short supply. The only significant improvement witnessed is in the field of communications, thanks to competition, choice and technology. Sensible policies, vast investments, public-private partnerships, competition, rational pricing, effective recovery, and constant monitoring are required to improve the situation. The devastation suffered by Mumbai, the nation's financial capital, on account of the recent heavy rains during monsoon illustrates the infrastructural inadequacies and urban chaos afflicting our cities.

Third, India never acted with consistency even in pursuing economic reform. Centuries ago, geography and climate dictated a nation's rise or fall. But in today's world, organization and ideas are the keys to prosperity. Chinese leadership over the past two decades exhibited extraordinary good sense and perseverence, as opposed to our flip-flop policies and mindless adherence to failed ideologies. Needless dithering over the role of public vs private sector, rigid labour laws, pension reform, irrational and counterproductive subsidies, and lack of fiscal prudence have been our bane.

We may like to dismiss irrational policies as the inevitable price we pay for liberty. But the truth is, these are signs of failed leadership. China's success is not because of authoritarianism, but despite it. Sound policies, greater decentralization, more competition and unusual openness to trade and investment are the keys to Chinese prosperity. India's sub-optimal performance is not due to democracy, but is a product of uninformed public discourse, lazy policies and a continued propensity for state control.

Jayaprakash Narayan

The author is the Coordinator of Lok Satta movement, and VOTEINDIA – a national campaign for political reforms; Email: loksatta@satyam.net.in; info@voteindia.org; Url: www.loksatta.org; Url: www.voteindia.org