

Sathyam Sundaram

Bureaucratic Authoritarianism as an Explanatory Factor in the Differential Postwar Development of India and China: Is the Hindu Rate of Growth the Price for Democracy?

Combined Asia's two giants, China (in accordance with US policy, PRC is China) and India, are home to two-fifths of the world's population. They are also countries undergoing drastic changes, in many ways breaking from their systems of dirigisme. These countries are giants in population, land area, military forces, and, if analysts are to be believed, soon economic strength. As such, both countries have become regional hegemons, "trend-setters" for late developers. Either of these countries if its reforms are successful certainly will be a superpower in the next century.

China and India are similar in many respects but also have some striking differences. India and China are, of course, large, resource-endowed, highly-populated states which had fundamental regime changes about fifty years ago. Deepak Lal saw the major similarities as histories of relatively stable revenue economies and predatory states (Lal 1476). The two countries have also shared an experience of exploitation by western powers, have large educated elites (including engineers), employ most of their labor in agrarian pursuits, offer public education (though India's results on this front are dubious), and tightly regulate their financial systems. Admittedly, India and China have staggering differences which begin to explain their differential development. India is much less centralized, has the curious cultural institution of the caste system, and is ethnically, linguistically and religiously heterogeneous (Lal 1476). China is a Marxist-Leninist communist state (at least before the reforms) with vastly different land, labor and capital regimes.

How have these differences affected development? For this paper, a state which is economically developed is capitalistic and has industrialized; political development is achieved with the emergence of democracy. Both democracy and capitalism have procedural and substantive levels. Procedural democracy can be characterized by regular cycles of elections, contestation and participation in the political process. To be substantive, the governed must feel democracy is normatively legitimate. “Procedural” capitalism is indicated by GDP growth, growing purchasing parity power (PPP), a high industrial component of GDP and labor force, minimal state involvement in the economy, private property (i.e., private ownership of capital and labor) and a profit motive. “Substantive” capitalistic development adds socio-economic factors such as literacy, quality of life and normative legitimacy of the economic system. The procedural levels are measurable, where substantive positions are claimed by assertion (e.g. “America has a substantive democracy!”). In the following text, development is acquisition of procedural democracy (political) or “procedural” capitalism (economic).

Governments have essentially three challenges against which to contend which may be categorized as national, economic and political. The national challenge is resolving the issue of stateness, i.e., establishing sovereignty over a geographical space. Integration of the elements of society becomes considerably easier if there is ethnic homogeneity and limited income inequality. The economic challenge is determining the policies to obtain a desired economic outcome, choosing between capitalism and communism (or some hybrid, such as Fabian socialism). The political challenge is selecting the regime and method of power organization. With every regime change, the questions posed by these challenges must be addressed. Of course, often these challenges are interrelated; the policies adopted greatly influence development.

The experiences of India and China in selecting policies over their fifty years of “independence” are instructive as to what works. Rapid industrialization (economic development) cannot take place in a dependent developing state under a democratic regime. It requires a strong state to be active in encouraging desired outcomes. Consulting the people delays progress, in that decisions cannot be rapidly arrived at and contending factions diminish political will for hard choices. The government also must be stable; democratic governments are unstable, due to their short tenancy in power and shifting public opinion. Economic must proceed political development. Economic development shakes up the class structure and thus the inter-class balance of power. A regime reflecting the power distribution which preceded economic development must adapt or will fall to reflect the actual distribution of power. Democratic institutions represent society as it is currently. Democrats will serve their interests first to the detriment of the state, if necessary. Democratic regimes are likely to resist the class shake-up (and possible threat to the government’s power) which accompany economic reforms. Rapid economic development is most easily achieved by a strong state, unrestrained by responsiveness to the public.

Comparative historical context and contemporary procedural indicators are used below to describe the differential development of India and China. Statistical measures are not useful due to the limited number of states considered ($n=2$). Many terms in Political Science have contentious meaning so definition used in this paper are provided. Development, democracy and capitalism have been defined above. Bureaucratic Authoritarianism, generally applied to Latin America, has the following components: class domination; an upper bourgeoisie ruling oligarchy; a strong state; a system of dirigisme to control the economy; a controlled popular sector; pre-

existing inequalities increase; and a pervasive civilian bureaucracy (O'Donnell 31). That the state is strong is most important and pre-requisite to the other factors. The bureaucracy must exclude the popular sector and be the *de facto* battleground of politics (O'Donnell 301). The terms first world and third world are intentionally not used. In common usage, the third world is a left-over category containing such disparities as ROK and Bhutan. For this paper, China and India are considered developing which is to say not developed fully in the economic or political sense described above but with a strong potential to do so in the near to medium-term, having already started the process. Neither Bhutan or ROK would fit in this category. Two major strategies for economic development have been employed in the postwar period: exports and ISI. In export-led production (as in ROK), the state intervenes massively to encourage the production of non-primary goods for export markets in the developed world. Import-substitution Industrialization (ISI) imports capital goods (bought with foreign exchange from primary goods exports) which are employed in indigenous industries and the government protects its infant industries from foreign competitors. Austerity (as applied by the IMF) requires liberalization of trade policies, privatization of government undertakings, devaluation of currency, reduction in social programs and the opening of markets. Maoism is the communistic authoritarian system modeled on Marxism-Leninism infused with great quantities of Chinese nationalism implemented by Mao in the years after 1949.

The basic question is: Have democratic institutions inhibited economic development in India? A comparison to Chinese postwar development should yield some answers. First, it is necessary to look at some of the scholarly work done in the field of development. Then, there

are brief sketches of each country's history of development. Finally, recent reforms and the implications are considered.

Development theory dates back to the years following WWII when the great powers (UK, France, Japan, etc.) began the process of decolonization. The newly established governments chose plans to transform their agrarian and primary resource-exporting economies to catch-up with the industrial West. Early works presented the Anglo-American model as the path to development and success. In 1966, Barrington Moore published his *Social Origins* which posited three paths to development (Moore 413), the chosen path determined by inter-class power distribution (Moore 418). His three paths are bourgeois revolution to democracy (US, UK, France), conservative revolution to fascism (Germany, Japan) and peasant revolution to communism (USSR, PRC) which are rooted in class shifts (Moore 414). Moore concurs with the Marxist thesis that an independent commercial class of town dwellers was essential for the emergence of parliamentary democracy: "No bourgeois, no democracy" (Moore 418). The route of fascism relies on agrarian elites maintaining their coercive power, unchallenged, over all sectors of society. Bourgeois revolution endorses capitalism as it creates the new ruling class. It is then a revolution from above, often with a nationalistic component, and attempts to remedy the failures of capitalism by appealing to the urban proletariat (Moore 448). Communism is a reaction to the failure of capitalist agriculture to take hold in the countryside (Moore 477); peasants overthrow their exploitative relationship with their overlords who are unable to repress. Communism abolishes capitalism for a more egalitarian system.

Rueschemeyer, Stephens and Stephens argue capitalism is associated with democracy because it transforms the class structure strengthening the middle and working while weakening

the landed upper class (RSS 7). They see many paths to democracy in which class, state apparatus and external actors play a role. For them class relations are the strongest determinant. Rueschemeyer, et al., find democracy to be prompted by capitalism to remedy its defects (RSS 302). They build on the work of Moore but can see a final democratic outcome even if the class structure may predestine a state to fascism or communism.

Huntington introduces a cultural component to the development of democracy. He posits five general causes of the third wave of democratization: legitimacy problems in authoritarian states, economic development, cultural factors (religion), external actors and a “snowball” effect (Huntington 281). Authoritarian states depend on instrumental legitimacy which may vanish during periods of prolonged stagnation. Huntington subscribes to the belief of capitalism leads to affluence leads to education leads to civil society leads to democracy. External actors such as the UK, US, EU and NAFTA can be used to encourage democracy. The snowballing effect is the tendency of countries to follow the patterns of neighbors and be swept up in a wave of transition. The cultural argument is what Huntington is best known for. George Kennan had argued a Western culture thesis which holds only one culture is favorable to democracy (Huntington 298-300); Huntington’s version is less restrictive: there are several cultures particularly hostile to democracy. He postulates that Islamic and Confucian cultures may diminish democratic possibilities from certain countries (Huntington 300, 307).

The counter-argument to modernization is the marxian Dependency theory (which several of the above modernizationists incorporate into their theories). Dependency argues developing countries cannot simply follow the model of the US or UK to modernize. The structure of the global capitalist economy is hierarchical and neo-colonial. Under this system

development is built on exploitation of “the other.” The Great Powers were able to develop their economies by exploiting their colonies (the US had mainly *internal* colonies), a luxury not afforded to today’s developers. In UNCTAD, the G-77 argued that loans and technology transfer from the developed world were needed for their development: a global redistribution to remedy past patterns of plunder. As the system now works with the developing world in a subordinate position, successful models used by the developed world cannot be merely transplanted.

With these theories in mind, it is necessary to look briefly at the historical circumstances of India and China. Another similarity between China and India is that both have had economic policies which were designed at the founding of the country (for China 1949-78, for India 1947-91) and were reformed recently while maintaining a single political regime¹. There are four combinations of political and economic systems these countries have undergone: authoritarianism with communism (Maoist China); democracy with state-directed capitalism (India under the Nehruvian Socialist scheme); authoritarianism with market socialism (contemporary China after the rise of Deng Xiaoping); and democracy with liberalized capitalism (contemporary India after PM Rao).

After the founding of the PRC in 1949, the leadership adopted a leap forward heavy industry-oriented development strategy (Lin et al. xxvi). However, China was a poor country and such policies are capital-intensive, thus the state had to step in. The state suppressed interest rate, exchange rate, prices for raw materials, wages and prices for consumer goods (Lin

¹ From 1975-77, India’s PM Indira Gandhi declared a state of emergency after a court voided her election (Morris 29) victory for a funding technicality. The Emergency, as it is called, was India’s closest step

et al. xxvii) to reduce costs for industry. This centralized the resource-allocation mechanism. Industries were nationalized and agriculture collectivized (Meisner 26). In an echo of Stalin's abandonment of NEP, China's collectivization was a disaster, spawning the most deadly famine in human history² as resources were pulled from agriculture (Gray and White 61). Mao tried to accomplish 150 years of Anglo-American development in 15 years in the Great Leap Forward, substituting labor for capital and with a firm belief in the success of economies of *massive* scale (Goodman 60). Mao's version of communism infused the ideology with Chinese nationalism. The system was characterized as a strong state ruled by a superordinate "class" of cadres with a pervasive civil bureaucracy. Freedom of expression³ and the popular sector were controlled by the state as political, not civil, society, i.e., directed by the state (Crane 615). Many characteristics of Mao's communist state resemble O'Donnell's Bureaucratic Authoritarianism described above. Mao differed by having a different class of oligarchs, shifted inequalities and controlled the economy more tightly.

Independent India has carried the scars of a British colonial legacy. India has faced all three challenges mentioned above. At birth, the country was seized by communal riots associated with partition which killed 500,000 and displaced over 10 million. Post-partition

towards regime change. This was more of an interruption as the India system swiftly and uneventfully returned to democratic politics.

² "Agricultural output [in 1960] fell to about three-quarters of its 1958 level. There was widespread drought and famine, and during 1959 to 1961 China's population actually fell by 13.5 million...Industry, which relied on agriculture for either its raw materials or capital, also went into decline...Heavy industry...dropping by 47 per cent in 1961 over 1960" (Goodman 65). Meisner estimates 20-30 million died in the Great Leap forward and another 400,000 in the Cultural Revolution (Meisner 47).

³ Before the Cultural Revolution, in opposition to the party Mao announced an invitation for "hundred flowers to bloom." Many Chinese took up Mao's offer to critique the system not for being socialist but for failing to deliver socialism. Mao later uprooted the "flowers" to labor re-education camps and had many killed. According to some critics, Mao's "hundred flowers" was a veiled tactic to smoke out China's dissidents. In any case, civil liberties have been an anathema to CCP policy.

India is a heterogeneous state of 23 official languages, over 100 “tribal” groups, seven major religions and a society stratified by both class and caste. The first task for the new regime was to establish a sense of stateness, i.e., to form an “Indian” nationality. The various groups and sub-groups in the society have threatened this stateness from the inside and China (once) and Pakistan (three, almost four⁴) with war from without. Secondly, India has tried to develop economically which is very much a work in progress (“India’s Economy” 3). For India’s state of economic development much is owed to the British Raj. On the positive side, subjugation by the UK brought railways, public works improvement, competency to the civil service and a lingua franca, among other benefits. However, there have been some costs to UK rule. Bose writes that the “alien intruders [the English] … destroyed the home trades and industries…securing and exclusive market in India for their manufactured goods” (Bose 57-58). He continues “Indian industries were annihilated…not by competition with English goods but by monopoly and coercion” (Bose 61). During the British Raj, Indian industry employed no more than 2% of the population and produced 6% of the GDP (Kemp 143). In the agricultural sector, India had 15 famines between the eleventh and eighteenth century and 34 during the 200 years of British rule. This increase Bose attributes to a change in the land regime. He estimates 19th century famines killed 32.5 million Indians (Bose 80). Perhaps most significantly, five per cent of India’s GDP was expatriated through adverse terms of trade (Kemp 139). In another chapter Kemp argues this outflow from India (1) provided the UK with financial means to fund its military machine (2) deprived India of capital needed for development and (3) provided the capital for Canada’s development (Kemp 115). This was the experience India had under the

⁴ India and Pakistan came perilously close to war in 1995.

British trade regime. At independence, Nehru sought a different economic policy: he wished to develop industry; provide a more equitable distribution of wealth; and end famine. Nehru was a Fabian socialist and less than enthusiastic about “free trade.” India embarked on a state-directed capitalist strategy with a series of five-year plans. India’s leaders regarded export-orientation as a tool of colonial exploitation (“India and Pakistan at 50” 17). India adopted an ISI system of tariffs and NTB’s to protect its infant industries from unequal competition. The state itself undertook many enterprises, especially in transportation, communication and energy, and restricted foreign ownership. It achieved a rate of growth of 4% (“India’s Economy” 3) which compared very favorably to rates of 1.3% from the colonial period (“India and Pakistan at 50” 17). Nehru redistributed land to the peasants, transferring power from the aristocracy (“India and Pakistan at 50” 17). On Nehru’s third economic goal, India conquered mass starvation (“India and Pakistan at 50” 20) and is now a net exporter of food overproducing by 20% by 1984 (Patnaik 83). On the political side, India is a multi-party, parliamentary democracy. The credit for democracy lies in colonial experience and the nationalist movement, argues Das Gupta. British rule came to India as the despotic and incompetent Moghul Empire was collapsing. Das Gupta recalls Roy among others welcomed British rule founded on rational thought and “civil and political liberty” to the subcontinent, hoping these features would characterize a future Indian state (Das Gupta, 264). The UK did not feel Indians (as nonwhites) were fit to govern themselves; it set up the British Raj which ruled from Delhi. The British system of (restricted) democracy in the nineteenth century provided the modal framework for a later system in India. Independence or state-forming struggles leave an imprint on the national psyche. Americans being born of war became belligerent and overly protective of their

weapons; Indians by democratically and peacefully achieving freedom perhaps laid the groundwork for independent democracy. The Indian National Congress, created in 1885, was organized on democratic procedures. In UK laws passed in 1909, 1919 and 1935, the British Raj devolved very limited powers to the Indian people. The INC participated in elections, sweeping the field in 1937 (Das Gupta, 273). The Congress, having developed procedures as a subordinate institution, with the mandate of the people after independence, was able to provide stability in the continuity of Indian civil service and bureaucratic system from the colonial period. Democratic procedures, learned in the restricted democracy of the late colonial Raj, were adopted for an independent system. To these factors should be added the “great men” element and climate of world affairs. Jawaharlal Nehru, leader of the INC and first PM of independent India, was a fervent democrat. A member of the Anglicized elite, he had studied in England and came to cherish the democratic ideals he encountered. The charismatic founder of a nation can greatly influence its destiny. Lastly, in the wake of the Second World War, the United States was at the (relative) peak of its economic and military power. Along with the UK, as a victorious democratic superpower her ideals were enticing to the newly independent states of the Third World. India, due to its aforementioned heterogeneity, is a federal state and very decentralized. Thus, it has never developed the strong state of China or the Asian tigers. On the elements of Bureaucratic Authoritarianism India fails. Class domination is muted by the cross-cutting cleavages of caste, ethnicity and religion. There is no strong state thus limiting the extent of dirigisme. Generally civil liberties exist, the popular sector is by no means controlled by the state. While there is a pervasive civilian bureaucracy, the popular sector is not excluded. On the contrary, positive discrimination gives equal opportunity for government posts. The only factor

of BA which India has is that inequalities have increased. However, increasing inequalities are not limited the BA states.

As asserted above, India and China have retained their political systems from the 1940's but reformed their economic policies recently. In China, Deng Xiaoping succeeded Mao and the Gang of Four in the late 1970's. Between 1974 and 1976, growth was zero; agriculture fell below 1952 levels; CCP saw the disaster of the Great Leap (Gray and White 119). Former Senator Sam Nunn in a speech to the Arlington Center for Naval Analysis (CNA) observed four transitions in China: (1) from a planned economy to a state-guided market economy; (2) rule by revolutionaries to rule by technocrats; (3) from an agricultural to an industrial society; and (4) from an isolated economy to an integral member of the international economy (Nunn 325). As a first step, China introduced the household responsibility system for rural areas, decentralized decision making in state enterprises, legalized non-state enterprises, adopted an open-door policy for foreign direct investment (FDI) and encouraged joint ventures (Lin et al. 3). The market now plays a central role in China's resource-allocation. The new policies have been termed *market socialism*. Between 1980 and 1993, the Chinese economy grew at a rate twice that India or Japan and three times that of the US (Lin et al. 4, 9). China oriented sectors towards exporting, encouraged investment from both foreign market investors and expatriates and established special economic zones of joint-venture market systems in the south (Lal 1482). Reforms in the financial sector are ongoing as China has *officially* separated commercial banks from the central bank (Lal 1484). According to Lin et al. China is a industrial economy as manufacturing provides a majority of GDP (Lin et al. 293). On the political side, Rowen sees village elections, the growth of the legal profession and the establishment of a self-liberalized

press as harbinger of democracy to come by 2015 (Rowen 61). Village elections were instituted in the aftermath of the failed Great Leap Forward collectivization. Foreign corporations investing in China have demanded the rule of law (like states, they want certainty and reciprocity) for which more lawyer are needed; Zemin wants to have 150,000 by 2000 (Rowen 63). As subsidies were cut from publishing houses, many were forced into the market spawning a competitive press. These facts coupled with economic growth will make China a democracy, Rowen argues (Rowen 67).

As mentioned above, PM Indira Gandhi declared a state of emergency which lasted two years after which she called elections. During her tenure, India became self-sufficient in food production and won its 1971 war with Pakistan. Indira Gandhi believed she would handily win a democratic re-election. However, the electorate strongly signaled its preference for democracy by voting out the CP(I) and electing the Janata Party in 1977. The new government (1977-80) brought a “creeping liberalization” which was continued by Indira Gandhi (1980-84) and, after her assassination her son, Rajiv Gandhi (1984-89), who achieved a growth rate of 5.5% (“India and Pakistan at 50” 19). There was a problem, however, with competition between political parties subsidies and entitlements of every kind shot up during election campaigns, ballooning the fiscal and trade deficits and quadrupling foreign debt. India’s abandonment of Nehruvian Socialism was prompted by the 1991 fiscal crisis: India was about to default on its foreign loans. Lal, comparing the 1991 crisis to early 1980’s Latin American dramas, found the crisis to part of a cycle: economic repression → macroeconomic crisis → reform (Lal 1479). He continues such crises arise when (1) entitlements become unsustainable and (2) tax revenues and borrowing fall short of covering such expenditures. As an inflation-shy

democracy, India was limited as to how much taxes could rise. Internal borrowing was limited as the capital market was underdeveloped and remittances from the diaspora were short-term and volatile⁵ (Lal 1479). India then was forced to look to foreign lenders to finance its entitlement schemes. The growth of entitlements outpaced India's ability to finance its foreign debt. On the verge of default, PM Rao sought the aid of the IMF. The IMF required India to adopt an austerity package of privatization of state undertakings (Celarier 534), devaluation the currency (the rupee fell by half against the dollar), revamping the financial industry, allowing FDI ("Road Map" 79), reducing social programs and dismantling the stifling bureaucracy of the "license raj" (Strasser and Mazumdar 43). Rao's reforms have been continued by the 15-party United Front coalition government⁶ ("India's next 50 years" 11). In the wake of such reforms, India's economy has sustained growth at 7% annually, seen the emergence of a 200 million-strong middle class (with middle class spending habits) (Morris 27) and spawned a computer industry in Bangalore which is growing at 50% a year powering the Bombay stock exchange (Rao 158). FDI has grown to \$3.7 billion annually (Morris 28) and the Indian stock market has a capitalized of over \$50 billion (Lal 1484). On the political side, democracy continues with an alternation of power at the federal level now frequent and a vigorous press booming. Through four wars, numerous insurgencies and assassinations, communal riots, economic crisis, faith in democracy has been deeply socialized, all the more so in India's new middle class (Morris 28). For the upper and middle classes, the future looks very bright. Total production and salaries for

⁵ The wealthy of the Indian diaspora (UK, US, South Africa, Canada, Australia, Middle East) tend to be professionals who could only provide short-term inflows by bank deposits. Compare to the Chinese diaspora (ROC, HK, SE Asia, US, Canada, Australia, UK) whose affluent class of entrepreneurs provided foreign equity, a form of FDI (Lal 1482).

⁶ Rao lost re-election, not due to public distaste for his policies, but for corruption.

those employed have increased. However, this economic “boom” has failed to create substantial numbers of new jobs. India remains a predominantly agrarian country. As a democracy, India’s government will have to answer to the masses.

Are the development theories laid out above applicable to either country? Moore’s theory of class determines development scheme predicted communism for China. He was at a loss to explain India. Moore may have found a correlation between peasant rebellion and communism in the general sense (n=2). There are several questions his theory raises. Did PRC and USSR have the same system? How did the “peasant rebellion” start? What of cultural factors? What of external forces? Why was the system reformed following the death of the revolutionary leader? Firstly, China and the Soviet Union adopted “communism” at very different stages of development. Neither came close to textbook communism. The “peasant rebellion” in both cases was prompted, aided and abetted by a bourgeois class (Meisner 11). The USSR, after its break with the US, heavily aided the CCP and China’s development of heavy industry. China began reforming the economic system almost immediately after Chairman Mao’s death. For India, Moore’s class theory would lead to fascism. However, he does allow for external forces and gives credit to British imperialism for the establishment of democracy on India soil. Class, in India, is co-opted by other divisions. Rueschemeyer et al. are somewhat closer to the mark. In both India and China external forces have played a significant role and the class structure has shifted to the relative benefit of middle and lower classes. Their point on state apparatus appears to follow for India but China’s traditional state apparatus was destroyed by a century of foreign domination, fifty years of civil war and the Japanese invasion. Their theory however does not give enough room for (1) leadership and (2) non-democratic outcomes. For

Huntington, China will not democratize for cultural reasons. Nunn and Rowen (as presented above) dispute this point. Do not write-off Chinese democracy quite yet but neither is it guaranteed. For the dependency theory, it is clearly relevant for developing countries. Systemic factors in the world economy dictate what China and India can export; these trade regimes can keep developing countries producing low-value goods. However, the trade system is dynamic and trade is not a zero-sum game: TNC's of developed states benefit as the developing world grows economically. The system may change in the future for some countries. Lastly on the theory of Bureaucratic Authoritarianism, as it has dismantled communism many characteristics of BA have become apparent in China (see page 8). India, as a democracy has never neared BA, lacking the strong state to implement it.

Returning the question originally posed: Is India's sluggish postwar economic performance the cost of democracy? Ten years ago, the answer would have been an unqualified yes. As China, ROC, ROK, Singapore and others have demonstrated, a strong state is essential for rapid industrialization. In the 1980's, India grew at half the rate of a reforming China. China has continued to prosper under a strong state and since 1991 India has grown rapidly approach "Little Dragon" rates. Is India's experience in the 1990's a refutation of the hypothesis? No, the IMF austerity measures have the *effect* of a strong state because (1) they are imposed extra-territorially (2) it is not responsive to domestic politics (3) associated fiscal and monetary policies are pervasive through the entire state and (4) successive governments are bound by terms of loans to follow guidelines. India has not become a BA state but the state has been strengthened, a powerful middle class has emerged, the economy has been oriented to exports

and factor markets have been liberalized. This is a step on the road to economic modernization without sacrificing democratic institutions.

Of course, there will be objections to this argument. China still has a higher growth rate and higher PPP per capita. The reasons for this, besides the fact China has been reforming for twice as long, lie in differences in agricultural efficiency, relations with Pakistan and FDI. Except for some capitalist farming in Punjab, Indian agricultural productivity lags behind China's. The Indian peasant farmer use tools and techniques used 1000 years ago. The Green Revolution largely failed in India due to poor techniques and peasant resistance to change. As mentioned above, India is now self-sufficient in food but it is the distribution system which contributes to malnutrition. People starve not because they lack food but because they lack money. Institutions like the Grameen Bank have hit upon a scheme which intrigues the IMF: small-scale loans to peasants. A loan of \$.25 may provide enough capital for a peasant to emerge from a cycle of debt. Infrastructural development will improve irrigation⁷ and distribution. This point is related to another, FDI. Investment in India has lagged behind that in China. Much of this is related to the US's nearly total neglect of the subcontinent. The Indian government needs to make a concerted effort to recruit investors. Reforms must continue but that is only possible with increased FDI and joint-ventures. As industries are privatized, profits and a market of 900 million await those willing to invest. On the third point, Indo-Pak relations, India has spent 40% of the Centre's (federal) budget on defense. This includes the world's four largest army (which is professional and voluntary) deployed against both Pakistan and China, significant naval and

⁷ A former Indian President suggested a national network of pipelines, dams and canals to irrigate the parched Thar Desert or the dry Cauvery Basin with Monsoon Rains or the destructive floods of Bengal or Bihar.

air forces and a nuclear program. During WWII, India was the world's third largest weapons producer (after US and USSR; ahead of Germany, Japan and UK). Much of India's procurement is domestic. This \$7 billion spending is at least semi-productive providing Indians with jobs. Depending on the source of statistics, China spends 2-10 times as much on defense. Military spending is probably not retarding India's economic growth relative to China.

As far as political development is concerned in China, the country may well democratize. Counter-arguments fall into two main categories: cultural and historical. On the cultural side the argument goes: Confucian systems were meritocratic which is not egalitarian or democratic. The quick refutation is a simple *ad hominem* that the view is Eurocentric. However, more substance is needed. Confucianism is but one component of Chinese culture, Taoist and Buddhist also have a role. Buddhism is about the worth and independence of the individual (resembling English Protestantism and Calvinism). Taoism is highly spiritual and open faith which is relatively egalitarian. In any case, the communist did a fairly good job destroying Chinese religions. On the historical side, it is argued that China has always been ruled despotically. Previous democratic experience is useful but not necessary. India was lucky to have democratic institutions from the colonial period but without sovereignty it had no democratic experience. Western countries had no democratic experience before 1800⁸. China can overcome this hurdle with concerted effort.

The major factors impacting on political and economic development in the developing world can be seen in the cases of India and China. These factors include class structure, leadership, structure of the global trade regime, external forces and state apparatus. The most

⁸ How many vote? and Does it matter? must be asked. Greece had 10% population as its ancient electorate. Anglo-American democracies have at times excluded women, non-whites, youths, lower classes and still

important among these is domestic leadership which can often shape the other factors. India embarked on democracy and socialism and China on communism, following their independence leadership. Structural factors can make the ability of the government to alter the system easy or difficult. External forces can also play a role but only a limited role in countries as large as India and China. Returning to the thesis posed, a strong state facilitates rapid economic development if it is led by individuals with that clear goal in mind. Political development needs a less pervasive state but no less confident and competent leadership. In the model case, economic development should precede political development. Prior political development of the democratic nature will make class distribution of power changes more difficult, but not impossible, to implement. Both China and India may end up resembling the US or UK in political and economic systems but the path they take to get there may look much different.

exclude recent immigrants. At least 50% of the resident population must be included. Recall that a personal dictatorship is a democracy with an electorate of one.

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