
China and India: The Institutional Roots of Differential Performance

Ashwani Saith

ABSTRACT

At the start of the so-called development race sixty years ago, China, showcasing revolutionary socialism, and India, boasting parliamentary democracy, had close similarities in economic structures and levels of development, but striking differences in terms of cultural cohesion, institutional flexibility and political orientation. The outcome of the race is unambiguous: the question is not who won, but why and how? It is argued here that a wide margin had already opened up in China's favour by the time of the systemic or policy-regime switch-points, 1978 in China, and shortly thereafter in India. The author seeks explanations for this differential performance in the divergent institutional configurations of the two societies and economies, especially in the rural sector in the pre-reform period, and highlights the contrast between the power of the Chinese mass mobilization mode of transformation and the persistent institutional rigidities and obstacles in the Indian case. Post-reforms, processes of 'pervergence' — an emerging congruence in negative social features — appear to dominate over tendencies towards conventional convergence. The author reflects on the historical significance of the two development paths: did Nehruvian state-led planned development and Maoist socialism serve essentially as pioneers of capitalism, leveraging the re-launching of the two once-powerful Asian giants back into the global capitalist game on dramatically revised terms of engagement?

AT THE RACES

Ever since Independence in India in 1947, and Liberation in China in 1949, there has been intense interest in the comparative economic performance of the two Asian giants. China showcased revolutionary socialism to be constructed under the central command of the communist party; India aspired to a 'socialistic pattern of society' and boasted a parliamentary democracy.

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Who would win? In the charged post-colonial era of the Cold War, on the dawn of the release from the last century of colonialism, the eyes of the world's nations and peoples were on this race. The two great powers were also in the stands, with more than just a gambling stake or voyeuristic interest in the outcome — it was no ordinary day at the races.

Following his trip to Asia in 1953, John Foster Dulles, the US Secretary of State, shared his thoughts on India and China: 'There is occurring between these two countries a competition as to whether ways of freedom or police state methods can achieve better social progress. This competition affects directly 800 million people in these two countries. In the long run, the outcome will affect all of humanity, including ourselves' (Bowles, 1954: 229, cited in Ghosh, 2002). The Indian Prime Minister Jawaharlal Nehru, writing in 1954, was equally forthright: 'the most exciting countries for me today are India and China. We differ, of course, in our political and economic structures, yet the problems we face are essentially the same. The future will show which country and which structure of government yields greater results in every way' (Frankel, 1978: 120, cited in Ghosh, 2002).

Half a century later, Nehru's question of the future was given an answer by India's current Prime Minister, Dr Manmohan Singh, in his Independence Day Address to the Nation:

It is almost sixty years since Independence. It is but a brief period in the history of an ancient civilization. But, it is a long time in the life of a young nation. In these sixty years, the world has been transformed beyond recognition. The empires of Europe have faded away. New powers have emerged in Asia. Look at where Japan was and where it is today. Look at where China was and where it is today. When I see them, I wonder whether we are living up to our full potential or not. (Singh, 2006)

Behind the polite protocol of good-neighbourly coexistence and a shared rhetoric of anti-imperialism, the economic and political rivalry between the two countries has been tense and intense, both regionally and internationally. Both countries wanted to modernize their systems and achieve rapid long-term growth with equity. However, it is arguable that in their own perceptions, the two horses were running different, independent, races. India mostly compared its performance with its own past, demonstrating the achievements of the new proud independent nation relative to the stagnation and mass deprivation of the colonial era. Against a stationary object, this was not a particularly difficult race to win. A second yardstick was the internal comparison with its own adopted plan targets — had they been achieved, and usually, of course, they had not. China, on the other hand, never seriously compared its own performance with its Himalayan neighbour. Doing better than India was not the issue: the challenge was to catch up with the West. In 1958, the Chinese Communist Party launched the campaign to 'Catch up with Great Britain in Fifteen Years' (Selden, 1979: 78). China had set itself targets on a truly Himalayan scale.

The life cycle of the fluctuating relationship between the two neighbours traverses several phases. They started off together, both flush with the national and social pride of independence and liberation and the adoption of high agendas of structural transformation. This was the stage of the slogan of brotherhood, 'Indo-Chini, *Bhai-Bhai!*', where the would-be siblings emphasized what they had shared up to that historical conjuncture. Zhou Enlai visited India in the winter of 1956, at which point the brotherliness was at its peak. This was reversed dramatically in the next few years, when the inheritance of colonialism in the form of contested borders surfaced as friction, acrimony and eventually as war in 1962. In India, China the brother was suddenly transformed into China the dragon, ushering in an extended period of the siblings falling out and growing apart — 'Indo-Chini, Bye-Bye!'. It took tumultuous changes in both economies and societies, and two generations before Rajiv Gandhi, Nehru's grandson, visited China in 1988 taking a first step towards normalization and to a resolution of the longstanding conflict. Several exchanges of visits by leaders — Premier Li Peng to India in January 2001 and Prime Minister Vajpayee to China in 2003 — alongside the emergence of regimes in both countries which highlight market-led, state managed capitalist growth have created a similarity of ideological orientation. Both countries share similar powerful national aspirations, consumer-driven economies characterized by a toleration of high degrees of inequality. This ushered in the current phase in the relationship, possibly involving reconciliation, one we might characterize by the slogan 'Indo-Chini, Buy-Buy!'.

Starting together in terms of similar initial conditions and levels of development, the two economies grew apart, with China pulling ahead across the entire broad front of development indicators. In the last decade, there has been an acceleration in the macro-economic performance of the Indian economy, generating much triumphalism amongst the Indian elite and inducing speculation as to whether India is catching up with China, if the two economies are converging, with the seriously optimistic daring to ask if India might soon overtake China.¹

MATCHED COMPETITORS?

Could the outcome of the race not have been pre-determined by a high initial level of inequality between the competitors? Were the contenders fairly matched at the starting line?

1. See, for instance: Goldman Sachs (2003); Huang (2006); Huang and Khanna (2003); Poddar and Yi (2007).

Colonial Legacies and Systemic Features

A meaningful comparison cannot be reduced to a single economic axis of comparison; also pertinent are other initial conditions, specific colonial legacies and systemic features.

There were many broad similarities. Both systems inherited economies characterized by mass rural poverty under feudal modes of production in the countryside. Walter Mallory, R.H. Tawney and John Lossing Buck testify to the structural vulnerabilities of the Chinese peasantry, just as Dadabhai Naoroji, William Digby, Romesh Dutt and other early anti-colonial stalwarts attest to the endemic state of rural destitution in India. Both societies displayed acute, embedded forms of patriarchy with its flagrant manifestations of gender violence and oppressions: female infanticide, foot-binding, child marriage and so forth.

But alongside this, there is evidence that both systems had maturing non-agricultural economies involving comparatively developed systems of technology. Radha Sinha and Mark Elvin advance the notion of the high-level equilibrium trap for explaining Chinese economic stagnation in pre-Liberation China; variously, many historians, including Irfan Habib, Tapan Raychaudhuri, Amiya Bagchi and Bipin Chandra, have argued that de-industrialization under colonialism interrupted an embryonic, potentially viable process of capitalist economic development. By the time of independence, both countries had distressed agricultural systems, high inequalities with not insignificant potential economic surplus, but without an institutional framework of economic mechanisms for utilizing these productively for modern economic growth.

In spite of these similarities, there were also some crucial differences. One prime contrast lies in the realm of society and culture. China, as a nation state and society, is characterized by the overwhelming dominance of the Han ethnic group; numerically it constitutes roughly 90 per cent of the population. There is just one dominant language which functions effectively as a *lingua franca* across the entire nation. Such cultural homogeneity provided a crucial, actively enabling environment for the specific needs of Chinese development. It provided the basis of a broad acceptance and legitimation of state authority structures; for a commonality of socio-cultural orientations and interests; and it contributed crucially to the viability of what I call the *mass mobilizational mode of transformation*. The contrast with India could not be wider, with the latter's mosaic of languages and cultures; its frictional cellular structures of caste and class divisions and its fractious religious diversity.² It is the former feature that allowed China to so radically

2. A recent national ethnographic profile identified 4,694 communities (Singh, 2000). In 2001, 13 languages were each spoken by more than ten million persons, 29 by more than a million persons, and 122 by at least 10,000, and only ten of twenty-eight states had accepted Hindi as their official language. For good measure, about a dozen different major scripts are used.

transform its institutions and economy in such a short frame of time; it is the latter complexity that perhaps made rapid Indian change more contested and difficult.

In both cases, the colonial experience had a profound impact on the shaping of the future state and its transformative development imperatives and agendas. Yet there were also some profound differences, the implications of which carry through and account for some important contrasts in their subsequent development trajectories.

While both post-independent governments inherited a tired and tawdry agriculture with most surplus squeezed out by a rapacious and non-investing class of landlords, there was one telling difference. While the landowning class had lost out in the socialist revolution in China, it effectively remained powerful in India as an integral part of the winning coalition of classes that gained independence, protected by and well ensconced in the ruling political party, and able to thwart any further redistributive or collectivist agrarian reforms.

Colonial penetration was never so deep and total in China, even on the coast, as in India. The British colonial regime governed India through direct mechanisms as well as through arrangements and settlements imposed on local rulers, using an administrative machine manned largely by Indians educated with this very role in mind, as expressed in the colonial policy vision of Wood and Macaulay. A new middle class of bureaucratic and usually comprador functionaries emerged who, in Macaulay's famous terminology, were English in all respects but the colour of their skin. This was later to form an important bulwark of the Indian Congress Party, the precursor of the embryonic Indian state. Much later, this inheritance of a massive middle class, educated well in English, combined with the Nehruvian emphasis on modern scientific education (as through the formation of the now much-vaunted family of the Indian Institutes of Technology) and the slow-growing Indian economy to generate an infinite supply of highly skilled labour at a low wage. This serendipitous conjuncture of factors at least partially forms the initial basis of the Indian information technology (IT) software explosion that has spearheaded recent services-led accelerated growth. In contrast, it is the relative reduction of the unit cost of labour, alongside a relatively high level of human development that created the Lewisian-type situation for the manufacturing sector-led development in China.

The vital difference lay in the constitution of state power in the two systems, and that was itself a product of the political forces and processes that achieved independence from colonialism. In China, power emerged in the hands of a revolutionary communist party based on peasants and workers: effectively, state power was in the hands of the poor and their direct

There are eight major religions. In the context of affirmative action programmes, 3,743 castes were identified within the 'other backward classes' category alone, and non-Hindu groups have their own internal caste hierarchies and divisions.

representatives. In the terminology of Perkins (1975), the poor were placed in command. The mass acceptance of this revolutionary power, alongside the high degree of cultural homogeneity, formed the basis for the mass mobilization mode of production certainly in the period up to, and partially beyond, the reforms of 1978. Earlier exclusionary power structures were swept away in the revolutionary struggles involving military action against colonials and indigenous class oppositions.

In India, by contrast, the control of the independence movement remained fundamentally in the hands of the middle and upper classes and castes, and thus the structures that emerged with independence, including the state, while being nationalist in language and some substance, remained primarily the instruments of the broad class/caste interests of the propertied sections that formed the backbone of the Indian Congress Party at the time. Gandhian non-violence, while intrinsically laudable, was also opportunistically used at key junctures to prevent the leadership and control of potential mass movements from slipping away from the indigenous elite, (in)famously, for instance, during the spontaneous, grassroots Eka (or 'unity') movement in the 1920s.³ The direct violence of Japanese colonialism further radicalized and hastened the Chinese revolution, whereas the sophisticated cunning of the British rulers was mindful that post-independence power should remain in the hands of the Indian elite with which it could continue, in due course, to do business.

Initial Conditions: Similar Economic Structures, 1950

Despite all the specificities, in 1950, India and China had remarkably strong structural similarities. Weisskopf (1980: 81–2) estimates a per capita GDP (in US\$ at 1960 prices) of 65 for China, and 62 for India. In the labour force, the share of agriculture was 77 per cent in China and 72 per cent in India; in industry 7 per cent in China and 11 per cent in India; and in other sectors 16 per cent in China and 17 per cent in India. In China in 1952, the share of agriculture in total output was 48 per cent; in India in 1950, it was 51 per cent; large-scale manufacturing and utilities generated 9 per cent of the total output in China, and 6 per cent in India; small-scale manufacturing and construction accounted for 9 per cent in China and 10 per cent in India.

The competitors were clearly well matched at the starting line. At the outset, the structures of economy and society shared strong similarities. But there were equally striking differences in the domains of institutions and polity. The outcome of the race, and also the margin and manner of its winning, then highlight the role of some of these differentiating features.

3. For a contextual analysis of the conditions leading up to it, see Saith (1978: Ch. 2); for a skilful deconstruction, see Amin (1995); for a powerful indictment in 1939, see Kosambi (1957).

WHO IS AHEAD?

What has happened thus far? It is not necessary to track each lap in this marathon of giants. The bottom line is clear and unambiguous. In terms of comparative performance since 1950 with respect to a full range of material, economic and social indicators, there can be no argument that China has performed emphatically better than India.⁴ Starting from a virtually identical position in 1950, China's per capita income stood at twice the Indian level in 2003; it has a much lower incidence of headcount poverty regardless of the specific methodologies used; at seventy-one, its life expectancy is six years more than that of the average Indian; its adult literacy rate is 91 per cent compared to 65 per cent for India; it has more than twice as many physicians per head of population as India; only 8 per cent of its under-fives are moderately underweight and none are severely so, whereas for India, as many as 47 per cent are moderately or severely underweight; only 14 per cent of children suffer from moderate or severe stunting in China, but as many as 46 per cent do in India.

At the outset, while China had less arable land per capita,⁵ this was cultivated more intensively and with higher physical yields, so that per capita agricultural output was not much different from the Indian level. By 1978, clearly discernible differences in the conditions of the agricultural sector had emerged and distances in social indicators had magnified dramatically in favour of superior Chinese performance; by the turn of the millennium, the gaps in productivity indicators had become chiasmic. In terms of agricultural yields (in kilograms per hectare) for the 2003–05 period, wheat stood at 2,688 in India against 4,155 in China; rape/mustard was 909 in India and nearly twice that level, at 1,778 in China; and rice in India was 3,034, and more than twice as much, at 6,233, in China. The annual growth rates for yields during the 1990–2005 period for rape/mustard were 0.6 per cent in India and 3 per cent in China; and those for rice, 1.0 per cent in India and 2.1 per cent in China. Not only are the levels higher, but they are also diverging for some of the main crops.

On other comparisons, electricity consumption per capita — a crucial indicator — is 893 kwh in China, compared with just 379 in India; cement production is 650 m. tons per year in China, and 109 in India; steel production amounts to 163 m. tons in China and 29 m. tons in India. In China, as much as 53 per cent of GDP comes from industry; in India only 26 per cent. Of course, in comparison, India obtains 52 per cent of its GDP from services, while the percentage for China is only 32 — though it is questionable if this

4. The data in this section refer variously to the 2002–2005 period and are assembled from a variety of official national and international statistical sources, including SSB (various issues).

5. In 1965, arable land per head of agricultural population was 0.18 hectares in China, but 0.46 hectares in India (Saith, 1995b: 34, Table 4).

comparison fully reflects a mature, or a partially residual services sector. Regardless of this, the Chinese growth rates in agriculture, industry and services are all above the Indian ones.

For those who might point to the sterling performance of India's IT sector, it is worth noting that, per 1,000 persons, fixed line and mobile phone subscribers in China numbered 424 in 2003, as against just 71 in India; internet users in China were 63 against 17 in India, and personal computers totalled 28 in China (in 2002) compared with 7 in India. Yet others might wish to dwell on the merchandise bilateral trade surplus in India's favour, as trade burgeons between them; but they would do well to scrutinize the pattern of trade and reflect on the sobering finding that more than 50 per cent of India's exports to China were made up of iron ore, while the largest imports from China into India were machinery.

Already a Gap at the Mid-way Point

Most often, observers point to the growth-unleashing impact of the Chinese economic reforms after 1978, and to the fact that neoliberal reforms started rather later in India, where the dating of the switch-point varies between 1980 and 1990.⁶ Regardless of this, however, a crucial fact is that the differential performance was already observable in substantial measure by 1978.

The annual growth rate of Indian GDP during 1960–80 was 3.6 per cent; during 1970–90, it was 4.7 per cent; and for the period 1985–90, it rose further to 6.2 per cent. This acceleration was accompanied by rising investment rates and declining incremental capital–output ratios (Saith, 1995b: 31, Table 1). Between 1961 and 1970, the average annual growth rate of agricultural production per capita was –0.4 per cent in India, and 3.7 per cent in China; for the decade 1971–80, the rates were 0.4 per cent and 1.5 per cent, respectively (see Saith, 1995b: Table 5 and sources cited therein).

By 1980, the share of GDP from industry had exploded to 48.5 per cent in China, but was only 21.9 per cent in India; for 2003, the figures were 53 per cent and 26 per cent respectively. This wide gap had opened up, significantly, by 1980, and has persisted since then. On the other hand, the share of agriculture in GDP had, by 1980, dropped in China to 30.1 per cent (compared to 42.8 per cent for India); and fell further to just 15 per cent by 2003 (23 per cent for India). India showed a much higher share for services throughout; being 35.3 per cent in 1980 (21.4 per cent for China); and 52 per cent in 2003 (32 per cent for China) (Weisskopf, 1980). It is this

6. The issue of the timing of the switch point in Indian economic performance is a topic in itself. It would be overly simplistic to date it from 1990; this would conflate its timing with the fanfare of the switch in official orientation of Indian economic policy, as incumbent government economists and politicians are wont to do. However, there is considerable evidence that the neoliberal reform process began during the 1980s.

sort of comparison that has prompted many to regard China as the world's factory, and India as the world's office.

Thus, from the same starting point around 1950, China had outpaced India dramatically in the first three decades of planned development, notably also in the rural sector, and pulled away discernibly further (on most material and human development indicators) in the second market-led phase of the race to the present. The answer to the question, who won the race, is not much in doubt. Indeed the margin of the victory, after the first sixty years, is quite astonishing; it is one that might have alarmed Nehru should he have seen it, and one that could well explain the touch of ruefulness in Manmohan Singh's implicit acknowledgement of economic defeat.

WHY?

Since wide differentials were already apparent by the mid-way point, it is appropriate to seek explanations through the operation of factors active prior to that point, highlighting the contrasts between the two.⁷ For China, this also calls for a careful assessment of the contribution of the collectivist development period to post-1978 economic performance.

An Overview

There are close similarities between the early Indian and Chinese development strategies at the level of idea and intent, if not in terms of ground realities of implementation and of outcomes. In the context of the seminal Indian Second Five Year Plan, Mahalanobis — the pioneering theoretician of Indian planning — had argued the case for a land reform and for a land army that would provide universal employment to the rural landless for the purpose of constructing rural infrastructure; he conceptualized the need for a rural or traditional small-scale industrial sector that would be given some protection and which would balance the anticipated deficit of the employment equation for the modern industrial sector. The key differences lay not just in other aspects of the planned strategy, such as agriculture, but in the nature of the economy, society, polity and the character of the state, that is, structural aspects of the realities within which the ideas were meant to be realized.

This comparative parallel needs to be drawn out further. In both economies, the state-led, public sector based industrialization process was the key driver. In neither case did the central government invest heavily in rural development. While the Indian process wound up protecting or

7. For this reason, the following treatment pays greater attention to the rural than to the formal industrial sector.

subsidizing the rural elite, the Chinese actually drew surplus from agriculture and the peasantry in favour of modern industrialization. Yet, the rural sector and the peasantry did remarkably better in China than in India. Why? How? The significance of the Chinese collectivist strategy lies in not jettisoning the peasantry and the rural sector after squeezing it of its surplus contributions for modern industrialization; rather, it has remained within the national frame, even if inter-sectoral inequalities have widened with the acceleration of the pace of industrialization.

It is argued here that the answer lies in the distinctive institutional configuration of the two economies, especially in the rural sector. In China, rural collectives worked as engines of accumulation in large parts of China, through ensuring an integration of agriculture and rural industry; through creating the incentives and the self-financing basis for vast labour accumulation that raised the productivity of land and generated forward and backward linkages to rural industry; and through supporting a strong upward trend in levels of human development. This in turn led to a more mature, generically skilled work force that was relatively well fed and provided for, and yet remained competitive in conventional unit cost terms.⁸ The motive power underlying these developments was what I have labelled the mass mobilization mode of transformation that relied on massive inputs of human labour; this passes the baton of explanation to the ideological and motivational factors that released such committed labour investments. The Chinese rural masses all stood to gain directly from their own labour, since the benefits accrued to them as owners of the collective. None of these conditions were operational in the Indian countryside. Similarly designed macro-economic strategies then lead to widely divergent outcomes in the rural sector. In a later phase, this difference could mean that while the Chinese growth acceleration will find increasing space in a widening domestic market, the Indian path might find sustainability potentially choked by the sluggish home market in the rural sector, suggesting that the growth process is likely to be more exclusionary than in the Chinese case.

The Institutional Factor: Enabling or Constraining Change?

The two trajectories are clearly products of complex forces, and not easily reducible to simplistic explanations. Here, I wish to stress the significance of selected institutional and policy factors; in particular, that in many crucial respects the trajectories of the two economies had been set on structurally distinct foundations before 1978. In this, the role of the rural sector was critical; it is here that some of the greatest contrasts in institutions, growth and distributional outcomes are visible between the two systems. While the institutional framework served as a contextual rigidity and as a development

8. For a fuller discussion, see Saith (1995b: 15–21).

constraint in India, in contrast, the Chinese socialist development state was able to address the institutional framework as a prime target variable, to be refashioned instrumentally as deemed functionally optimal with respect to accelerating the growth process. This dimension provides an underlying unifying leitmotiv over the entire period since 1949 in China.

The term institutional is used here in its broadest sense, covering personal, public and commercial domains, embracing value, belief and faith systems; received and mediated norms and notions of the good life; norms guiding behaviour; lived culture as embedded in social structures and organizational forms; civil codes, penal systems, religious codes; and all these as embedded in social structures and organizational forms and relations and networks, such as family, marriage, households, communities, collectivities, companies, occupational class and caste constituencies, and neighbourhoods, ethnic and religious groups, nations, global or cosmopolitan ethical, i.e., local, national and global civil society.⁹ Usually, these institutional dimensions, which underpin and stabilize socio-economic and political transactions and societal arrangements, are the cement that binds units and provides the parameters of dynamic evolutions, often with a high degree of path dependence, clay-clay stickiness, and a high degree of inertial ballast to the system as a whole. Continuity is thus written into the script, not discontinuous change; evolutionary trends, rather than revolutionary breaks. It was perhaps the cumulative force of the inherited institutional dimension, fashioned and reproduced over centuries, that inspired such formulations as the Hindu rate of growth, or the depiction of India as an elephant, large, slow moving, with a long memory. No doubt old China could have been similarly regarded. But the Chinese revolution broke the inherited feudal mould, and forced the construction of an institutional frame that was functional to the accelerated construction of a socialist economy and society.

In India the institutional framework specifies the context and constraints for policy formulation; in China, the institutional framework is itself a prime target variable, an object of policy. In India, the institutional framework is realistically taken as the constant, sticky, unchanging context, a constraint, within the straitjacket of which development occurs. It is subject to change, but only in evolutionary, reluctant terms. In China, in contrast, the institutional framework has formed not the contextual constraint, but a policy-amenable instrumental catalyst of the development strategy. Traditional institutional frameworks have been swept aside; new ones designed and constructed in acutely compressed time frames, and then again dumped for yet other institutional templates deemed more appropriate for the national development strategy. Kojima (1982) astutely described this as the perennial Chinese search for institutions that seek out, release and exploit new potential sources of accumulation and growth, irrespective of the

9. However, in order not to lose explanatory power, in what follows, institutional dimensions are identified and used with greater particularity in context and process specific arguments.

ideological lexicon of the time. The continuity is provided by the underlying foundational consensus and motivation of sustained material advancement and national strength.

Handling the Ricardian Constraint: A Comparison of the Land Reform Processes

As early as the Second Five Year Plan, various economists, including Dobb (1951) and Kalecki (1964/1976), had pointed to the need to resolve the Ricardian constraint that would otherwise hold back Indian growth. The need for meaningful land reforms, which catered both to equity and efficiency considerations, was paramount. No such resolution took place. Indian agrarian reforms have a long history. There was a tortuous pre-Independence period that cut down the lands and power of the old *zamindars* and *taluqdars*.¹⁰ This process culminated in North India, in the Zamindari Abolition Act that provided firm ownership rights to a class of superior tenants who formed the first land-operating layer under the *zamindars* and *taluqdars*. These beneficiaries were strongly represented in the Congress Party, and this has much to do with the subsequent loss of all momentum for further redistributive or radical land reforms in the direction of co-operatives. The few reforms that have occurred since then have focused on the consolidation of holdings, and on the registration of tenants' rights as in West Bengal. Most land reform interventions have languished in courts, and the agrarian structure has shown acute signs of disaggregation through the progressive sub-division of owned holdings under conditions of a turgid and blocked land market. The result is that there is endemic (near) landlessness, a dominance of uneconomic marginal, fragmented holdings, with the vast majority being below a scale which can guarantee a reasonable level of living. In such scenarios, the small islands of commercial agriculture do not have any compensatory capacity for employment generation, and general production-oriented strategies structurally fail to reach the poor sections of the rural population. After over a century since the institution of the first serious land acts in Uttar Pradesh, the structural situation is perhaps more acute than it ever was, with few indications that the foreseeable future is likely to witness any reversal of direction. The Indian economic story might have been radically different in several crucial respects, not least in terms of superior distributional outcomes laying the basis for more sustainable longer term growth, had the Indian land reform process been deeper and been enacted around the time of the launching of the new development process. It is worth recording that each of the successful East Asian cases has

10. For a discussion of this, see Saith (1978: Ch. 2). Stokes (1975) provides an empirical depiction of this secular trend towards the disaggregation of the agrarian structure between 1860 and 1948.

incorporated such a powerful egalitarian land reform virtually as an initial pre-condition.¹¹

The Chinese case provides a complete contrast. Starting from a roughly equivalent agrarian structure displaying similar features of acute fragmentation and distress (Riskin, 1975), the development strategy effectively overcame the Ricardian constraint through the replacement of the inefficient and inequitable feudal agrarian formation by dynamic and egalitarian, growth-oriented people's communes. The impressive sequence of reforms dramatically outdoes and outpaces the foot-dragging minimalist Indian case. The initial land reforms of 1949–52 left substantial residual asset inequalities; these were addressed through the subsequent creation of elementary and then advanced producer co-operatives, culminating in the formation of the first, problematic, type of large people's communes covering 98 per cent of the countryside by September 1958. The final stages of the transition had taken less than three years (Selden, 1979: 79, Table 6). Re-modelled, smaller, three-tier communes provided the rural institutional template from 1962 until de-collectivization. The structural characteristics of these people's communes have been extensively scrutinized. Their institutional attributes enabled the dynamic mass mobilization mode of transformation; schemes of labour accumulation; the industrialization of the countryside; the pre-emption of distress out-migration of peasants following the traditional well-beaten paths to the towns; exploitation of economies of scale and scope; and potential for the effective universal social provisioning of health, education and food security as a common right.

The second reform was as dramatically precipitous. The Chinese authorities experimented quietly with prototypical forms of decollectivization in chosen locations with various alternative contractual systems: *bao chan dao zu*; *bao chan dao hu*; *bao gan dao hu*. The objective was to establish the preferred configuration that would displace the people's commune on a national scale. Once the decision was made, the institutional transition displayed characteristically amazing rapidity. Until 1978, the commune system was essentially intact. In January 1980, only 0.02 per cent — that is, virtually none — of the basic accounting units were employing the *bao gan dao hu* contract that came to be known as the household production responsibility system. By the end of 1980, this figure stood at just 5 per cent, but it had risen to 38 per cent by October 1981; and to 70 per cent by December 1982, with another 22 per cent covered by the other two contractual reform systems on trial. In a country as vast as China, the revolutionary collectivist reforms had

11. The role of co-operative and collective rural institutional arrangements has been widely emphasized, including for instance by Joan Robinson (1979: 135): 'Some kind of cooperative or collective property in land and in means of production is necessary to provide a frame in which modernisation can go on without polarisation between wealth and misery which it is bringing about all over the Third World today'.

been virtually reversed to peasant holdings in the breathless space of just two years.

The sweeping abolition of the people's communes, while providing each household with the universal land endowment which served as a cushion and insurance against the vicissitudes of the new strategy, also created the need for such insurance by cutting off the direct access that peasants had earlier enjoyed to the jobs and economic surpluses generated by the dynamic commune and brigade-run enterprises. The balance sheet of the second land reform is complex. But what it demonstrates again is the ability of the system to reshape its basic institutions to make them functional to the perceived needs of any reorientations in the development strategy. The contrast with the Indian scenario could not be more extreme.

Chinese Collective Labour Accumulation versus Indian Rural Public Works

It is instructive to look inside the rural people's communes in China's period of high collectivism, 1962–78.¹² With his characteristic ideological ingenuity, Mao introduced the notion of labour accumulation, in contra-distinction to capital accumulation. Essentially, he argued that in a populous, poor agrarian economy, there was an opportunity to create rural land-related infrastructure through an investment of this peasant labour into accumulation projects — hence, labour accumulation (LA). Such labour was dramatically mobilized across China, and formed one of the twin engines of rural development — all this in a period when it is acknowledged that the pattern of inter-sectoral resource flows was tilted against the rural sector by State policy. Such LA had a major impact on agricultural productivity in large parts of rural China, and provided synergetic demand and supply side impulses that triggered off a dynamic growth process within the communes.¹³

The other engine was rural industrialization within the commune: this also used surplus labour from within the collective, and generated high financial surpluses, which went into four major uses: further diversification of the unit's non-farm portfolio of activities; significantly, into projects of agricultural development; into providing a social consumption floor to all the members of the unit; and into further strengthening the capacity of local government. Peasants contributed higher productivity labour in rural non-farm activities, or hard manual labour into LA projects, but were paid in work points at an implicit wage rate that was linked to the average

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12. For a detailed analysis of the Chinese experience before and after the Reforms, see Saith (1987, 1993, 1995a, 2001: 90–94).
 13. The role of labour accumulation in the period of high collectivism, and its decline in the post-reform period is discussed in Saith (1995a: 212–17). Earlier treatments confirming the extensive, though occasionally problematic, contribution of labour accumulation to rural development are to be found in the work of Minquan (1991), Nickum (1978), Raj (1983/2006: 265–66) and Vermeer (1977).

consumption level of the peasant households of the unit concerned. As a result, financial surpluses earned by the rural non-farm (RNF) enterprises accumulated almost automatically and were recycled with their dynamic multipliers generating locally egalitarian growth.

LA has been criticized, naively, by many as an example of *corvee*, or coerced, unpaid labour. This is patently incorrect, since the labour investment of households in any one year on a productive project earned its returns once the project's benefits came on line after completion, and these benefits accrued to all members of the collectively owned unit. While there were some white elephants, and while admittedly many unsound schemes might have wasted some effort, no serious scholar or field observer of rural China of the period could fail to register the remarkable impact of such a vast country-wide bootstraps-type of operation. It catalysed and launched the rural development process. From the point of view of rural households, this was additional work for additional income, not just from the LA project, but also from the indirect returns that came from the rural industrialization that it enabled. Within this, mechanization was undertaken when it contributed to overall productivity, and labour displacement was not an issue, again, since the benefits were shared out. This mass mobilization mode of transformation was essentially fired by ideological zeal and commitment though, as mentioned, within the micro-level collectivist units there were well thought out co-operative payment systems with a robust economic logic for that stage of development. The process was both sustainable for an extended period and capable of nation-wide replication, since it was essentially locally self-financing and therefore free of the usually throttling constraint of pre-financing of such investments by the government.

It would be unthinkable to imagine that this scale of rural investment and transformation could have been initiated by state withdrawal and simple open market signals within an inegalitarian agrarian structure. This is, in fact, what the dismal experience of rural South Asia confirms. The current discussions over the alleged financial constraint to the acceptance of any universal employment guarantee scheme in India provides a good example. The schemes have to be pre-financed. There has never really been a hard enough look taken at their productivity. Even when the infrastructure created by the scheme is productive, the government is unable to include the incremental benefits in its resource mobilization net. So the financial hurdle exists in the real sense that there is no automatic internal circuit which recycles the benefit streams into payments for past labour, and investments for future expansion. When such employment-generating rural public works (RPW) schemes are launched, they need fiscal allocations from the state. This severely limits their scope and coverage.

Careful scrutiny is also necessary of how these schemes (do not) function as forms of anti-poverty interventions. There are fundamental blind-spots in the manner in which such interventions are evaluated and validated, leading to serious misinterpretations of their development impact. RPWs

are intended to raise agricultural productivity and generate related multiplier effects. Most of these are trapped, both during the construction and especially the operational phase of these projects, by local non-target, landowning groups.

In the evaluation methodology applied to such schemes the criterion for targeting efficiency is concerned with the percentage of target group *beneficiaries* in the *construction* phase of the scheme, and so would overlook the pattern of incidence of the stream of direct benefits generated by the scheme in subsequent years for the target as against the non-target groups. Data from a study in Bangladesh¹⁴ provide an insight into the dramatic extent to which such a methodology hides the reality and the identities of the true beneficiaries of the public investments made for the rural poor. The bottom line of overall ratio of benefits from the schemes showed that three-quarters of the total benefits generated went to the non-target groups as windfalls! This is a shocking result; all the more so since such schemes are launched in the name of the poor.

The wage benefits accruing to the poor from these schemes are far from adequate: they are sporadic, shifting and not sustainable livelihood sources for even those households that can participate in them. But the total stream of benefits, including those to non-target groups, could be quite considerable, especially if the schemes are productive. The question is: how can the poor tap into this wider river, instead of being restricted to the fitful trickle-down flows that come their way? As it is, the dice are loaded against the poor working on such schemes. The caloric value of the returns per day for performing hard manual labour on these schemes is much lower, possibly as low as about one-half, than the energy expended in earning these returns. It has also been demonstrated that even with the assumption of full employment at legal minimum wages set for rural India, the average agricultural labour household would not be able to obtain the equivalent of the poverty line income (Kannan, 2005: 2–3).

Clearly new forms of institutional contracts are needed through which the working poor who create these public assets can also claim some version of ownership or lease rights which give them a rightful claim to the non-wage component of the value-added generated by the infrastructure. Such institutional arrangements have to be supplemented with direct and indirect financial instruments and devices that enable charges to be levied and recovered, either locally or through more indirect higher-level fiscal circuits, from the landowner or other groups which have thus far been receiving windfalls. In turn, this requires new kinds of contracts between stakeholders. The existing arrangements lead to low and low-quality assets, but suit everyone: the politician who gets publicity, the contractor who gets the money for low quality construction, the civil servant, the landowners who get something for nothing, and the poor, who at least get something out of it. That the quality

14. For a more detailed discussion and sources, see Saith (1992: Ch. 4).

and the longevity of the scheme do not bother any one of the stakeholders too seriously is then hardly a matter of surprise. Resources disappear into a black hole of expediency. But other ways are possible.¹⁵ There are regular reports of endemic corruption in the implementation of the RPW schemes associated with the recently adopted Indian National Rural Employment Guarantee Act (NREGA) inviting the question as to whether these rural employment interventions for poverty reduction should be called schemes or scams.¹⁶

The Productivity versus Employment Trade-off

Two examples demonstrate how this vexatious and ubiquitous trade-off was institutionally resolved in rural China, but took its toll in the Indian countryside.

The power of collective institutional arrangements with regard to land ownership is demonstrated by the case of labour-displacing but productivity-enhancing technological change. This could take the form of the mechanization of various otherwise labour-intensive operations, extending from land preparation, to planting, irrigation, harvesting and threshing. In the Indian case, this leads to labour displacement and the loss of wages for the laid off workers. In the Chinese case, the productivity gains are shared by all workers, who now acquire some time released for other productive, or leisure, activities. Thus, while both India and China had acute problems of surplus labour, China adopted extensive rural mechanization even while stressing labour accumulation projects in parallel. The gap between private and social profitability of mechanization was not relevant in the Chinese collective, but was wide in the Indian case, taking the form of the loss of incomes of displaced agricultural workers.

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15. It is technically possible, as the Chinese have shown, to make good use of the idle time of the cultivators (once they have enough to eat all the year round) to improve irrigation, check erosion, build roads, and so on, but individual property in land is an impediment to such schemes because of the problem of who is to get the benefit from them' (Robinson and Eatwell, 1973: 328.)
 16. A substantial body of empirical evidence testifies to extensive leakages in the targeting of various anti-poverty programmes; see Saith (2005). Investigative media reports regularly highlight endemic corruption and mal-governance in NREGA projects. The cumulative weight of these findings has prompted an official audit of the national portfolio of NREGA projects. The official report is a devastating catalogue of acts of omission and commission, and makes depressing reading. Virtually every level of formal requirement was found to be widely violated in a significant number of states, districts or gram panchayats. The overall coverage was also dismal: 38.1 million households registered under the scheme; only 55 per cent of these received any employment; and a miniscule 2.2 million, or 5.8 per cent, of the registered households received their full entitlement of 100 days of employment per household (GOI, 2007: 9). Further, investigators from civil society organizations frequently suffer violence at the hands of the local political mafia.

Another powerful example of the importance of institutional change laying the basis for rural modernization in China is provided by rural industrial enterprises (Saith, 1987, 1996). At the time of the formation of the people's communes, the scattered traditional low productivity and low technology rural crafts and manufacturing activities were centralized within the co-operative structure and were then rationalized and modernized as co-operative ventures. There was no danger of the familiar story of the destitution of the uncompetitive rural handicrafts sector, since here the displaced persons could be absorbed in the agricultural sector if necessary. The growth of rural demand, in any event, limited the need for such relocations. Also, these enterprises were located within the commune and were thus owned by the peasants, not by rich landlords. Thus, the process and product upgrading and modernization using mechanized labour-displacing methods in these rural handicraft enterprises could be managed without creating the classic flow of impoverished expelled rural artisans. The conflict, so characteristic of capitalist systems, between higher productivity through labour displacement on the one side, and employment generation and distributional outcomes on the other, was pre-empted, with institutional change converting the nature of the game.

These rural industrial enterprises, which were stimulated by the forward and backward linkages of successful processes of labour accumulation, themselves constituted engines of rural investment and growth. It was akin to the workings of an intra-rural sector Lewisian process of accumulation and growth working within the collectivist institutional framework of the people's commune. Peasants working on the rural enterprises owned by their collective earned work points which were cashed back in their agricultural teams at conversion rates roughly equivalent to the average distributed income per peasant. The productivity gap between the farm and the enterprise was retained by the enterprise and then used according to an agreed formula, with a significant share going back into agricultural investment. Peasant consumption levels were more linked to the productivity of the farm sector than the incomes earned in the non-farm units of the collective. In regions where non-farm enterprises could thrive, the collectives became powerful internal agents of rural accumulation so obviously lacking in other parts of the developing world, including rural India.

Field investigations in Cheng Dong People's Commune on the outskirts of Shanghai provided a microcosmic demonstration, in 1978, of the dynamic transformative power of the model. Of its gross income, more than three-quarters came from above the team level, nearly half at the commune level; of its total accumulation, 83 per cent came above the team level, over half at the commune level; at the team level, 12 per cent of the net income was accumulated, but at the commune level, 50 per cent of the net income was accumulated. As growth and development occurred, the share of the higher levels increased steadily (Griffin and Saith, 1981: 75–7; Tables 5.1–3). The commune resembled a modern small-scale industrial estate, but one owned

by the peasants who had thereby also managed to invest a substantial part of the surplus back into agriculture, infrastructure and social development. It was typical of the strong people's commune, its strength deriving essentially from favourable location in an agriculturally and industrially prosperous area. It was communes such as Cheng Dong that initially opposed the Second Land Reform of 1978.

In contrast, in India, rural artisans and handicrafts have suffered steady erosion through unsustainable competition with modern manufactures. Over the decades, the outcome has been the virtual disappearance of the traditional manufacturing sector from village India, with only non-tradable goods and services surviving in pockets. The share of incomes of villagers that is earned from activities located in the village have steadily declined, being replaced by various forms of labour, and poverty-propelled participation in unskilled self-employment activities. Even when there are profitable rural enterprises, their surpluses do not get re-channelled into rural development, poverty reduction, infrastructure or further accumulation within the rural sector. The owners tend to invest in urban trade and property, leading to a further atrophy of the rural sector, thus intensifying the pressure to migrate.¹⁷

Overcoming the Information Dichotomy

The strategic value of cultural homogeneity and of the widespread acceptance of the leadership and authority of the socialist state are realized to great effect in the re-orientation of the economy and its institutions. The Chinese government used the new institutional and organizational structures created in the countryside to overcome the phenomenon of informational dichotomy, in which the central planners and leaders have a superior overall awareness of the objectives of development and the trade-offs between them, while the dispersed local units retain the downstream knowledge of their appropriateness, applicability, costs and constraints, at the disaggregated, micro level. National policies, with all their necessary local variations, could then be finalized through iterative information flows. It was through this type of interaction between the centre and the people's commune — which constituted the lowest rung of government — and then between the commune leadership and peasant households through the collective layers of the production brigades and teams, that policies could be rapidly formulated, re-oriented or fine-tuned. Two examples demonstrate how the institutional dichotomy was bypassed in rural China: one pertains to the generation and diffusion of new technology, and the other to fashioning appropriate institutional change.

17. No doubt, there are regional variations, and possibly some exceptions, to this general trend. For an analytical overview, at macro and village levels, see Saith (2001).

While much is made of the unchanged nature of agricultural technology in India and China in the hundred or more years before 1950, this was followed by dramatic changes in a short span of time. While the green revolution ushered in new technological packages for the larger landowning classes, large parts of the Indian peasantry were not its prime movers or main beneficiaries. The process of its diffusion was fitful and far from universal. This contrasts with the experience of China, where specific institutional features could be utilized for a rapid and up-scaled dissemination and adoption of new techniques on a significantly wider scale. The American delegation that visited rural China in 1977 to study agricultural technology and rural industry (ARSID, 1977) reported that prize competitions took place in various parts of rural China for the identification of the rice transplanting and harvesting technologies that were most suited to local conditions. This stimulated local, regional and national innovations. The designs were carefully selected after extensive scientific evaluations and then diffused on a national scale through the pyramid structure of government characterized by rapid two-way flows of information, of queries and responses, of instruction and action.

The second, generic case applies to institutional experiments. Should grain be distributed according to family size and structure, or according to the work points earned? What might be the optimal policy for the use of the household private plot allotment under socialism? How should the work point system be reformed? After the dissolution of the people's commune, what kind of tenurial and contractual system might be optimal? What parameters might be appropriate for the population control policy at the local level? How should different units relate to the process of labour accumulation, viz., rural infrastructure development, and what incentives or rules should guide the behaviour and decision of peasant households, production teams and other units? Perhaps the most powerful demonstration of this was the dramatically fast diffusion of the household production responsibility system, *bao gan dao hu*, during the early 1980s following the demise of the people's commune.

The institutional framework thus became a powerful instrument not just for the design and implementation of national policies, or the diffusion of innovations, but also for experimentation and redesigning of the institutional framework itself. Such institutional flexibility assured the functionality of the structures with respect to the needs of rapid growth within a socialist framework. Again, the contrast with the sticky, stagnant rural institutional framework in the Indian countryside is acute. The only meaningful experiment is Panchayati Raj, and this form of 'local' village government most often merely tends to reflect and reproduce the inherited hierarchical, inegalitarian ownership and power structure. Of course, India abounds with non-governmental, civil society and activist development organizations, and there is an enormous cumulative experience including perhaps a compendium-sized potential list of 'good practice' interventions. However, these tend to collapse at the first hurdle of up-scaling or diffusion to

a regional, let alone the national, level. Meanwhile, the dominant role of state resources in rural programmes, especially poverty reduction schemes, is manifested through the local state, where local elites predictably and disproportionately capture the process and the outcomes.

The Mass Mobilization Mode (MMM) of Transformation

In the early years of Indo-Chinese co-operation, at the invitation of Madame Sun Yat Sen who visited India in 1955, a high-level Indian delegation visited China (and Japan) the following year to study the role of agrarian co-operatives in development and carry back transferable lessons applicable in the Indian rural landscape. The ensuing report (GOI, 1956) bears testimony to the explosion of collective energy in rural China:

The phenomenal success achieved by the Chinese in the formation of agrarian cooperatives has astonished all, both inside China and outside it. To a visiting team from India, such as ours, who are used to individual cultivation, the Chinese success appeared no less than a miracle. Naturally, the first question that strikes anybody is, how was all this achieved in such a short period? (GOI, 1956: 86)

Perkins (1980: 127) rightly emphasizes the role of labour based transformation within the collective:

In China, in contrast [to other LDCs, such as India], both urban and rural populations are hard at work throughout the entire year. Much of this activity is an occupation of very low productivity. Peasants carrying dirt from a nearby mountainside to build a dam or a small addition to the cultivated acreage are doing back-breaking labor in exchange for often only modest increases in farm output. Many rural people, one suspects, would choose leisure time if they were free to do so. Whether voluntarily or not, China has succeeded in mobilizing billions of man-days of labor from a labor pool that in most less developed nations would have remained idle.

But how was such mass mobilization achieved? In Mao-speak, the answer lay 'in releasing the enthusiasm of the masses'. Anti-socialists tend to query, if not dismiss altogether, any claims of voluntarism in such transformations. It is interesting, then, to read the contemporary reactions of the visiting Indian team of bureaucrats and politicians on this issue:

Coercion is the negation of enthusiasm. The enthusiastic outburst of energy which we saw could not be expected from a people who had been coerced into cooperatives. We noticed among them a great patriotic fervour which reminded us of the great patriotic zeal which had seized our own people in their fight for freedom in the thirties and forties of the century. To the peasants in China, increased income and better living was only one aspect of the producers' cooperatives. We were repeatedly told that in joining cooperatives, they were working for the development of the country and towards a Socialist transformation of Society. (GOI, 1956: 95).

One key instrumental mechanism in the MMM was the campaign, responding to a slogan launched by the Party. The campaign could involve a political action against perceived enemies of the revolution; or be an intervention to modify group behaviour whether in the cultural or economic domains; or an action to catalyse particular forms of investment, development or environmental change.¹⁸ Often, there would be a successful role model held up for emulation, as for instance in the case of the development of Dazhai brigade where sheer peasant labour was pitted against extreme natural odds to demonstrate the socialist capacity to mould and wrest its own future even in the face of highly adverse natural circumstances. Other powerful campaigns involved the development of the five small rural industries within the collective framework; yet another was the Four Pests campaign of the 1950s against mosquitoes, flies, rats and sparrows. Vast amounts of labour were enthusiastically mobilized and expended. When they succeeded, they were phenomenal; when sometimes they were failures, the scale of replication could also be alarming. The latter was demonstrated in the case of the elimination of sparrows in the countryside, and the subsequent discovery that they had been crucial for protecting the crops from various insects; another failure was the case of rural small-scale chemical and fertilizer plants that wound up severely polluting local water bodies. However, these problems, which remained the exception rather than the rule, could be acknowledged and addressed, as far as possible, as they were encountered.

Several latent and active factors combined to form the preconditions for the successful exploitation of the mass mobilization mode of transformation. First, the existence of cultural homogeneity on a near-national scale; second, a powerful sense of ownership of the state by the masses and a strong sense of identification with it; third, the mass appeal of many major rural policy interventions made by the state, such as land reforms, rural industries and rural socio-economic security policies; fourth, an efficient organizational framework for enabling two-way flows of information; fifth, a powerful, unified command structure; sixth, the use of instruments for the ideological motivation of the rural masses; finally, success itself was the lubricant for sustaining the process — the benefits of economic achievements were widely shared and there for most to experience, and this made the hard work seem right and worthwhile.

A spectacular illustration of the capacity for and the power of mass mobilization is provided by the Haicheng earthquake in the winter of 1975. Chinese officials ordered the evacuation of the entire population of one million, and saved possibly a few hundred thousand lives that would otherwise have been lost in the powerful earthquake — 7.3 on the Richter scale — that struck soon after, on 4 February. How had the Chinese anticipated

18. The 'campaign' as a political form pre-dates the Chinese revolution. Lu Caizhen (2008: Appendix 2) provides an inventory of sixty-six campaigns in China since the mid-1930s.

this with such precision? The prediction was based on a painstaking and systematic collation of vast amounts of information provided in the form of reports and feedback from members of the public, reporting odd occurrences such as sudden changes in land elevation, inexplicable variations in ground water levels; peculiar animal behaviour. This along with evidence of seismic activity led to the prediction. At the time, this was heralded as another demonstration of the power of the people to attain impossible heights under the GPCR. However, the devastating 7.6 magnitude earthquake that struck Tangshan, a similar sized city, on 28 July 1976, went unpredicted, and cost over 250,000 deaths, thereby undermining the power of participatory prediction methods. Nevertheless, what was undoubtedly demonstrated was the mass mobilizational capacity, readiness and willingness of the people.

The Dignity of Labour: Old and New

Maoist collective doctrine also emphasized the need for economic development to be directly reflected first in the living standards of the peasantry, though socialist surplus extraction was an unavoidable reality in the early phase of industrialization. Attacking inherited forms of exploitation and alienation, there was a sustained drive to develop a new socialist identity and dignity for socialist labour and work. Poster campaigns, films, music, the opera, all fashioned a new culture of the dignity of socialist labour: the socialist worker and the socialist peasant were revolutionary heroes; and the soldiers of the People's Liberation Army also farmed land. No labour within the collective was deemed intrinsically demeaning. The burden of handling the daily bucket of human excreta, traditionally 'delegated' to women, was increasingly shared by the males of households. Production teams near towns would acquire contracts for the collection of night soil from urban facilities and process it for plant nutrition back in the villages. India and Indians, hidebound by casteism and elitism and the encyclopaedic forms of social exclusion that these reflect and reproduce, also equally strongly emphasize the dignity of labour, but with one small difference — the dignity is captured and retained as the privilege of some, while raw labour is delegated to and demanded from others as an obligation.

Structural Outcomes

Some version of an industrialization-led trickle-down process was embedded in the development strategies of both countries in the first decades of development, with the rural small-scale sector ascribed the role of meeting the employment gaps anticipated from the capital-intensive industrialization process. While this succeeded on the whole in rural China, it did not in India.

Most economic observers of India are so mesmerized by the so-called convergence in the overall growth rates, that they tend to ignore the plight

of the rural sector. In virtually every respect, this sector has steadily fallen further behind the levels attained in China, whether in terms of indicators of positive structural change, employment generation, output growth, input use and productivity, or exports and investment. In India, between 1996–97 and 2003–04, the growth rate of the output of the crop sector fell to an abysmal 0.6 per cent per year, with that for cereals actually registering an annual decline of 0.1 per cent. In the decade 1984–85 to 1995–96, the trend growth rate of net state domestic product from agriculture was 3.62 per cent; it dropped to 1.85 per cent for the following decade during which non-agricultural growth rates peaked, and in this period, as many as fifteen states recorded growth rates of under 2 per cent per annum. Rural capital investment fell in real terms. Rural employment suffered. Rural income poverty rates fell, officially, though no plausible pathology could be demonstrated for this outcome to be credible, other than a faulty poverty-line methodology. There are signs of enclaves of commercialization and capitalization in agriculture, with the entry of corporates, MNCs and financial companies into rural markets. But profitable as these enterprises might be for the corporate share-owners, there is little in it for the rural masses, and in any event these are tiny, even if growing, islands of capitalist intervention. The prospects appear sobering, in the light of the recent decline in the terms of trade for a range of commercial crops, rising imports and competition often from heavily subsidized OECD countries. Rural poverty is being exported increasingly into the urban sector for lack of options. Close observers of Indian agriculture refer to a state of agrarian crisis, manifest in the suicide of over 100,000 farmers over the past decade in a range of states, including Maharashtra and Punjab, two of the richest in India. It is clear that the rural sector lacks the capacity of serving as a residual employment or livelihoods sink for the rural masses.

But worryingly, there are few signs that the high growth rates of the non-agricultural economy are translating into a significantly increased capacity for labour absorption. The high growth rates here have created few jobs in manufacturing. Services have no doubt boomed, but more in output terms than in employment. In service-sector job creation, it is unclear what proportion comprises poverty-driven, survival-oriented activities of the poor obstinately scratching out a living, as against dynamic high-productivity jobs. The information technology boom has not created jobs for the poor, except through relatively limited indirect effects. The Lewisian process of transfer of labour has stalled. The inexorable process of sub-division of owned holdings in agriculture now shows that only a tiny fraction of rural households own enough land to make a poverty line income from agriculture alone. This suggests that there is only limited room for a conventional redistributive land reform as a general solution. If anything, the land rights of the rural population are further under threat from the expansion of non-agricultural activities, from urbanization, and from the *de facto* and formal privatization of previously commonly held property and environmental resources. Rising health and education bills, as privatization proceeds, add to

the burden of survival. In terms of averages, the rural sector in India has seriously underperformed; when the process of rural polarization is factored into this, it becomes plain that the conditions of the majority are even worse than those implied by the averages. It is for this reason that both discourse and policy seem to have shifted towards fiscally redistributive mechanisms at the secondary level.

China provides a contrast. The higher growth rates in the non-agricultural sector are based on manufacturing, including small and medium sized enterprises (SMEs), which is far more labour absorbing; there is a massive construction boom that also serves as a powerful employment generator. On the other side of the equation, the rural sector, with its legacy of an egalitarian household-based land reform, provides a socio-economic cushion in terms of livelihoods. No doubt there are regional and sub-regional stories that vary, but the overall sectoral scenario provides a dramatic contrast to the Indian case, despite the rural sector and its population falling continuously further behind the urban beneficiaries of China's explosive growth. Indeed, there is some speculation at present, based on recent survey data on rural incomes, that China might well be approaching the Lewisian turning point in labour markets. After a period of widening intra-rural income inequalities, there are findings of a more recent reduction in rural inequalities primarily sourced in a reduced gap in wage incomes, in the receipt of transfer incomes (mainly migrants' remittances) and progressive fiscal transfers (implying some role for state policy) (Khan, 2005). Rural China does need the Chinese government to act effectively and quickly in some important areas of economic and social policy; but this notwithstanding, the overall story is one of outstanding success. This bears little resemblance to the experience of the overwhelming majority of the rural population in India.

IS INDIA CATCHING UP?

In the past decade, the Indian economy has posted high growth rates, sparking the question: is India catching up with China? There is much Indian talk of this, but is it just premature triumphalism voicing the good times of the emerging new elites? There is an unambiguous bottom-line answer to the question in terms of growth rates, but the comparison has other relevant dimensions.

Persisting Divergence

There are indications of persisting gaps in some key areas. India continues to significantly lag behind with respect to agricultural performance; employment generation and poverty reduction. Both economies maintain their respective relative positions with regard to the dominance of manufacturing or services as a driver of growth, though there is more evidence of China

catching up on services than there is of India making up ground in manufacturing. Hunger, on the whole, is a faded memory in China, though it remains a daily reality for very many in India. China's lack of liberal political democracy survives intact; so does the rich-man's version of Indian parliamentary democracy that keeps coming up trumps for the middle and upper classes. Chinese socialism has not yielded liberal political rights; and neither has India's socialistic nor its neoliberal path delivered adequate material and human development benefits to the masses. No osmotic convergence is in evidence in either system in this regard.

Some Convergence

Are there indications of positive convergence? The rates of change are indeed getting closer, but the level has remained consistently higher for China, implying that in terms of *absolute* levels of achievement, there is little likelihood of India catching up, or overtaking China, except hypothetically in the Keynesian long term, that is, when we are all dead. India is projected to have a per capita income in 2050 that is still only 55 per cent that for China, although Indian GDP per capita growth rates are projected to exceed Chinese rates by 2020–25 (Goldman Sachs, 2003).

Much is made of the so-called demographic premium arising from a younger Indian population with falling dependency ratios, with the opposite holding true in China as a (well-predicted and anticipated) consequence of its one-child-family policy. However, this is a debatable matter. Whether a larger population constitutes an economic opportunity or a burden depends crucially on its quality, and on whether the system is capable of generating matching employment for the new entrants into the work force. With persistent low incomes, low human development levels, qualifications and skills, India could as easily encounter the downside of these demographic trends on both the demand and the supply sides, unless there are some substantive reversals in ongoing processes and policies. This undermines the potential strength and automaticity of such a hypothetical demographic premium as a mechanism for convergence.

Of course, there is bound to be a convergence in some aspects, such as literacy and education, as both economies approach maximum coverage in the future for primary and secondary education. But even here, other indicators focusing on quality or on resources per student might fail to converge. Likewise, the absolute gap in longevity might decrease as diminishing returns set in and make each additional life year more difficult and expensive to achieve; but the quality of health care might well continue to show diverging trends alongside this, and dramatically so, as and when the Chinese government finally accepts the responsibility for universally affordable high quality health care insurance systems. But there are also signs that some traditional Indian advantages might have begun to wear out. The Chinese

educational system is placing a high emphasis on languages and the English language premium enjoyed by India might soon be at an end. How far India can retain its early-bird advantage in the IT sector also remains an open question. In most other dimensions, where India is doing much better than before, China was and is doing even better still, so that there could well be a continued divergence, and not a positive convergence.

Much 'Pervergence'

By 'pervergence', I mean a perverse convergence, where the two economies and societies catch up on each other's negative features. There is indeed a steady flow of qualitative and quantitative evidence testifying to such pervergence, arising mainly from China beginning to display some of the negative socio-economic and political governance features of the Indian system. This is evident in a wide spectrum of phenomena: the status of women, including the return of strong gender disadvantage, prostitution, terrible sex ratios at birth; the state of the environment; the spectacular rise in corruption; the endemic expansion of socio-economic insecurity in the countryside as health and education become increasingly inaccessible to a significant section of the rural population on account of unaffordable user charges levied as part of the reforms; and the spectacular rise in inequalities in both systems, with China going downhill much faster here and perhaps overtaking India in some undesirable respects. Those who use the preservation of democratic institutions and values as a reason, excuse, or alibi for India's poorer economic performance, need to take note of the continual attritional deterioration in the quality of public life in the country, including especially the flagrant penetration of corruption, criminality and communalism into the body politic. In this perverse sense, the two countries are indeed converging, and it is difficult to say if the loss of the values of socialist community has been greater and more devastating than the loss of democratic and 'socialistic' norms and ways of being in India. In both systems, the public good has been thoroughly privatized. This raises the question if too much attention has been focused on the wrong race.

China's achievements with regard to poverty reduction have been undermined by the recent dramatic rise in the socio-economic vulnerability of the rural population, predominantly on account of their inability to access increasingly expensive health and education systems. It is arguable that post-reform education policies are creating significant educational and social exclusion, and leading to the widespread emergence of child labour, thus laying the foundations for the creation of a new underclass of underprivileged, undereducated people in China. The trends in health policy are similarly regressive. While the levels of Chinese health-related indicators remain well ahead of their Indian equivalents, there are distressing signs of shrinkage in the scope and quality of access to health services for a

significant proportion of the population. From a near universal coverage system, albeit with varying quality levels, the last two decades display a trend of atrophy. The Third Chinese National Health Service Survey of 2003 reveals that:

about 49 per cent of citizens in China that should have sought medical treatment had not done so — up from 36 per cent in 1993; around 44 per cent of in-patients were discharged from hospitals even when they had not fully recovered, as they were mostly unable to afford the medical costs; 75 per cent of farmers for economic reasons, were not hospitalized when they should have been — up from 64 per cent in 1993; and about 33 per cent of the farmers became impoverished because of ill-health — up from 22 per cent in 1993. (Chen and Shiva Kumar 2007:164)

While the overall sex ratios are rather similar, in the dismal range of 930–945 females per 1000 males, what is alarming is the recent trend and level of the sex ratio at birth. Both countries show despicable outcomes, testifying to the fact that patriarchal biases in India are alive and well even if many a girl child to be is not; and in China that a generation of revolutionary gains in the domain of gender appear to have been casually reversed in the space of half that time, with a relapse into the traditional attitudes of patriarchal dominance within families, with strong son preference, and an exalted role for the male head of the household. Pervergence here is distressingly dramatic and occurring in double-quick time. In China, some of these strands inter-weave: rural poverty and exclusion, the feminization of agriculture, and rising male domination perhaps account for the high rates of female and farmer suicides in rural China, a phenomenon with obvious resonance to the unabated wave of farmer suicides in the Indian countryside in the recent past.

Governance issues are becoming increasingly important, epitomized by high levels of corruption. Transparency International's Corruption Perception Index sees both China and India displaying deteriorating performances, and while India has always been bad, China, as a new entrant, has fast caught up with India. For India, political parties, the judiciary, the police, and parliament and legislature get the worst scores on the corruption index; this says something about the quality of democracy, beyond simply the issue of its formal existence. For China, the entry of big business into the upper echelons of the communist party and leadership at all levels of government perhaps obviates the need for businessmen to try to influence politicians with bribes; this tendency of the cosy up of the party and business provides a new dimension to the notion of embedded government. Orwellian imagery from *Animal Farm* inevitably pervades the mind (Orwell, 1945).

Finally, inequality, which was traditionally moderately high in India and rather low in China, has spiralled in China at dramatic rates and seems to have overtaken India in some respects.¹⁹ For instance, over the

19. For a review of the evidence on trends in inequalities in India, see Pal and Ghosh (2007); for an analysis of Chinese trends, see Wan Guanghua (2008).

1992–2002 decade in India, the bottom 40 per cent had 21 per cent of household income, and the top 20 per cent had 42 per cent of household income. The corresponding shares for China were 14 per cent and 52 per cent for the 1993–2003 decade. In both systems, inequality at the upper end is extreme and vulgar, and cannot remotely be justified in terms of any hypothesized functionality with respect to incentives for investment and growth. These income and wealth inequalities are paralleled by equivalent exclusions in the new labour processes emerging in China, both in rural and urban areas. These are highlighted in the cases of migrants and workers in Special Economic Zones, and also for many other categories of labour — including child labour — and in the extension of working life into old age beyond the earlier norm for retirement.

In terms of regional inequality, too, post-Reform Chinese trends have taken a sharp turn for the worse. China has always displayed wide inter-regional and inter-provincial disparities arising from structural, geo-natural features. In the period to the early 1970s, regional disparities in urban consumption per capita declined, reflecting the industrial location policy that favoured provinces away from the coast. Very noticeably since 1978, both rural and urban inequalities have widened in regional terms (Saith, 1993: Table 1). Since the reforms, all evidence points to a sharp acceleration in the degree of regional inequality. This is accounted for partly by the cumulative effects of educational differentials, and partly by the longer term dis-equalizing impact of rural industrialization (which favoured the better endowed and located regions); but in the main it has been driven by the extreme concentration of foreign direct investment in the coastal regions. India displays disturbing evidence of a similar widening of the gulf between the advanced and the backward states since the onset of reforms.

No single conclusion is thus possible on the issue of convergence: there is evidence of some positive convergence, primarily in the form of a rise in the Indian growth rate approaching Chinese levels. There is still a differential, however, and even if this were to be bridged, there would remain a chasm separating the overall absolute levels of development for most relevant indicators. On the other hand, there is a far more dramatic pervergence, that is, a coming together in terms of the negative aspects of growth, with China increasingly displaying the undesirable socio-economic features typical of the Indian system, with rising levels of inequality and exclusion, gender bias, environmental stress and governance deficits.

SIGNIFICANCE OF THE RACE

Indian Democracy: How Many Cheers?

What, then, of the *kohinoor* of the Indian experience, its special distinguishing feature, its democracy? Has Indian democracy constrained Indian

performance, or has it merely provided an eternal alibi and convenient excuse for coming a distant second in this race? Consider how Swamy (1973: 1) poses the conundrum.

In the context of the China–India comparison. . . if it turns out that the Chinese growth rate is only 0.5 percentage point higher than India’s rate, one may ask: is this half percent worth the costs of social regimentation that the Chinese pay? Alternatively, if the Indian rate is half percent higher, is it worth the cost of the gross inequality that is permitted in India?

While Swamy confesses that he ‘cannot answer this question in any definite sense’, a current, gung-ho view of Indian reforms and their outcomes is less reticent: ‘Yes, democracy does slow us down . . . If it came to a trade-off, however, I don’t think anyone in India would give up our democracy for a two-percentage point higher growth rate. We have waited 3000 years for this moment to wipe out poverty, and if needed we will wait another twenty years and do it with democracy’ (Das, 2007).

Such modes of argumentation trivialize the issue; democracy cannot be defined naively as a simple variable which can be scaled on one axis against the rate of growth of GDP on the other. Some might favour definitions of democracy that do actually deliver on the guiding principles of the constitution within half a century; the poor and the excluded might well think of it as a periodic *tamasha* full of sound and fury signifying precious little change in their lives; hence also the so-called ‘incumbency factor’ in Indian elections, where the party holding power is almost invariably thrown out, suggesting that perhaps there is more nominal than real choice of substantive options offered to the electorate.

There have been vicissitudes in the idea of democracy as a positive contributor to economic growth. While the initial billing and expectation, in the context of the competition with socialist China, was positive, the early realized development experience was sobering. This induced a quiet U-turn with various forms of hypotheses arguing that there was a price to pay for the virtues of democracy in terms of a slower pace of growth.²⁰ In turn, this received, or ‘old’, view of a trade-off between democracy and development ran into difficulty with the recent acceleration in the Indian growth rate: after all, India had been as democratic and ‘hindu’ before the growth spurt as it was afterwards, and this was incompatible with notions of the ‘hindu’ growth rate, or other forms of the negative trade-off. Not surprisingly, this brought about another *volte face* amongst reductionist theorizing on democracy and

20. Notions of the ‘soft state’ from Gunnar Myrdal, the ‘intermediate regime’ from Michal Kalecki and K.N. Raj, the ‘cruel trade-off’ between democracy and development *a la* Bhagwati, the so-called ‘hindu rate of growth’ from Raj Krishna, or the ‘hindu equilibrium’ from Deepak Lal, are contrasted with the aggressive ‘developmental state’ governing the growth process in East Asia. This alleged trade-off then becomes a default explanation for differences between the economic performance of India and China.

development.²¹ This ‘new’ thinking of a positive, synergetic relationship also underpins the recent upbeat projections by global consultancies and international development agencies showing that India could soon be performing better than China. In doing so, it highlights the institutional trinity of the judiciary, the executive and the legislature, and also superior corporate and financial governance, including the stock exchange.²² However, there remain grave methodological and empirical reasons for maintaining considerable scepticism over each of these reductionist, often tautological, ‘hypotheses’.

The default position being argued here is certainly not one that condones regimentation or totalitarianism, but one that demands a little more of Indian democracy than just evergreen good times for the fat (and increasingly obese) Indian elite. It remains plausibly arguable that the Indian masses have experienced neither the benefits of development, nor the rights of democracy, in an intrinsically meaningful manner. Expressions of Indian triumphalism, whether over recent economic performance, or on the ascribed virtues of Indian democracy *as-is*, come mainly from India’s new flamboyant transnational elite; the majority constituting the other India, however, still remain expectant onlookers, waiting for the breeze of benefits to touch their lives.

Chinese Socialism: Pioneer of Capitalism?

A comparative reflection on the development experience of these two great civilizations cannot really be reduced to a multiple-choice balance sheet, or be treated as laboratory evidence for the ‘superiority’ of capitalism *vis-à-vis* socialism. In focusing exclusively on the numerics of the economic race, one loses sight of deeper implications and clues about the large and complex evolutionary processes of societal dynamics, and the historical significance of Indian democracy and Chinese socialism as catalysts of such transformations.

After lengthy eras of feudal and colonial experience, both countries broke away at the same historical moment. They also detached, to different

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21. Jagdish Bhagwati introduced a ‘new’ thinking on development based on the possibility of a virtuous synergy between democracy and development ‘in the right circumstances’. Amartya Sen cited India’s ‘functioning democracy’ and its ‘free press’ as the reason for not experiencing famines; Atul Kohli had argued earlier that Indian democracy provides some benefits for the poor through poverty reduction programmes triggered by incumbent governments at tactically optimal points prior to the next election; while Pranab Bardhan and T.N. Srinivasan have separately argued that Indian democracy enables the resolution of endemic political conflicts and that China lags far behind India in this regard.
22. See Goldman Sachs (2003), Huang (2006), Huang and Khanna (2003) and Poddar and Yi (2007), amongst others. Dwight Perkins and Martin Wolf lend support to this emerging new consensus (cited in Srinivasan 2006: 38, 41).

degrees, from the world system and adopted autonomous, though not autarkic, planned strategies for rapid, egalitarian development to overcome the inertia and deficits inherited from the colonial era. This break could be described in Toynbee's terminology of challenge and response, or in terms of Gerschenkron's analysis of the role of the state as an agent of transformation overcoming historical backwardness, or in Marxian categories and dynamics in terms of modes of production. While each approach highlights the discontinuous nature of this change, none can satisfactorily explain its timing, nor predict its subsequent course, its permanence or its dissipation. Both represented oppositional projects to market-based capitalist change, though each used a distinct lexicon, with profound differences of substance partially disguised by the radical vocabulary of early Indian planning discourse. The Chinese path was a full-blooded socialist one, whereas the Indian one was euphemistically described as being 'socialistic'. Oskar Lange described it as an example of a 'national revolutionary pattern' of change. The Indian state, regardless of its propertied class base, spoke of controlling the commanding heights of the Indian economy, of re-directing a state-led development process towards achieving social objectives. Underlying it implicitly was an imagined community and nation reflecting the aspirations set down in the constitution. It is interesting to note that in both countries this initial transformative project, based on such a reality (in China) or a notion (in India) of shared community values, lasted only three decades before the new era of reforms ushered in capitalist growth, albeit with variations, in both countries. In this current phase, while both emphasize economic modernization, there is an atrophying of the initial socialist or socialistic aspirations that provided the social motivation and *raison d'être* of the first independent governments.

Now, both countries have re-entered the global capitalist order, but on dramatically revised terms — not as basket cases but as dynamos of global growth. The oppositional project has yielded to its anti-thesis. This raises the question of the historical significance of the state-led non-capitalist or socialist interventions in each country. Are these to be understood as systemic, revolutionary, corrections to the evolutionary accumulation of inefficiencies in economic institutions and the extreme inequalities in material consumption, status and political power? Viewed thus, China has clearly emerged with a historic, massively successful correction in terms of economic and human development; and an agenda of political democratization dominates the future. For India, the corrections are far less dramatic, and the emergent economy and nation still retain the extreme inequalities and exclusions that it set out to overcome. Its politically democratic system has on the whole failed to deliver inclusive economically democratic outcomes thus far. With its superior fiscal strength, and its much more culturally cohesive socio-cultural fabric and strong central state, China would appear to be rather better placed to enact further socially progressive corrections than might be extracted by the excluded in the Indian political configuration, where new and old elites dominate state and society and successfully resist attempts at any significant

forms of redistribution other than the periodic handouts induced by fear and the imperative to win elections every few years.

In the long sweep of historical change, mutations of socialism in China and planned development in India have served as far more effective pioneers of capitalism in the two countries than imperialism or colonialism ever did. Just as the other India is made to wait on its political democracy to deliver sustainable growth that is inclusive and egalitarian, the other China waits to add meaningful political rights to its considerable economic gains. The clock ticks impatiently on how long either people will be held back.

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Ashwani Saith is Professor of Rural Economics at the Institute of Social Studies (PO Box 29776, 2502 LT The Hague, The Netherlands); Visiting Professor at the London School of Economics & Political Science, UK; and Visiting Professor at the Institute for Human Development, New Delhi.