

The elephant in the room

When you're busy with a dragon, it's easy to overlook an elephant – which might explain why India's ever-expanding economy is being virtually ignored during China's Olympic year. A search through major Australian news sources reveals that articles mentioning 'China's economy' outnumber 'India's economy' by around ten to one.

This seems disproportionate given India's current rate of development and future prospects. In purchasing power parity (PPP) terms, India's GDP is fourth largest on the world stage, though this falls to an unlucky 13th in official exchange rate terms. The IMF forecasts its economy will expand by 8.4 per cent in 2008, and it's expected to overtake Japan as the world's third largest economy (in PPP terms) shortly after the deck chairs have been packed up at the 2012 London Olympics.

Fortunately for overlooked Indians, the nation couldn't have a much more committed cheerleader than former global director of Proctor & Gamble, and renowned Indian public intellectual, Gurchuran Das, who this week did his best to sell the nation to a packed auditorium in Melbourne, filled for this purpose by RMIT's Graduate School of Business. Flanked by 'left wing atheist' broadcaster Phillip Adams and 'conservative Christian' Telstra director Phil Burgess, Das explained, in great depth, why India, not China, is the real story of the 21st century.

"India is an elephant, not a tiger. But an elephant growing at 8 per cent is a formidable beast," said Das, pointing out enthusiastically that India effectively got democracy (in 1947) long before it got capitalism, which has really only taken off since economic reform begun in earnest in 1991. In this respect, he says, it is following in the footsteps on only one other country – the US. This might sound like hyperbole, but establishing true democracy is no mean feat, and if India can at least maintain the democracy it has, says Das, the economy will continue to bloom.

Das argues that India's economic miracle is effectively a grassroots movement led by individual entrepreneurs, in stark contrast to China's state-capitalism model which depends so heavily on public infrastructure and investment. In India 80 per cent of credit goes to private enterprise compared to only 10 per cent in China. India develops not because of, but in spite of government intervention – it's commonly said that the economy grows at night while the government is asleep.

If India's government trips, says Das, millions of entrepreneurs step over or around it – something they are well accustomed to doing. A million teachers are on the government payroll, but one in four do not turn up to work, encouraging an astonishing 54 per cent of urban students to attend private schools. Government power and water supplies are intermittent, prompting industry to provide its own. In Delhi, state-owned water supplies flow for four hours a day, despite twice as much water being available, per capita, as in London.

Das forecasts 50 years of strong growth for India, to reach current US real income levels in 2066. While this will require "political and administrative reforms" to continue, there are no demographic constraints, with half the population being under 25. China's demographic profile, he says, will put the brakes on its economy within 25 years.

Moreover, India's emerging middle-class is the real thing, albeit a "scooter riding middle class" at this point in time. Not so for China's emerging middle class, argues the author of 'Will China Fail', John Lee (*Is the dragon flagging?* November 20). He argues that it is the product of a regime of "force feeding" state owned enterprises – generating disposable income of many millions of Chinese workers, but preventing a real middle-class of entrepreneurs forming.

"Promising private businesses in China are starved of capital, or are shut out from competing in China's 'key strategic' industries," says Lee. "Furthermore, the regime has staked its modern legitimacy – its right to rule – on growth. It can ill afford to stop this force-fed growth strategy, no matter how inefficient it is, in order to co-opt the burgeoning middle classes. Any slowing of growth – even if it is essential to restructure the economy – has serious political consequences for the Party."

Importantly for its growth prospects, India's economy is almost an inverted version of the China