

## Epilogue

### *Fault Lines in the Development Models of China and India*

In November 2001, I was invited by the Paris-based Organisation for Economic Co-operation and Development (OECD) to present a paper at their conference on 'Policies for economic and Social Transitions in the 21st Century'. My theme was very basic: 'What is development of a society, and what is its yardstick?'

Some of us have always wondered about the validity of the current yardsticks of measuring national development in terms of GDP (strength of a country) or GNP (strength of people of a country). When it comes to countries like China and India, we thought this to be certainly inappropriate. Traditionally, Indians and Chinese understand that life is indeed not just about money, but all about the well-being of the people, with money being just one of its dimensions.

Our societies have never been money-centric as they are being moulded into today. Even then, most of us still believe that development of a human society in each of its aspects is related to the consequential change and development of the individual. In this sense, the development of a country needs to be measured on the basis of the percentage of people living with dignity and honour. Those who are learned and engage themselves in scholarly pursuits, have always enjoyed higher respect than the wealthy in both societies. Confucian philosophy hinges on showing the way to win this respect.

A modern Chinese scholar has suggested that the core Confucian teaching is contained in these words: 'When men wished their virtues to shine throughout the land, they first had to govern their states well. To govern their states well, they first had to establish harmony in their families. To establish harmony in their families, they first had to discipline themselves. To discipline themselves, they first had to set their minds in order. To set their minds in order, they first had to make their purpose sincere. To make their purpose sincere, they first had to extend their knowledge to the utmost. Such knowledge is acquired through a careful investigation of things. For, with things investigated, knowledge becomes complete. With knowledge complete, the purpose becomes sincere. With the purpose sincere, the mind is set in order. With the mind set in order, there is real self discipline. With real self-discipline, the family achieves harmony. With harmony in the family, the state becomes well-governed. With the state well-governed, there is peace throughout the land'.

Traditional culture teaches the Indians and Chinese to pursue knowledge and wisdom in order to live in harmony with one's surroundings and to try to contribute something of their own till they leave this world. One thus conducts life trying to be fully human. In Asia, there is traditional appreciation of a 'wise' person; someone whose wisdom is reflected in his behaviour than his utterances. Such a person is a fully developed person. Being informed, being knowledgeable and being wise are the steps in that transformation. No wonder that India and China together have given birth to most of the life philosophies and religions of the world! It also gave the world sages and philosophers in the 20th century such as J. Krishnamurthy who has made a profound impact human consciousness giving new meaning and content to our life, going beyond the organized religions. Even for an Indian or Chinese commoner, a wise man is one who knows what life is all about. The manifestation of wisdom is reflected in his simple living, his enjoyment in giving and living with the minimum. Wisdom, therefore, makes you consume less,

derive pleasure in sharing, enjoy harmony and understand the futility of conflict. Harmony with nature is reflected in our traditional healthcare that uses nature to cure, and focuses on living healthily rather than treating the sickness. Rural life in both countries is beautifully entwined with local flora and fauna. Today all this appears unreal when one finds thieves ruling.

Many-a-times, I have wondered why Indians and Chinese have such similarities in perceptions of life. Somewhere there is a common thread that has conditioned our psyche throughout our history. Respect for parents, teachers, mentors, peers and all others who shape our personal development, comes to us naturally. Like our habit of saving, there are many other similarities in our behaviour and the values we cherish, which are far removed from Western civilisations.

As someone told me, is it because, in India and China, religions and thoughts developed in a more peaceful forest environment with plenty of water and natural food, unlike Jewish, Christian and Muslim religions that took birth in deserts, where survival was the only basic concern? Since ancient times, there was only mutual appreciation by scholars of both countries, never any talk of war. As one can very well see, Buddhism, unlike Muslim religion, spread in China purely through love and understanding. Not only was there was no violence, it did not even upset Confucius' teachings.

When I look at the economic development in India and China, I realised that both are striving to achieve human development merely through economic development. A minor portion, one can see, is through social development. Both seem to believe that money will help their political and social objective to achieve inclusive (in the case of India) or harmonious (in the case of China) development of their society. These policies are driven by those who want to push trade and commerce. Globalisation today is, therefore, limited to economic activity. Multi-national corporations, their top officials and stock market gamblers have gained the maximum from such development. Social globalisation, like global poverty elimination, is limited to seminars and political speeches!

Two hundred years ago, the world was socially more global as there were no boundaries, passports and visas. Such barriers have increased during the last two decades. The current policies are tutored by economists, business school faculties and Western thinkers. In fact, a significant number amongst them are non-resident Chinese and Indians!

The prescription for economic development consists of increasing per capita consumption and writing economic policies that promote consumption beyond necessity. Businesses, especially multi-national ones, love this and they weave media magic to promote it. All of this is done to meet the socio-economic objectives of both governments. There is resultant confusion here, since the chase of money and limitless greed is thought to be the elixir of human happiness and well-being.

To sum it up, in spite of our long-surviving democracy, India has not been doing well even though one can see financial growth in terms of GDP and a growing number of billionaires. Recently, a news item spoke of India scoring high on the happiness index; below the story was a picture of a smiling old beggar! The failure lies in the fact that 80 per cent of Indians share just 20 per cent of the GDP, and the rest 20 per cent enjoy the balance 80 per cent! Even though momentarily doing great, China too has an almost identical situation. In fact, India has had the rich and poor divide since centuries, and society has accepted this divide so far without conflict.

In China, however, society has moved from an 'all poor and deprived' society during over three Mao decades of PRC, to the Deng Xiaoping era where there is unbridled capitalism in a communist bottle. A select few getting extremely wealthy in a short span of three decades, is indeed a little difficult to swallow for many Chinese. The sharp contrast within the population in China is, therefore, alarming.

To some of us, it is clear that the kind of development model that China and India chose in 1980 and 1991, respectively, is not a sustainable one. Such a development model based on the post-1970 distorted US model would not deliver what the people of both countries aspire to. It is amply clear that the development model based on promoting intensive consumption, as is prevalent in the United States and Europe since 70s, is not sustainable ecologically for the world and is culturally alien to India and China. The current Western model is dependent on a business-provoked, self-centred lifestyle, funded largely by offering careless financial credit to the common people, akin to the norms in the Western world. The current lifestyle is not healthy, both to the mind and the body. If we really want inclusive development and wish to carry our rural folk along, then we both have taken the wrong road. It is completely unimaginable that 2.5 billion people of India and China can ever hope to have a lifestyle similar to the Americans. Nature has not endowed the world with resources to match. Not only does the world not possess resources such as fossil fuels to support such dreams, but we do not even have enough water!

To understand the gravity of the situation, compare the per capita consumption of the fuel and water consumed by the Americans and Europeans. Indeed, both of us have a sizable population that lives like the Americans, and they too consume and pollute as much. Therefore, even if the leaders of both nations dream of bridging the widening gap between their haves and have-nots and focus on inclusive (India) or harmonious (China) development, they can never realise that dream. Both countries have a traditionally superior cultural model to lead a happy life that assures good health, happiness, social peace and comfortable living without excessive use of

resources. Two centuries of technological progress and outstanding innovations in the use of science and technology will very well supplement our basic tenets and our traditional wisdom in conducting a harmonious life that can include many more. It is the combination of traditional lifestyle and modern knowledge that can help India and China to evolve a fresh alternative development model. In fact, today, one can feel that both the Dr. Manmohan Singh-led India and the Hu Jintao-led China are indigenously seeking it.

The issue indeed, is more fundamental than the materialistic aspects of lifestyle which form an integral part of the Western model. The Western concept of being a developed society as has evolved in the last four decades, and their current model of economic development itself has several serious shortcomings, besides not being sustainable. It is also increasingly being realised that materialistic lifestyle resulting from such a model has many undesirable consequences, most important of them being the menacing fallout of global warming.

At a social level too, many are of the opinion that such a life is unnatural and emotionally unhealthy. Instead of narrowing the gap between the rich and the poor, pursuing the Western model is, in reality, widening it. Various studies show that a growing number of people in the developed world are emotionally unsettled, less happy and have psychological problems. Interestingly, both, the Indians and the Chinese, on the other hand, have been practicing an alternate lifestyle model which can be broadly described as 'simple living and high thinking'. This

alternative way of life is nature friendly, healthy and emotionally fulfilling. This helped their huge population of poor to live tolerantly and peacefully. Some think this is a utopian and romantic belief since one sees helplessness in their peacefully tolerated abject life in the shanties. The economically weak in both these countries can bear their deprivation of material comforts without the mental misery that the poor in the West are seen to go through. Psychiatry practice is definitely not a rewarding profession in India or China! Spiritual teachings by saints in India and Confucian thoughts and Buddhism in China have prevented them from getting hurt.

However, the Western lifestyle is exciting due to the higher levels of physical comfort, safer living and personal productivity. It is a fact that all these are the result of technological advances and man's quest for new knowledge that happened in the Western world during the last two and half centuries. The Western world has the social order and the wisdom to encourage innovations. However, both the Chinese and the Indians gave the world foundational technologies till they got bogged down by the rule of the invaders from the second millennium onwards. Western society, for the last two centuries, used its innovative exploitation of technology and natural resources for comfortable living. Later, a progressively evolved industrial revolution was seamlessly followed by the communication and information revolutions to enable this remarkable transformation. It allowed common citizens to become productive participants and get rewarded in return.

The problems started when inventions and discoveries became intellectual 'private properties' and the tools came in the hands of money sharks in business. In the late 1950s, intellectual property of an individual became a corporate property with financial limits on its exploitation. Even till the early 70s, the Western developmental model looked ideal since per capita consumption was limited and earning differentials between the rich and the poor were justifiable. But, it is now realised that the money-centric modern business culture that essentially evolved from the early 1970s out of US business schools has been leading the world up the garden path. One can even say that the root cause of the current global economic crisis emanates from the greed of the multinational businesses that lured their democratic governments to go rather recklessly on a privatisation spree. It was essentially an escape route for politicians as they allowed public service to become bureaucratic, largely due to their poor governance and the consequent laxity in imposition of discipline in the delivery of public service by bureaucrats.

Today, big businesses use the magic of modern communication media to brainwash young men and women to practice mercenary, profit-centric style of management, focusing only on stock price and earnings. There has hardly been any organic growth of companies. The sizes grew primarily through mergers and acquisitions from all over the world. The media is being used shrewdly to teach people to live beyond their means and metamorphose into thoughtless consumers. Companies now build on the guilt factor and lure the young to buy non-essentials by making them out to be essentials. Business schools sponsor a win-at-all-costs trading approach with charismatic role modelling, teaching and coaching with an orientation to be reckless and with a motive to profit by every means. I wish that those in power in the United States used management thinker Tom Peter's advice given in the early 1980s to close down all US business schools, preferably with its faculty locked inside!

In fact, I strongly believe that US multinationals in the early 70s took charge of the US economy. I have always felt that the United States that I was familiar with before 1970, has changed in

terms of cherished social values. Due to the mismanagement of their economy on the advice of such business management experts, it is fast declining from its global supremacy. The current plight of the Europeans too can be easily traced to the American influence on their governments and institutions. The Western world has largely become the world of consumers and, consequently, produces little and does not create real wealth. Only those who trade in money and commodities earn well through market manipulation. People in the West also seem to increasingly realise the bitter truth that marketing is driving them into miseries. The boundless credit and lure of multimedia is hurting them like none other. Many independent studies have shown that excessive consumption of food and fun is harming them, both in body and in mind.

Till the early 70s, business culture in the United States too was different. Bright brains, those days, were in research labs and on shop floors using innovations to create some real wealth. There evolved a business culture that caused the United States to get rich as a society. Significantly, this was an inclusive growth. The real income of the average American had been soaring since the end of World War II. Wage ratios between the wealth-creating talents and shop floor workers were acceptable to all. The country's trade balance was positive and consistently growing. Employment was ever rising. The standard of living was improving democratically year after year. The number of college-going students doubled every five years, and unlike today, getting in was no longer the privilege of the rich and elite. During those decades, there were major breakthroughs in technology. James Watson and Francis Crick won the Nobel Prize for decoding the molecular structure of DNA. Tuberculosis had all but disappeared, and Jonas Salk's vaccine was wiping out polio in the United States. Many may not know, but Dr. Salk had refused to take a patent for his discovery and had said that he invented it to prevent human suffering. This reflects the culture that prevailed then. Then during the Nixon presidency came multi-national provoked economic theories and practices. Today, we cannot catch a glimpse of that industrious US. The companies grew organically, then. Today, the only corporate growth route is through mergers and acquisitions.

Talking of happiness, both India and China have masses of contented poor who smile more frequently on an empty stomach than their well-fed Westernised rich compatriots living in their city towers. Here, one can see that in the matter of poverty reduction, the Chinese leadership did far better than its Indian counterpart, which is handicapped by the 'system' as claimed by it.

A careful study of China's spectacular success since it began its transition to a market economy reveals that they managed it with adaptable strategies and policies: as each set of problems were solved, new problems arose, for which new policies and strategies were devised, and this has been going on year to year. To appreciate this policy, one has to read the annual reviews of the country's progress by successive presidents since 1978. To that extent, single party rule has benefitted China, ever since their leadership got its new vision from Deng Xiaoping. China recognised that it simply could not transfer economic institutions that had worked in other countries without adapting it to the unique problems confronting China. Today, senior Chinese leaders talk about the need for a new economic model. They seem to be aware that their economic growth is mainly enabled by materialistic multinationals, which moved their manufacturing setups to China in order to use its cheap labour and very favourable tax regime. This Western model helped China to achieve over 10 per cent annual GDP growth for three long decades. But this will not work long term even if it has enabled China to lift hundreds of millions of Chinese out of poverty by wealth-creating activities like manufacturing and agriculture – the

two vocations that use labour of every type in a large measure. Growth in manufacturing cannot be sustained too long without serious consequences. There is no doubt, however, that the Chinese workers have been important beneficiaries, as it created over 200 million new blue collared jobs for their rural poor by their efficiently controlled migration to cities.

India, unfortunately, has failed to gainfully support both these areas. But this growth model has its limits. Global slowdown and lack of economic growth in the Western world is already hurting exports with consequential joblessness in China. China's GNP export-led growth indeed looks impressive to everyone. One can see its real reflection on the faces of its people, not just on the streets of Shanghai, Dalian or Wuhan, but also in its villages. Some of the areas that we went to during our SME study were a hundred miles away from industrial areas in China, but the rural folk there had stable electricity, paved roads, televisions and even Internet connectivity.

So far, with an increasingly large share in the export market, half of China has benefitted greatly. But China has another half that is still very poor. Will there be a sustained demand with the ongoing poor state of economies of the developed world? Today, a lot of these rural communities live on the remittances from family members who have migrated to coastal cities. It is similar to the money orders sent by migrant Indians in Mumbai to their families in Bihar, UP, the Konkan area or any other state. We found that even the farmers were better off with new crops and better seeds. The local government sells high-grade seeds with a guaranteed rate of germination on credit. In spite of this, China still has a sharp rich-poor divide. The sad part is that this divide is growing even though income levels are higher. For the Chinese people who have seen total equality in poverty, this economic divide becomes far more painful. In India, a sharp rich and poor divide has existed since eternity, but the Chinese have seen the perils of equitable distribution of poverty that Mao brought about from the early 1950s to the end of the 1970s.

Leaders in China as well as India realise that the current divide must be narrowed if they have to have inclusive and ecologically sustainable growth. Luckily, healthy life for all seems to be China's current agenda. I have seen playgrounds and well-maintained stadiums even in small places in China, where the young are seen in large numbers practicing sports and games. Everywhere, one can see carefully planned and well-maintained streets, green areas, parks as

well as extensive public transportation systems. While some Indian leaders in Delhi have well-intended schemes, their corruption infested delivery channels frustrate realisation of any of their noble objectives. Realisation to move away from the Western model and seek another has now become more urgent after the global economic clash and its backlash on India and China. China felt it far more strongly than India due to its over dependence on export trade. They realised that even countries seemingly committed to competitive markets were getting protective and complaining of unfair competition. The export-led growth model was in danger and maintaining high growth was untenable. This strategic model worked well for China earlier in many ways. It supported technology transfer, helped to close the knowledge gap and rapidly improved the quality of manufactured goods. Export-led growth meant that China could produce without worrying about developing the domestic market.

But the global economic catastrophe changed that quickly. China realised that it had to change. The country has a large portion of its reserves blocked due to its earlier strategy of 'vendor finance' by depositing its earnings in the United States. It financed the huge US fiscal and trade

deficits, allowing Americans to buy more goods than they could sell. In fact, to meet the challenge of restructuring its economy, removed away from exports and resource-intensive goods, China is stimulating domestic consumption. While the rest of the world struggles to raise savings, China, with a savings rate in excess of 40 per cent, struggles to get its people to consume more.

Both Indians and Chinese, especially those who are not economically strong, intuitively do not trust the government and focus on saving for their 'rainy day'. The Chinese government is therefore, now focussing on providing better social services (public health care, education, nationwide retirement programmes etc.) with a hope to move people away from their urge to save.

The Chinese government is also giving cheaper access to finance for small and medium-sized businesses. Both countries therefore, will have to look for new sources of dynamism in their growing entrepreneurial ranks, which requires a commitment to creating an independent innovation system.

China has, for long, invested heavily in higher education and technology, and now it is striving to create world-class institutions. India too needs to somehow speed up. While both countries should stimulate an environment of dynamic innovation, they should resist pressure by Western governments to adopt the kind of unbalanced intellectual property laws that are being demanded of them. Instead, they should pursue a balanced intellectual property regime because knowledge itself is the most important input in the production of knowledge; a badly designed intellectual property regime can stifle innovation as has been the case in several areas in the post-1970s America. IP rights protection needs a financial cap, after which that protection must go, rather than become the current protection over a long period of time.

During the last four decades, Western technological innovation has focused too little on reducing the adverse environmental impact of growth and too much on saving labour – something that India and China have in abundance. So it makes sense for India as well as China to focus their scientific prowess on new technologies that use fewer material resources, but use more hands.

However, it is essential to support innovation and scientific research in ways that ensure that advances in knowledge are widely used. This itself may require innovative approaches quite different from intellectual property regimes based on privatisation and monopolisation of knowledge, which result in high prices and restricted benefits.