Can India grow faster? Answers from history

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SUMMARY POINTS

- The Indian economy has grown at an impressive pace of late. It can do even better if India receives more foreign direct investment and world-class skills. Opening up the economy further to enable more inflow of capital and knowhow is hindered by nationalistic sentiment. This essay concludes that India can grow faster if Indians can sort out their troubled relationship with the idea of globalisation.

- The anti-globalisation sentiment has support from some businesses. But it is also ideological and derives from a reading of history.

- Indian nationalists hold that the British Empire, which ruled between 1858 and 1947, impoverished the region by imposing an open economic system upon it. This, however, is a misreading of history. In fact, openness helped private enterprise grow in these years by making use of free trade, the inflow of capital, and the knowledge brought in by skilled migrants. Average standards of living did not rise greatly. The obstacle was the low and stagnant yield of agricultural land. Colonialism did not create the problem, but it failed to deal with it.

- After independence in 1947, India succeeded in implementing a Green Revolution but, by closing the economy, hurt private enterprise outside agriculture.

- After the economy opened up again in the 1990s, India saw a big growth in private enterprise. Openness helped enterprise again as in the past. But now there was a difference. Borders opened to trade, but did not open enough to capital and not at all to skilled services. If India is to grow faster, it needs to create the conditions to attract more capital and more skills. It will be helped in doing that if it can also develop a sense of history free of nationalist sentiment.
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This is the third briefing paper in the Global Perspectives series - a new collaboration between the Social Market Foundation (SMF) and Warwick’s Centre on Competitive Advantage in the Global Economy (CAGE). The first paper by Dr Mirko Draca was published by the SMF in October 2014 and is titled Institutional Corruption? The revolving door in American and British politics. The second paper by Professor Cormac Ó Gráda was published by the SMF in April 2015 and is titled The Challenge of Antimicrobial Resistance: Lessons from the Past for the Present and the Future.

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1. INTRODUCTION

The Indian economy is growing at a respectable rate. IMF and the World Bank predict that Gross Domestic Product (GDP) will grow at 7.5-8 per cent in 2016, which is good news for Indians and for the world. Yet many people believe that the country can do better and change the lives of its citizens more rapidly than at present. Can India grow faster? I answer that India can, if Indians sort out their troubled relationship with the idea of globalisation.

My optimism is due to my background as a historian. India has a long history of engagement with the world economy. Its credentials as a global capitalist power are sound. In the nineteenth century, India witnessed impressive growth in trade and manufacturing. Cities like Bombay (Mumbai) and Calcutta (Kolkata) industrialised despite the high cost of capital, absence of government policy to help industry and shortage of skilled labour, thanks to resourceful merchants trading in the Indian Ocean, the migration of skilled workers, and inflow of foreign capital. In the mid-twentieth century the country shut itself off to trade, migration, and foreign investment. But then, from the time that economic liberalisation began in the 1990s, the growth of export-oriented businesses has been staggering.

My optimism is however qualified. There are many examples of inertia and failure in this period of liberalisation too. India ranks 142 among 189 countries on the World Bank’s ease of doing business index, suggesting that its regulatory environment still needs to change a great deal. Key services from retail to healthcare, hotels, print media, tourism, banking and finance, education and films, which together contribute about half of GDP, have grown in scale but are not much improved in the quality that they deliver. Few Indian banks and fewer Indian universities figure in world league tables. The World Health Organization ranks India 112 among 190 countries on the quality of its healthcare industry. Indian film industry, the largest in the world, does not produce films that can even regularly compete for, let alone win, international prizes. An HSBC index comparing expat lifestyle ranks India very low (20-30 among 34 countries) on healthcare, accommodation, utilities, finance, and ease of local travel.

Why are services of poor quality? One reason is that they are protected. They receive only small quantities of foreign investment. Being labour intensive, they should gain from skilled immigration and the freer exchange of “tacit knowledge”. India, however, admits a negligible number of skilled immigrant workers. Nevertheless, since these businesses do not compete in the world market, few economists and politicians in India seem worried about the poor quality of output. India-watchers believe that a bolder opening up is unlikely in these protected areas, because political sentiment against it is too strong (Pandya, 2014). A public debate in 2012 about allowing foreign firms to conduct multi-brand retail sales showed how fierce nationalistic sentiment could be when it came to embracing openness. Such sentiment is not special to India. But it is rather odd in India’s case because of the region’s commercial heritage.

Why should a people that engaged in globalisation in the past underestimate the benefits of globalisation in the present? In order to answer that question, we must note another feature of Indian history, the British Empire that ruled India between 1858 and 1947. The Raj denied Indians political choice. It was, however, keen to promote economic choice and protect a system of free markets in goods, capital and labour. Colonialism was bad politics. But openness was good.
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Economics. By bringing in knowhow and capital from Britain into India, the open economy enabled huge growth in trade and an offbeat industrialisation in the nineteenth century. The Indian intellectual elite, however, never acknowledged that fact. From around 1930, Indian nationalists succeeded in making a lot of people believe that colonial rule was bad because the open economy had made India poor. While rejecting colonialism, they dismissed the open economy as well. Later, Marxist critics of world capitalism endorsed that view (Bagchi, 1983; Habib, 1985). Under the combined effect of these two ideologies, the idea that openness in the days of the Raj made India poor turned into a religious faith. That long shadow of ideological history feeds a nationalist reaction to globalisation today.

This essay suggests that faster growth and deeper change are possible, if India can attract more capital, and especially more skills, from abroad. For that, Indians need to rethink their history by discarding the lens of nationalism.

The present moment - a turning point in Indian politics - may be good for doing that.

2. WHY IS NOW A TURNING POINT?

In May 2014, a surprising event occurred in India. In the Parliamentary elections, one single party secured an outright majority, an outcome that had not been seen since 1984. More unusual was the fact, that in his successful campaign, the future Prime Minister Narendra Modi promised to deliver economic growth by means of liberal business-friendly policies that would encourage investment at home and from abroad. By contrast, typically Indian politicians have focused on issues such as social justice or welfare.

While it is clear that the incumbent Congress had been weakened by corruption scandals and allegations about how party grandees interfered in executive affairs, the mandate for Modi can be read as a popular endorsement for liberal reforms. If this is what happened – we do not know for sure – then support for liberalism on this scale has not been seen before in India.

With such backing, one might have expected that, soon after winning, the new government would get busy reforming the economy. Many areas stand to benefit from deregulation and market-friendly reforms. A year later, not much has happened. In the upper house of the Parliament the ruling party is in a shaky position and faces resistance to new laws. But it is not altogether clear that Modi’s vision of an India doing business with the world is even shared by his own party colleagues and their backers, which include private businesses of all kinds. Not all wealthy and powerful Indians are ready for competitive markets and may be willing to sabotage the liberal package.

3. WHY IS INDIA AFRAID OF GLOBALISATION?

India is potentially an attractive destination for capital and skills from around the world, not only because of advantages like the low cost of living, but also, in some ways, India is more outward-looking than most emerging economies. It has an English-speaking middle class, a huge media industry that is international in outlook, a free press and free internet. For someone living in the centre of New Delhi or Mumbai, the quality of life may not seem very different from, and in some ways more interesting, than that in London or New York. Moreover the Indian diaspora is large and takes a keen interest in economic growth in India.

It may therefore seem puzzling that, since opening up its economy about twenty years ago, India has managed to attract rather little foreign direct investment or FDI. According to OECD data, until 2005, India received on average less than 1 per cent of total worldwide inward flow of FDI.
annually. In 2005, China received 10 per cent, and Brazil, Turkey and Russia between 1 and 2 per cent each. Between 2005 and 2013, India has done much better. In 2013, its share in world inward FDI flow improved to 2 per cent – still low – whereas China, Brazil, and Russia increased their shares faster. Nor does India feature as an attractive destination for skilled workers. Compared with China, India’s economic growth in recent years has relied less on manufacturing and more on services. One might believe that an open door to skilled workers would improve the efficiency and quality of these services. Migration should also be helped by the fact that the gap in professional salaries between western economies and India has narrowed in recent years. But India attracts few skilled immigrants. In-migration has increased of late but this is due to the entry of semi-skilled workers from other South Asian countries (Khadria and Kumar, 2015). Key businesses continue to employ poorly equipped and poorly trained workers and are behind world standards in quality of provision. There is little discussion in the media on India’s poor record in quality and professionalism. The print media itself is protected and in need of both better quality and more professionalism.

A revealing measure of the failure to improve quality is the international ranking of India’s universities. There are only four Indian institutions among the top 400 world universities ranked by the Times Higher Education Supplement for 2014/15. India is losing out to comparable institutions in China, Taiwan, and Turkey. This is surprising because India has some of the oldest universities in Asia. Outside the western world, Australasia and Japan, a significant number of Nobel prizes went to Indian and Indian-origin persons. So what is causing this divergence in standards of education now? One answer is the barrier to entry of skills. Some of China’s universities internationalised quickly by allowing freer exchange of teachers and researchers. In their Indian counterparts, recruitment of teachers and researchers remains tied to a culture of national preference.

One should not be too negative. India has registered good growth in the backdrop of a worldwide recession, and is expected to do better in the coming years. Something is going right.

4. WHY DOES CAPITALISM SUCCEED IN INDIA?

That India should make a successful return to the world economy is hardly news for the business historian. The history of India’s participation in long-distance trade is as old as long-distance trade itself (Roy, 2012).

For hundreds, perhaps thousands of years, the Indian subcontinent was pivotal to world trade. A coastline 5,000 miles long, easy access from West Asia, Africa and East Asia, the presence of highly skilled artisans, a rich maritime tradition and kings who protected merchants and formed partnerships with them, secured the strategic position of trade in Indian life and of Indians in trade. Classics of Indian literature describe the heroic undertakings of the seafaring merchant. Sanskrit and Persian works on statecraft set out kingly duties towards the merchant. Many Roman artefacts have been found in southern Indian port sites and Indian textile fragments more than a thousand years old have been found in the Middle East.

The evolution of private enterprise in the very long run is nowhere just one story. In India it is composed of at least two stories. From ancient times until early in the Second Millennium CE, two commercial traditions had evolved. One of these formed along the coasts, lived on overseas trade and operated from small coastal states. The other one, formed in the land-locked interior, served overland trade and took part in moving the surplus grain that sustained large militaristic empires. The empires emerged in the fertile plains of the Ganges and the Indus and lived on land taxes as well as the grain itself. The ruling classes understood the value of the seaboard but
could not easily take control of that zone. Roads there were few and road-building was costly because of geographical obstacles like the uplands, the forests, and rivers.

A turning point in this history was the rise of the Indo-Islamic empires (c. 1200) and the spread of their power from the Indus-Ganges plains to the south (the Deccan Plateau), the east (Bengal) and the west (Gujarat). In the 1500s, the land-based states established a foothold in some places on the coast. Although they were mainly engaged in trading in the Arabian Sea and the Bay of Bengal, the reputation of some of these ports grew, and attracted not only Indian merchants, but also European merchants like the Dutch and the British East India Companies. Through these firms, interregional trade turned intercontinental in the 1700s.

Beginning with small bases in these sites, the British East India Company later developed three ports of its own, Bombay, Calcutta, and Madras. As the great Mughal Empire collapsed in the 1700s, many Indian merchants and bankers migrated towards the coast, mainly to the Company towns, giving rise to Indo-European trade partnerships in these places. Out of these collaborations there emerged a seaboard state ruled by a body of foreign merchants. Never before in Indian history had the coast acquired so much political and economic power as it did around 1800.

The combination of advantages produced an extraordinary outcome in the port cities, the tropical world’s most impressive industrialisation.

5. CAN WE MEASURE THE IMPACT OF THE ENCOUNTER BETWEEN INDIAN COMMERCE AND EUROPEAN SKILLS?

Yes, we can, if only reliably from 1900. The two figures below sum up what we can measure. Between 1900 and 1946, private enterprise outside agriculture doubled in size (Figure 1). This was the area most touched by trade, foreign investment and skilled labour migration. Figure 2 shows that India was a net exporter of goods and a net importer of services in 1898. Labour imports were funded by trade surplus. The two findings together lead to a very important lesson from history: the growth of private enterprise in colonial India happened because the borders were open to the inflow of skills and knowledge that India then lacked.

The addition of 2010 data in Figure 2 shows us that the pattern of the inflow of labour services changed in the twentieth century. Labour exports funded trade deficit in 2010. Did India not need skills anymore? It did, but the borders had been closed to such inflow.

Figure 1 has another message: the state was small and weak as an economic force in colonial times. The Empire helped capitalists indirectly by keeping borders open. Its military and naval power protected sea routes and aided South Asians going to China, Southeast Asia, Central Asia, and Africa for trade. And it made India an attractive destination for British capital. But directly, the Empire neither helped nor obstructed the growth of trade and industry. It did not help because it could not. As a state the Raj was quite small. Its tax-to-national-income ratio was tiny at 3-5 per cent. But it was not a weak state. It was a militaristic state. It spent a great deal of the revenue it did have on defence. After the large defence spending was taken out of the budget, the state had little left to spend on welfare or infrastructure. If the Raj did not directly help Indian industrialisation nor did it try to stop it. Otherwise, it would be hard to explain how Bombay’s merchants could invest in a field where Indians competed successfully with British industry.

The Indian merchants of Bombay could do that because they had almost the same access as any British firm to the market for machines and engineering skills. Contemporary critics of the Empire called the payments India made for services a “drain” on savings. There was some truth in this
when the payment was made by the government with taxpayer’s money. But a much bigger payment was made by businesses out of profits to earn profits. It would be hard to imagine an economy short of capital and skills industrialising at all, and then competing with the first industrial nation, without depending on service imports. Cotton textile mills initially relied on foreign personnel. Jamsetji Tata persisted with steel because of data available from geological surveys, an Indo-European advisory team, access to European knowhow, and purchase contracts from the European-owned railways.

Figure 1. India’s GDP by major activities (per cent and constant 1946 prices)


Figure 2. India’s external transactions, 1898 and 2010 (per cent of GDP at current prices)

Notwithstanding the growth of trade and industry, the majority of Indians remained poor at the end of colonial rule. Between 1900 and 1947, GDP increased by 60 per cent. But, with population growth beginning to accelerate in the first half of the twentieth century, per head income rose by just 10 per cent. In short, despite the growth of trade and industry, the average standard of living changed little. It changed little because GDP in agriculture grew only 15 per cent in these years (Figure 1), and merely slightly faster in the late nineteenth century. Given the size of agriculture, employing over 70 per cent of the work force, stagnation in this sector depressed wages all round and made poverty all too common.

6. WHAT AILED AGRICULTURE?

Agricultural productivity was low in much of South Asia. If the farming village was located in an arid or upland district, the land produced too little even for a comfortable subsistence. Like the states of the past, the Raj depended on land taxes, which was a limited resource because land did not produce a lot. In the past, low land yield was not only the root of poverty, stagnation, and small tax receipts, but also of repeated famines.

Why was land yield low? Marxist scholars writing in the 1970s suggested that the roots were manmade; that new types of credit relations inhibited agricultural investment (Bhaduri, 1973). These views would be credible if we could show that yields were once high, but fell in the nineteenth century. There is no support for that claim. Yields did fall in some parts of the Gangetic plains, almost certainly due to the overuse of land. The dry-lands though had poor yields from pre-colonial times, because of poor soil and precarious water supply.

No matter the roots of the agricultural problem, the failure of British rule was an inability to design a policy for agricultural development. It did build irrigation canals, but on too small a scale. It helped develop railways, but railways were not much help if there were not enough goods for sale. A more direct approach to developing land resources was needed. And here, the small size of the state, its foreign origin, London’s clichéd thinking about what was good for India and a convenient adherence to classical liberalism - all allowed the state to get away with doing nothing for the majority of India’s poor.

It is not surprising that, despite the growth of trade and industry, Indian intellectuals criticised the Empire, and based their criticism on an argument that the Raj had failed the economy. Around 1930, the criticism supplied moral support to the Indian nationalist movement. Surprisingly, the criticism hardly touched on the Empire’s biggest failure: neglect of agriculture. Agriculture was not overlooked, but it was a minor issue. Instead, the nationalists targeted for attack the idea of the open economy, which had in fact delivered results.

History did not support the claim that the open economy had made India poorer. Why, then, did the nationalists attack openness?

7. WHY DID THE NATIONALISTS ATTACK OPENNESS?

From the 1920s, the short-term self-interest of Indian firms tended to become mixed up with debates on long-term development. Indian business firms had a grievance against the Empire. They resented, rightly, London’s hold over Indian currency. Until 1920, such control was justified on the ground that Britain’s economic interests and Indian interests were compatible and that the world’s biggest money market was located in London. As the world economy came under strain and Britain stared at economic decline, that argument lost force and the control looked cynical. As the British economy weakened, some Indian businesses formed partnerships with the nationalists, and joined them in raising demand for autonomy.
In the 1940s, when independence was imminent, a blueprint for economic development drawn up by Bombay’s magnates and known as “the Bombay Plan,” declared that the future of India should be a *closed* economy and a *state-dominated* economy. Where did that idea come from? It did not come from a reading of history. The Bombay Plan, like a number of other plans designed in the decade before 1947, was shallow in its reading of history. It bypassed agriculture, rejected trade, forgot to mention foreign firms and deferred without good reason to a group of Soviet admirers in the Indian National Congress. The most famous member of the group was the first Prime Minister Jawaharlal Nehru. By doffing their hats to socialist politicians, the authors of the Bombay Plan hoped to gain unconditional access to Indian markets in exchange. And they did.

They campaigned so successfully that independent India turned its back on the ancient heritage of doing business with the world.

**8. HOW DIFFERENT WAS NEHRU’S TIME?**

When independence came in 1947, the new state set out to replace the Raj’s brand of openness and limited government with vengeance. Protection was raised to high levels and strengthened with nontariff barriers. Commodity exports were discouraged. There was public control of markets and assets, and skills and machinery imports faced stiff barriers. All this was done with such commitment that, thirty years after independence, trade and foreign investment had been reduced to insignificance, in-migration of skilled services stopped, whereas the size of the government relative to GDP had grown (Figure 3). The new economy delivered growth rates that were higher than before. But the elevated growth was financed by the taxpayer’s money, as opposed to commercial profits. It was not a sustainable strategy, and led to accumulation of public debt on a large scale and repeated foreign exchange crises, before it was retracted partially.

*Figure 3. India’s trade and government expenditure (per cent of GDP)*


The retreat from an open economy was bad news for foreign firms and Indian trading firms. Between 1950 and 1970, except multinationals selling goods to Indians, the European firms that were engaged in export-oriented trading and manufacturing were pushed out of India. A number of these firms were based in Calcutta. They exported jute and tea and procured capital,
technology, and senior managers from abroad. The nationalist state made taking these steps more difficult than before.

Another transformation occurred in private trade and finance in agriculture. In the nineteenth century, an interdependence had developed between foreign trade, domestic trade, and private banking, because industry and exports relied on natural resources and a great deal of private finance was tied to cultivation. After 1947, the government erected a regulatory system that drove private capital away from commercial infrastructure and institutions. There were bans on the export of agricultural goods, futures markets, different forms of long-distance trade in agricultural commodities, and the sale of agricultural goods except in approved sites. Most of these commercial activities were taken over by the government or heavily regulated by it. With the link between foreign trade, domestic trade and private finance snapped, all three dwindled.

On the other hand, the new economy did deliver a breakthrough, which would be unthinkable without the state. This was the promotion of high-yielding seeds that formed the mainstay of the 1960s Green Revolution. The seeds worked wonders together with the supply of water and nitrogenous fertilisers. Fertilisers were provided by the state at a subsidised price. Water was a critical issue because of the region’s tropical climate. Prior to independence, British engineers had constructed canals out of Himalayan rivers in wheat-growing Punjab. In the same region, major canal projects were taken up soon after 1947 to resettle migrant farmers from Pakistan. Later, the revolution spread to rice-growing deltas where peasants erected tube-wells to extract groundwater. Overall, the package raised farm output, yield, and wages above historical levels.

Just like Indian industrialisation, the Green Revolution owed its success to the flow of knowledge too. Only in this case, the government managed it. The government was a partner of the US government that had made a large food loan in the mid-1960s and therefore had some stake in India’s long-term agricultural prospects. The cooperation between the two governments enabled research collaboration between Indian scientists and land grant universities in the USA, where the strategy had first taken shape.

Outside agriculture, the closed economy and state dominance hurt. Protection had been raised to such high levels that importing technology was made difficult for smaller firms, with the result that potentially exportable light industry did not modernise and therefore did not flourish as much as it did in East and Southeast Asia. Around 1980, a silent reform in the deregulation of the exchange rate began. Immediately, exports of three light industries, clothing, leather goods and cut gems, jumped. But tariffs remained high. In 1991, there was fear of an exchange crisis because of poor export performance, import dependence, and the channelling of foreign currency into projects that did not create the capacity to repay in foreign currency.

The end of the closed economy was formally achieved in 1992 with a sharp drop in average tariff rates. What happened next? The media often answers the question using the analogy of a beast being released from captivity.

**9. THE TIGER UNCAGED?**

As soon as the economy opened up to trade and investment again, the GDP growth rate accelerated, led by a huge rise in manufacturing and services exports. History repeated itself. Figures 1 and 4 show that, in the two periods when the economy was open (1900-46, 1995-2010), private enterprise outside agriculture gained the most. Agriculture was less important at both times. In both colonial India and post-reform India, openness delivered robust capitalist growth.
But, in two other respects, post-reform India was different from colonial India. First, the government was big in the post-reform period, whereas it was small in the colonial period. One reason for the government’s large size is its commitment to agriculture. In the 1980s, the state granaries bought a great deal of the grain output for public distribution. The state also subsidized electricity, fertilizers, equipment and credit for farmers. Economic liberalization enabled the state to earn more money to afford spending more money on subsidies. Secondly, whereas in colonial India the in-migration of skilled services contributed to the growth of private enterprise, in post-reform India potential gains from the import of skilled services have been missed.

Figure 4. India’s GDP by main activities (per cent and 2004/5 prices)

The revival of private enterprise strengthened pro-market views among economists. It strengthened the discourse that made continued reform the priority of development strategy. To push that agenda, economists wrote articles explaining what had changed between 1950 and the 1990s. By and large, economists projected a view of history that was as mythical as the view put forward earlier by the nationalists. The nationalists floated the myth that indigenous capitalists were shackled by the Empire and needed protection from preying foreigners. The late twentieth century economists floated the myth that private enterprise was shackled by the socialistic state and that the reforms released this Prometheus from bondage (for one example, Aiyer, 2008).

The truth is, in 1950 politically connected Indian industrialists had been complicit in the choice of the socialist system. If shackles were imposed, they were imposed upon export-dependent global firms and commodity traders. That original partnership between the state and Indian industrialists stayed intact during Nehru’s lifetime. It soured around 1965 and turned into mutual hostility in the 1970s when for a number of reasons India was pushed to cooperating with the communist bloc. The hostility waned again in the 1980s as the East Asian miracle rekindled faith in private enterprise.

But the future growth of private enterprise is now up against the resistance to further economic reform.

The nationalism at the root of that resistance works by recreating a sense of history. The four key lessons of this essay together suggest how that mechanism functions and why it may be holding back economic reform in the present. Here are the four lessons.
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1. India experienced industrial capitalism in the nineteenth century thanks to having borders that were open to trade, investment, and knowledge.

2. India is again seeing a revival of capitalism thanks again to having borders that are open to trade and investment.

3. On this occasion though the inflow of capital remains limited and the inflow of knowledge brought in by skilled migrants is highly restricted.

4. Resistance to more openness comes in part from a distorted reading of economic history that tells Indians that openness is bad. That ideology is reinforced by self-interested businesses that fear foreign competition. Few, if any, leading figures of Indian business have made public statements in support of exposing services to competition.

Ideology and self-interest are not the only challenges that modern India faces. The challenge of transforming agriculture is still very large. The Green Revolution formula of combining high-yielding seeds with water and nitrogenous fertilisers could not work in all parts of the arid tropics and led to environmental disaster in some. Agriculture continues to be a drain on the budget, not least because exports were not allowed to work as an incentive for private investment in agriculture.

Indian politics has changed in the last twenty years in a manner that complicates dealing with these challenges. The closed economy of the 1950s was the product of a consensus because, when it came into being, one national party dominated Indian politics. From the 1970s, the axis of national politics moved to the regions. Regional figures began leading national parties or the regional parties that they formed themselves. The regionalisation of politics has made the competition between regions for domestic capital quite intense and some states do better in this game than others. But carrying out a national policy is another matter because that depends on a broad agreement between state leaders. This is rarely achievable, for the interests of the regions differ. Those that lose out in competition for private capital are prone to support more subsidies.

This was one reason why a mandate for a pro-reform national leader in 2014 was welcomed by many. But then one leader does not make a party. The ruling party is pro-business as well as nationalist. Its leaders want investment but cannot be seen to embrace cosmopolitanism. Some of its leaders want to rewrite history books, frown upon the use of English by Indians and from time to time make outlandish claims about the achievements of ancient Hindus that embarrass the intellectuals. It is not the only party with a split personality. In different ways, the same syndrome afflicts the communists and the centrist Congress. Above all, no politician seems able or willing to dispute the nationalist narrative that tells Indians to remain wary of opening up the economy to foreign businesses, because history shows that openness allowed foreigners to exploit the Indians.

But this is after all the official version of history that rules because no one seems to risk questioning it. Public opinion is another matter. Substantial parts of the Indian middle class have learnt to take globalization for granted. Business journalism is fairly international in outlook. So are the English language television channels. IT industry has produced a generation of globetrotters. More Indian students are going abroad for higher studies, and many of them hope to join a global labour market. We can imagine that those who join these worlds are less swayed by the nationalist narrative of the past than their parents once were. One would like to think that the emphatic outcome of the 2014 election was influenced by these people, and was at some level a verdict against protectionism. Perhaps it was a turning point after all.
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