Chapter 6

A History of the Indian Economy in Asian and Global Contexts, 1810s–2010s

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Abstract A grim temporal trajectory unfolded in the course of the nineteenth century in terms of the great divergence in the economic fortunes of Europe and Asia. Contrary to popular misconceptions, there was nothing ancient about Asia's poverty. The decade of the 1810s was a watershed during which Indian artisanal products lost their ability to compete in the global marketplace. China tea replaced Indian textiles as the most valuable commodity in the Company's trade, increasingly paid for by Indian opium rather than New World silver. The early twenty-first century is emerging as the moment of re-convergence with some prospects of Asia outstripping Europe and the West on key indicators of economic performance. This chapter narrates and explains the economic decline and rise of India during the preceding two centuries in a comparative and connective Asian and global context. It offers a careful account and explanation of different phases of poverty and prosperity.

6.1 Introduction

A grim temporal trajectory unfolded in the course of the nineteenth century in terms of the great divergence in the economic fortunes of Europe and Asia. Contrary to popular misconceptions, there was nothing ancient about Asia's poverty. In a path-breaking book titled *Asia before Europe*, Chaudhuri (1990) documented and analyzed the economic dynamism of Asia and the Indian Ocean world in the period until 1750. Before 1800, in Pomerantz's (2000, pp. 9–11, 17) view, there was "a polycentric world with no dominant center". He stresses the proximity of fossil-fuel energy and the contingent availability of New World resources in explaining the European breakthrough. Parthasarathi (2011, pp. 1–2) notes "profound similarities in political and economic institutions between the advanced regions of Europe and Asia" until the late eighteenth century. In his analysis, two pressures—the competitive challenge of Indian textiles and shortages of wood—generated the process of

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the British industrial leap forward. Probing why Europe grew rich and Asia did not, he pinpoints the early decades of the nineteenth century as the moment of the global economic divergence. The early twenty-first century is emerging as the moment of re-convergence with some prospects of Asia outstripping Europe and the West on key indicators of economic performance.

The year 1813 saw a revision of the charter of the English East India Company withdrawing its monopoly to trade with India and marking a triumph of the advocates of free trade over the mercantilists who had held sway in the eighteenth century. The decade of the 1810s was a watershed during which Indian artisanal products lost their ability to compete in the global marketplace. China tea replaced Indian textiles as the most valuable commodity in the Company's trade, increasingly paid for by Indian opium rather than New World silver. The decade of the 2010s may represent the close of a temporal cycle and the opening of a new one with manufacturing and financial clout shifting back to Asia.

6.2 The Era of Opium and Indigo, 1810s–1850s

Without control over Indian territories the English East India Company would not have been able to survive for half a century after the loss of its Indian trading monopoly. It had access to India's land revenue, a process that had begun with its acquisition of the *diwani* of Bengal in 1765. Control over the land revenue of Bengal had obviated the need to bring in silver to pay for Indian textiles. From the second decade of the nineteenth century Indian textiles lost out in world markets to the manufactures of England's industrial revolution. The Company met its requirement of remittances to the metropolis through the forced cultivation of indigo and financed its China tea trade by establishing a government monopoly over opium cultivation in India. Massive illegal sales of Indian opium in China made it unnecessary for the company to bring in silver to finance their purchase of tea. The opium monopoly provided about fifteen per cent of the income of the company state, and accounted for nearly thirty per cent of the value of India's foreign trade until the mid-1850s.

The number of chests of opium imported from India into China rose from about 4570 in 1800–1801 to more than 40,000 chests in 1838–1839 on the eve of the outbreak of the Opium War (Trocki 1999, p. 94). The East India Company had the dubious reputation of being by far the largest corporate drug dealer in the world during the first half of the twentieth century. The Company found willing Indian collaborators, especially among some Parsi traders, who helped transport opium from the hinterlands of northern and central India to the ports of Bombay and Karachi and from there by sea to China through Southeast Asia. In Southeast Asia, the Chettiar capitalists from Tamilnadu began their operation in the 1820s by selling cotton piece goods from the Coromandel coast. But the real breakthrough for Tamil capital in the Straits came with a waft of fragrant smoke and a whiff of notoriety. The most prominent among the Parsi opium dealers was Jamshetjee Jeejeebhoy who worked hand in glove with William Jardine and James Matheson ever since a chance encounter

between Jeejeebhoy and Jardine on board a ship in 1805. “Hong Kong and opium,” writes Fay (1997, p. xiv) of the situation in 1840, “the place, the British, the drug. A natural, deadly three-way symbiosis.”

Between 1808 and 1856 as much as \$ 384 million worth of silver flowed out of China as opium paid for Chinese tea that accounted for 85% of the world’s exports of the commodity until 1871. In the early nineteenth century Latin America, especially Mexico, served as the source of silver. The dislocations caused by the Latin American independence movements resulted in a drop in silver and also gold production after 1811. Taking account of this global context, Man HOUNG Lin has claimed that “the British could not find enough silver to pay for tea and silk and ended up using opium as the medium of exchange for them”. A close study of the deliberations in the British Parliament leading up to the revision of the Company’s charter in 1813 reveals, however, that the decision not to pay in silver for Asian commodities was very much part of “the calculations, strategies, forms and practices of imperial rule”. Lowe (2015) has brilliantly brought to light the intimacies of four continents—America, Europe, Asia and Africa—by showing the connections between African slave labor in the cotton fields of the US South, textile production and design in Asia, and the tea and opium trades of India and China in the making of British “free trade imperialism”. The great divergence cannot be explained merely by reference to proximity of fossil-fuel energy resources or the New World windfall for Europe. A connective history reveals the critical importance of the colonial conquest of India and the opium trail that led from India to China.

The colonial state was directly embroiled in the production and trade in opium. Its involvement with indigo was indirect through the setting up of financing mechanisms and bolstering of the power of European indigo planters, but quite as significant. Peasants were initially tempted with the money advance that came from indigo planters, but after 1830 indigo became a forced cultivation by an indebted peasantry. The early nineteenth century was a blue phase in dressing for European war and fashion. The dye drawn from the indigo plant grown in Bengal and Bihar, therefore, had a buoyant market in the West. There was an intra-Asian dimension to the indigo trade as well with significant markets in West Asia, especially Iran, and Central Asia. A mere 4% of the indigo production was locally consumed. The average annual value of indigo exports from Calcutta rose from Rs. 4 million in the decade 1796–1805 to Rs. 21 million during 1836–1845. The “blue mutiny” by peasants in 1859–60 brought the indigo system to an end in Bengal, but a different configuration of class forces ensured its continuation in Bihar until World War I (Bose 1993, pp. 45–51; Nadri 2016).

Opium and indigo were commodities of critical importance in the global economy of the first half of the nineteenth century and had key connections with the forms of servile labor that rose to prominence from the 1830s onwards. At one level, indentured and ‘apprentice’ labor and to a lesser degree convict or penal labor may be seen to have filled the breach in the plantation sector left by formal abolitions of slave trades and slavery. Yet there was something else of immense significance for the nineteenth-century world economy going on in the agrarian hinterlands of Asia. What was fashioned in the first half of the nineteenth century was a settled and

sedentarized peasantry, which during its latter half produced primary products for a capitalist world market. “The first half of the nineteenth century,” Bayly (1988) has argued, “was a critical period of the formation, by hammer blows from the outside, of the Indian peasantry.” The colonial state held wandering peoples without fixed addresses in deep suspicion. The mobility that characterized eighteenth-century rural society was replaced in the nineteenth with the immobility and stern discipline of agricultural commodity production.

6.3 The Era of Classic Colonialism, 1850s to 1920s

India, the homeland of cotton, came to be inundated with cotton manufactures from Britain only from the 1850s onwards. This was the period when India along with much of colonized Asia served as a vast market for Western manufactured products, especially British textiles, and the source for a wide array of agricultural raw materials. Raw cotton, raw jute, tea, coffee, oil-seeds, wheat and hides and skins were the chief exports of colonial India in the late nineteenth and early twentieth centuries. Cotton and jute were cultivated on peasant smallholdings in western and eastern India respectively while tea and coffee were grown on mainly European-owned plantations in Assam, Darjeeling and southern India. Sugihara (2013) has depicted this period as one of labor-intensive industrialization in East Asia, especially Japan. South Asia, by contrast, witnessed a process of labor-intensive commercialization of agriculture in this era. Peasants in the cotton and jute tracts switched to higher-value and more labor-intensive cash-crops. Unlike Japan, cottage industries did not flourish in the rural sector and there was no effort to improve the quality of labor through formal schooling or otherwise. At the end of colonial rule in 1947 a mere 13% of the Indian population had basic literacy—a smaller proportion than at the onset of colonial rule in the late eighteenth century.

The social organization of agrarian production in colonial India rested on a labor process utilizing the unremunerated and grossly under-remunerated work of family labor. Expanded commodity production for the capitalist world market was achieved efficiently and cheaply without resort to the formal commodification of labor. The refusal to be reduced to a commodity was itself a success of resistance by peasant labor determined to retain access to a combination of production-based and trade-based entitlement to consumption and subsistence. Western banks played a major role in the financing of Asian agrarian production and trade. From the late nineteenth century onwards, the surplus produced by peasant labor was extracted largely through the economic circuits of debt at the end of the production cycle. But this had to be tempered by the sharing of the responsibility for assuring subsistence and minimal needs of peasant labor through adequate provision of credit by the owners of land and capital at the beginning of the production cycle. It was the lines of credit that tied together the domains of land, labor and capital, and geared agrarian society to undertake production that sustained colonial commerce. Over the long term, agrarian society ‘peasantized’ during the early nineteenth century may be seen to

have fought a drawn-out rearguard action contesting and warding off the tentative forces of 'depeasantization' since the late nineteenth century. The human and social costs of the contradictions between capital and labor can be gauged by the direction of change in otherwise resilient social structures—the downward spiral of pauperization, the slower but significant shift in favor of demesne lords and a richer peasantry, and the subtle change in gender and generational roles to the disadvantage of women and children. The development of colonial capital resting heavily on peasant family labor meant the forcing up of the intensity of unpaid and underpaid women's and children's labor. Peasant labor clung on to the basic means of production—land—but became increasingly dependent on merchant and usury capital (Bose 1993).

Yet this was also an era of Asians on the move and new sets of intra-Asian connections were forged based on the specialized flows of capital and labor, skills and services, ideas and culture. Production relations based on settled peasant labor and migrant indentured or quasi-indentured labor were bound in a dialectical relationship. In East Asia, intra-regional trade flourished in this period, especially between Japan and China. In South and Southeast Asia, it may have been possible until the mid-nineteenth century to advance a simple demographic typology of densely populated and sparsely populated zones. The rise of plantations and mines dramatically unsettled that dichotomy. They drew their labor from the old-settled thickly populated agrarian regions, which got an extended lease of life through this escape-hatch of migration. Large contingents of Tamil labor, for instance, moved to the tea plantations of Ceylon and the rubber plantations of Malaya, just as Chinese migrant laborers were set to work in the tin mines of the peninsula. But the new concentrations of population also needed new sources of food, which the old rice bowls of Bengal, Tamil Nadu, Java and northern Vietnam were in no position to supply. This spurred the opening of the rice frontiers of the Irrawaddy delta in Lower Burma, the Chao Phraya delta in Thailand, and the Mekong delta in southern Vietnam largely financed by overseas Chinese and Indian capitalists. The triad of old agrarian zones, new plantations and mines, and newer rice frontiers linked by specialized flows of labor and capital remained in place from the mid-nineteenth century until the crisis of the depression decade arrested or reversed most of these flows (Baker 1981).

The labor-intensive commercialization of agriculture did not create conditions for sustained prosperity. There were short periods of boom, for example, in the cotton tracts when the civil war of 1861–1865 cut off supplies from the United States. The economic downturns of the 1870s and the 1890s exposed the vulnerabilities of the Indian agrarian economy. A series of terrible famines occurred in the late 1890s and the turn of the twentieth century, that devastated the peasantry in the cotton-growing regions of western India. A premier British medical journal, *The Lancet*, estimated famine mortality in India during the 1890s at 19 million which was about half the population of Britain. The death toll for the 1897 famine ranged from the official figure of 4.5 million to unofficial claims of up to 16 million. These were the severest of the many "late Victorian holocausts" (Davis 2000). In 1900 the Viceroy, George Nathaniel Curzon, tried to pass off a severe problem of political economy as a problem of nature. In 1902, he claimed that "to ask any Government to prevent the occurrence of famine in a country, the meteorological conditions of which are what

they are here and the population of which is growing at its present rate, is to ask us to wrest the keys of the universe from the hands of the Almighty". This view was effectively contested by Romesh Chunder Dutt and Dadabhai Naoroji, who squarely blamed colonial fiscal and financial policies for these man-made disasters. In eastern India, a short-lived boom in the jute economy between 1906 and 1913 was swept away at the onset of World War I (Bose 2008; Ali 2018).

From 1870 to 1914 India's export surplus based on raw material exports was critical in offsetting Britain's deficit in the international system of trade and payments. The transfer of funds from colony to metropolis through a variety of mechanisms and for a variety of purposes led Indian nationalists to charge that there was a systematic "drain of wealth" from India. The devaluation of India's silver-based currency between 1873 and 1893 increased the burden of payments to the gold-based metropolis. While Indian capital made a move from commerce to industry in western India during the latter half of the nineteenth century, the establishment of a factory-based cotton textile industry in Bombay and Ahmedabad did not quite enable India to catch the second bus to industrialization along with Japan, Germany, Russia and the United States. The Lancashire lobby's influence in British politics meant that fiscal and financial policies remained tilted against Indian industrial interests. For example, the late imposition of a customs duty on British textile imports was counter-balanced by the levying of a countervailing excise duty on Indian cotton textiles. In eastern India, the jute mills that came up along the Hooghly River in the late nineteenth and early twentieth century were almost entirely European owned. By the late 1920s nearly half of the raw jute was consumed by these mills, but another half continued to be exported to Dundee in Scotland and other jute-manufacturing destinations in the West.

6.4 The Era of Depression and War, the 1930s and 1940s

With the onset of the 1930s depression the finely tuned structure of inter-regional interdependence across Asia quickly fell apart. Migrant Indians, Chinese and Javanese had formed on a conservative estimate at least 10% of the working population in Southeast Asia during the first three decades of the twentieth century. The world depression either reversed or arrested these demographic flows. In India, the depression witnessed a catastrophic price fall and a dramatic shrinkage in the availability of credit, which in turn spawned severe social tensions and political conflict. Having its origins in weakening demand for raw materials in the industrial West since 1926, the slump was accentuated in agrarian Asia as a result of policies adopted in Western Europe and the United States. The advanced industrialized countries of the West, including Britain, had responded to the crisis of the depression with policies of deflation, erection of protective tariff barriers, and huge cutbacks in foreign lending. In September 1931, the British pound sterling was taken off the gold standard, and the Indian rupee tied to it at a fixed exchange rate of 1 shilling and 6 pence. With the pound and the rupee effectively devalued against gold, and the rupee artificially

pegged to the pound at a high exchange rate, a dramatic outflow of gold took place from India.

Between 1929 and 1931 the rising trend of the value of exports underwent a dramatic reversal in much of agrarian Asia including India, but not in silver-based China or Iran. The devaluation of China's silver-based currency helped to keep up the value of Chinese exports. The critical turning point for China came in 1933 once the United States went off the gold standard and launched a silver purchase program driving up the international price of silver. From 1933 massive outflows of silver from China began, the money supply contracted causing an acute deflationary downslide of prices. A neo-Smithian critique of Friedmanite monetarist economics as applied to China claims that although the silver stock declined the total money supply in China rose continuously from 1929 to 1935. Both sides in the debate acknowledge that prices fell precipitously, whether owing to the quantity of money effect or the relative price effect. But the neo-Smithian intervention contains general claims about the strength of financial intermediation in China in the 1930s and stoutly denies that the US silver purchase policies set off a chain of bad economic events. On this view, China in this period had a free banking system on the commodity standard and that the Chinese banks in the period from 1929 to the currency reform of November 1935 issued real bills backed by reserves and government securities. But the historical evidence from agrarian China suggests that paper notes were freely being issued not just by banks but by landlords and grain-dealers, indeed, almost by anyone who had access to a printing press. Banking could not be freer and the bills could not be less real. Strong financial intermediation was not a characteristic of agrarian China at this time. Money was tight in the villages and it was extremely difficult to obtain even a small loan in cash. As in India, the buoyancy of output and intermediation in certain sectors of commerce and industry may have been at least in part based on the transfer of capital from the rural to the urban credit sector. The great outflow of silver from the hinterland to the coastal cities beginning in 1933 represented an unprecedented movement of financial capital out of agriculture, sparked by rising silver prices in the United States, a process not so dissimilar from the outflow of gold in India which constituted a massive disinvestment by the agrarian sector.

The political economy of late colonialism presented some marked departures from the classical patterns of the earlier era. The dislocations of World War I had provided effective, though not formal, protection to India's cotton textile industry. In 1922 London conceded fiscal autonomy to the colonial government of India. But it was the depression decade that fundamentally altered the metropolis-colony economic relationship. Lancashire dramatically lost out to Bombay and Ahmedabad whose cotton production far outstripped British imports. The British introduced a system of imperial preference in tariffs and trade through the Ottawa agreement of 1932. This kept Japanese goods from flooding the Indian market at a time when the Japanese were able to take over vast portions of the Southeast Asian and Middle Eastern markets beating the British not just in price but in the ability to cater to local taste.

The rupture of credit relations in agrarian India proved to be a lasting legacy of the depression decade. With the outbreak of war in Europe the winds of inflation started blowing in Asia and a dramatically new price conjuncture in global history began.

Yet despite a dramatically different price conjuncture rural credit relations were not repaired. Partly this had to do with counter-productive political interference in the problem of rural debt. Also, prices of India's key cash crops did not rise as much as skyrocketing food prices. Three gigantic famines occurred in Asia during World War II between 1942 and 1945—in Bengal in India, Henan province in China, and Tonkin in Vietnam. These were all “man-made” famines in more senses than one, occurring in the context of no significant decline in aggregate food availability. The British late colonial state in India, the US-backed Guomindang regime in China, and the Japanese-supported Vichy government in Vietnam made disastrous state interventions in markets and showed a broadly similar apathy towards organizing famine relief. The reconfiguration of relations between the state and the market during the war and its aftermath influenced the transformations of the post-colonial era (Sen 1981; Bose 1990).

The inflationary pressure in India was triggered by a huge expansion in public expenditure. Colonial India had to pay for war expenditure here and now by printing rupees while sterling credits built up in the Bank of England. The money supply in India rose from about Rs. 3 billion in 1939 to Rs. 22 billion in 1945. Galloping inflation caused immense hardship to the rural poor who suffered grievously in the Bengal famine in which between 3.5 and 3.8 million people died. At the same time, the war economy reversed the longstanding debt relationship between metropolis and colony, as well as the nature of the links between the colonial state and the economy. By war's end Britain owed a debt of L 1.3 billion to the colonial government of India. The colonial state had intruded into the food market to provision troops and industrial workers, procuring grains from rural areas and selling through ration shops in towns and cities. The terrible famine of 1943 shredded what little remained of the legitimacy of the British raj in India (Baily and Harper 2005).

6.5 The Era of State-Led National Development, 1940s to 1990s

This is the one period marking the heyday of the nation-state characterized by the disruption of older forms of intra-Asian connections and the pursuit of alternative approaches to economic development. The spectacular post-war recovery of Japan between the 1950s and 1970s provided a model for the export-led economic development paradigms of the so-called Asian tigers—South Korea, Taiwan, Singapore and Hong Kong. Yet the example of these island-nations—big, medium and small—was not emulated by the large continental nation-states. The more populous countries of Asia—India and China in particular—followed variants of import-substituting industrialization with different degrees of success. Post-1947 India staved off the specter of colonial-era famines, but remained beset by chronic malnutrition and hunger. Post-1949 China scored well in normal years in the field of basic health and education, but could not prevent the largest famine of the twentieth century during the “great

leap forward” in 1959–61. Both managed to build a heavy industrial base, but growth rates remained sluggish.

It is important to note that the concept of national development predated that of colonial development in India. The Indian National Congress headed by Subhas Chandra Bose had set up a National Planning Committee with Jawaharlal Nehru as chairman to draw up blueprints for the economic and social reconstruction of India two years before the passage of the British Colonial Development and Welfare Act of 1940. Rabindranath Tagore, despite being skeptical of the modern nation-state, supported Bose’s modernist vision of economic reconstruction. This vision differed from Mohandas Gandhi’s predilection for self-governing and self-sufficient village communities.

Yet a scholarly obsession with the contrast between Gandhi’s localism and Nehru’s centralism misses out a whole range of thinkers and planners in between who proposed innovative ways of crafting the relationship between nation and state and a balanced view of the role of the state in development. There were many self-avowed socialists who did not subscribe to the Nehruvian project of centralization and were more amenable to ideas of regional autonomy and an equitable sharing of power among different religious communities as the basis for development. The capture of power at the apex of a centralized postcolonial state also led to a forgetting of the idioms of national development emphasizing the removal of poverty, illiteracy and disease in favor of an instrumental approach (Bose 1997).

This was not simply a case of Nehruvian modernism triumphing over Gandhian traditionalism. Modernist socialists criticized the Nehruvian state for eagerly inheriting the colonial mantle. The scientist Meghnad Saha, a key figure in the National Planning Committee during 1938–1940, lamented that the Bombay Plan of 1944 had been hatched by “a syndicate of capitalists,” that the Department of Planning and Development established later that year was the handiwork of “foreign bureaucrats,” and that in the case of the Bengal Government Plan of 1945 “the Civil Service provided the philosophy and the direction.” (Chatterjee 1986, pp. 431, 445). The official version of development had not only arisen after but was now betraying the popular, national efforts in that direction.

Postcolonial India relied more on the colonial Planning and Development Department set up in 1944 than the work of the National Planning Committee during 1938–1940. From the mid-1950s Indian planners led by P.C. Mahalanobis opted for the path of capital-goods led import-substituting industrialization. This was a departure from the more ubiquitous “textiles first” model which was the choice of neighboring Pakistan. It was also quite at variance with the “export-led” strategies pursued by Southeast Asian countries in imitation of Japan. It is clear that the export pessimism in India around 1960 was completely misplaced and may have been a missed opportunity to accelerate economic growth. But the bigger failure related to the utter neglect of primary education and primary health care. In the first two decades after independence India was an “emergent state” to the extent that it successfully improved the savings rate, set up a heavy industrial base centering on iron and steel and chemicals, and from the 1960s broke out from the agricultural stagnation of the first half of the twentieth century

In the late 1960s and early 1970s the lost idioms of national development were partially but not wholly rediscovered in the “populist” political and economic program of Indira Gandhi with its emphasis on poverty eradication and rural employment. This rediscovery was based on a realization that the Nehruvian consensus had not cared to address the means-using needs of the poor. Yet even Indira Gandhi’s populism left a gap between prospectus and performance. In the late 1980s Sen (1989, p. 374) offered a lucid assessment of India’s development experience in the first four decades since 1947 by drawing a distinction between what is instrumental and what is intrinsic: “The importance of savings and investment is instrumental rather than intrinsic,” he wrote, “and any enhancement of instrumental variables may be washed out, in the tally of final accounting, by a deterioration of the impact of that instrumental variable on things that are intrinsically valuable.” Post-1947 India did not have post-1949 China’s direct and massive public action to improve living conditions. This accounted for the fifteen-year difference in average life expectancy in the two countries by the late 1980s. If India had China’s lower mortality rates, “there would have been 3.8 million fewer deaths in India around the middle 1980s.” As Sen (1989, p. 384) puts it, “every eight years or so more people in addition die[d] in India—in comparison with Chinese mortality rates—than the total number that died in the gigantic Chinese famine.”

6.6 India in the Era of “the Rise of Asia”

In 2016 India completed twenty-five years of economic reforms initiated in 1991. P.V. Narasimha Rao, prime minister from 1991 to 1996 instructed his finance minister Manmohan Singh to dismantle what had come to be called the permits, licenses and subsidy raj. In mid-1991 India faced an acute balance-of-payments crisis, making it necessary to seek an IMF loan to tide over it. However, the Indian state made a virtue out of necessity by removing the many barriers to the entry, expansion and diversification of firms by proclaiming a new industrial policy. The stifling practice of licensing the use of industrial capacity was virtually abolished. The bureaucratic logjams on the road to economic development were gradually removed. Jean Dreze and Amartya Sen noted that these economic reforms addressed only the first part of a two-pronged problem facing Indian economic development. The reformers pulled back from over-intervention by the state in certain sectors but did not redress state negligence of social sectors, especially, health and education.

Any assessment of emergent states needs to place in context and explain the phenomenon widely described as the rise of Asia since the opening up of China to the global economy since 1979 and the economic reforms in India since 1991. In 1979 the size of the economies of China and India was roughly the same. After nearly four decades of rapid growth in both countries China’s economy is now five times the size of India’s economy. Even though India accelerated from the 3–4% “Hindu” rate of growth of the 1947–1980 period, China grew much faster as it quickly became the manufacturing hub of the world exporting to overseas markets. The emphasis

on health care and education in the Maoist era had also enhanced the quality of labor that served as the springboard for rapid economic development in the post-1979 era. Between 1900–1901 and 1946–1947 the Indian economy had stagnated recording growth rates of 0.90% total and 0.10% per capita. The corresponding figures in 1950–51 to 1960–61 were 3.70% total and 1.80% per capita, from 1960–61 to 1970–71 3.40% total and 1.20% per capita, and from 1970–71 to 1980–81 also 3.40% total and 1.20% per capita. From the early 1980s there was a spurt in growth, well before the launch of the celebrated economic reforms of 1991. From 1980–81 to 1990–91 the Indian GDP grew at 5.20% total and 3.00% per capita, from 1990–91 to 2000–01 at 5.90% total and 3.90% per capita, and from 2000–01 to 2010–11 at 7.60% total and 6.00% per capita. The growth rate peaked at 9.00% early in the current decade before falling back to under 6.00% in the current year.

It is important to ask what the dramatic acceleration of economic growth rates in emergent Asia has meant for the global balance of power and what impact it has had internally on the pressing problems of poverty and inequality. Also, the rise of Asia is not a linear story, but one interrupted by downturns, such as, the Asian financial crisis of 1997–98. India was better able to ride out that crisis than several countries in Southeast Asia, especially, Thailand, Indonesia and the Philippines. If the forces of contemporary globalization have a dark under-belly, so do the flows of labor migration that constitute today's Asian inter-regional arena. Yet there is no gainsaying the fact that with China as creditor to the United States and Asia as a whole powering ahead in manufacturing and services, the relations between Asia and the West are much different today from what they were two centuries ago.

Where does India stand in relation to the rest of Asia beyond the widening gap in the size of the economies of China and India in the last four decades? To be sure, India has emerged at a pace second only to China as Asia recovered in the early twenty-first century the global position it had lost in the late eighteenth. Dynamic economic growth infused a new sense of confidence. India was able to cope with the global financial crisis of 2008–9 in a more efficient manner than most countries of the world. Yet India's performance in the areas of basic education and health care for the poor has left much to be desired in comparison with other countries of Asia, excepting Pakistan. India ran the risk, as Amartya Sen put it, of becoming half-California and half sub-Saharan Africa. The rich in the major urban centers indulge in conspicuous consumption while the tribal peoples in India's rural and forest heartland continue to suffer acute deprivation. A very large number of districts in Bihar, Jharkhand, West Bengal, Orissa, Chhattisgarh and Andhra Pradesh have witnessed resistance by peasants and forest peoples to protect their rights to land against incursions by large capitalists.

The current government headed by Narendra Modi came to power promising development and announced a "make in India" campaign with much fanfare in 2014. However, as China has moved up the manufacturing chain, countries like Vietnam, Cambodia and Bangladesh have taken its place as manufacturing centers with relatively low labor costs. India may have already missed that bus and is increasingly reliant on the buoyance of the services sector as the agrarian sector continues to languish. The current government's attempt to pass a land acquisition law that would

have made it easier to alienate peasant and tribal land was successfully resisted by the opposition.

The government's rhetoric about development has not been matched by actual accomplishment. The politics of religious polarization and caste conflict also do not bode well for the development agenda. On November 8, 2016, Narendra Modi suddenly announced the immediate demonetization of Rs. 500 and Rs. 1000 currency notes amounting to 86% of the circulating currency. This measure undermined the economy of trust, causing immense distress to elderly citizens and poor workers in the vast informal sector of the economy. It also contributed to the slowdown in the rate of economic growth. Yet it is not this deceleration of growth but distributional issues that pose the greater challenge to emergent states of Asia, including India.

An analytical survey of the economic history of India in broader Asian and global contexts yields one powerful insight or conclusion. Asia has prospered not through economic autarky, but by mustering the political and cultural resources to set the terms of global engagement, something that was effectively denied in the colonial era throughout all of Asia excepting Japan. In this process of denial colonized India suffered most grievously. It is by engaging with the global economy and recovering its own agency that much of Asia is being able not just to ride the upswings of the global economy but also to reduce vulnerabilities to its more volatile downturns, such as, the one that gripped the world since 2008–09. As the United States and parts of Europe turn inward, India and the rest of Asia have an opportunity to enhance intra-Asian trade and investment while keeping the lines of economic exchange open with the rest of the world. If India and the rest of Asia can address the problems of inequity alongside achieving rapid growth, what many predict will be an Asian century can turn out to be a truly prosperous era in the history of the continent.

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