

Conclusion

India did not exist as a contiguous country until it became part of the British Empire. Under the British Empire, India encompassed present day Bangladesh, Pakistan and was administered together with modern-day Burma and Sri-Lanka. Before the advent of the British, India was represented by a sub-continent which was a disparate mix of kingdoms, north and south. China, however, existed as a unitary state for centuries, expanding its borders over time as well as facing invasion as did India. India became independent from Britain in August 1947 and China was declared a republic by Mao Tse-Tung in October 1949. Both countries then followed a development path emulating the Soviet Union, based on a centrally planned economy and heavy industrialisation. China for the next three decades and India for the next four decades. India's economic development after 1949 was hampered by the disadvantages to its economy which resulted from British rule, and exacerbated by central planning. Firstly, Indian infrastructure was oriented to serve the needs of the British economy. In other words, to ease the transport of raw materials from India to Great Britain. Secondly, British rule diminished Indian entrepreneurial activity, such that future generations simply did not find it easy to be entrepreneurial

at a microeconomic level. Thirdly, agricultural land was distributed unfairly with very big landowners and small tenant farmers. Fourthly, India's financial system was not well developed. Usury was common, giving rise to financial slavery. Finally, the inherited political, cultural, social and linguistic class gave way to institutional rigidity. Central planning, the eradication of private property and the 'license raj' exacerbated these factors leading India to achieve underdevelopment after independence in 1947. On the other hand, China had a private sector before the declaration of the Republic in 1949; and this co-existed with central planning for at least a few years. However, China's infrastructure was underdeveloped before 1949 but after 1949 the emphasis of infrastructural development was to facilitate heavy industrialisation. This led to railways in the interior, with the implication that all of China's infrastructure was in the wrong place when the economic reforms of 1978 commenced. In contrast to India, entrepreneurship was a part of Chinese culture for centuries and was embodied in the ancient Silk Road. Furthermore, Chinese society embodied institutional flexibility and adaptability, perhaps due to the chaos of the civil war, the many years of civil war; and the experimentation of the Great Leap Forward and the Cultural Revolution. This allowed China to make one final bold experiment in 1978, opening up to the world economy and the free market reforms, after the US adopted the 'One-China' policy, recognising the supremacy of the People's Republic of China over the Republic of China as the sole representative of the Chinese people. Institutional flexibility and entrepreneurship allowed the Chinese economy to grow through capital accumulation and technological progress as the free market reforms progressed. India has progressed in terms of emulating China's infrastructural developmental pathway to economic growth, but it needs to overcome institutional rigidity and lack of entrepreneurship at the microeconomic level. High levels of entrepreneurship at the microeconomic level promotes institutional flexibility. Institutional flexibility promotes entrepreneurship at the microeconomic level. Entrepreneurship brings about economic change and economic change results in institutional change. Volume 2 will examine, China's lessons for India, the political economy of change.

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