

THE ECONOMIC RISE OF INDIA: PROBLEMS, CHALLENGES, OPPORTUNITIES

ROMAR CORREA*

Reserve Bank of India Professor of Economics,
University of Mumbai, India
romarcorra10@gmail.com

ZHIHUA WANG

Glasgow Caledonian University, London, England, UK
Zhi.Wang@gcu.ac.uk

NIKOLAOS KARAGIANNIS

Winston-Salem State University
karagiannisni@wssu.edu

Abstract

India's rapid economic development has attracted the interest of scholars worldwide following its emergence as one among the world's largest economies and has stimulated research into the underlying factors that may have made this experience possible. In advancing research on India, the special issue of the American Review of Political Economy titled "The Economic Rise of India: Problems, Challenges, Opportunities" brings together a number of relevant papers. The contributions included in this special issue help with refining our understanding of the forces that have been driving India's social, economic, political, institutional and technological developments, addressing the related issues, thus, advancing the social economic literature within the country's context.

I. INTRODUCTION: SETTING THE CONTEXT

India's rapid economic development has attracted the interest of scholars worldwide following its emergence as one among the world's largest economies and has stimulated research into the underlying factors that may have made this experience possible. In advancing research on India, the special issue of the *American Review of Political Economy* titled "The Economic Rise of India: Problems, Challenges, Opportunities" brings together a number of relevant papers. The contributions included in this special issue help with refining our understanding of the forces that have been driving India's social, economic, political, institutional and technological developments, addressing the related issues, thus, advancing the social economic literature within the country's context.

Furthermore, this issue seeks to reinvigorate debates on the growing forces influencing India's social and economic evolution. Addressing different aspects, the papers add intellectual value to several neglected areas in the discussion of India's rapid economic expansion, such as, blocked unbalanced endogenous development, mass migration, vexing poverty, and disparities in access to education, public health, housing, funding options, and upward mobility opportunities.

With respect to the domestic issues, the papers included in the issue point out how industrial policies can positively influence market outcomes. The knowledge economy and innovation play a crucial role, yet, how this is to be realized will require appropriate government action which may also affect cultural development. The challenges identified in this issue could be expanded to include employment, personal and group identities, working conditions and wages, social categories such as gendered spaces, age cohorts, and social class distinctions. More importantly, institutional policies concerning business sustainability and increasing globalization pose further

*Corresponding author

challenges for migration across the geopolitical landscape, economic growth, and employment.

Thus, this special issue seeks to serve the interests of scholars who wish to understand more fully the rise of India as well as of other emerging economies. Future research could engage with how governments, institutions, and groups navigate across different cultures by adjusting their own policies, beliefs, expectations and preferences to meet the increasingly difficult challenges that confront economies and their citizens around the world.

II. THE STRUCTURE OF THE ISSUE

The edited issue *The Economic Rise of India: Problems, Challenges, Opportunities* is structured around two main themes –which are also the titles of its two parts. Part I, titled “Economic Development Aspects”, comprises the first four papers. The opening paper by Kalim Siddiqui discusses the economic changes in the Indian economy in the last seventy-five years after independence. The Indian growth process has been marked by the relative absence of structural change and inability to shift people out of low productivity sectors –such as agriculture– into higher value ones –such as manufacturing. Moreover, the recent growth has resulted in growing inequalities and has increased consumer borrowings sharply to provide domestic demand as people’s incomes have not risen in tandem. It seems that such an economic strategy is inherently unsustainable. This growth process is now reaching the limits of its viability and is facing constraints posed by economic, social, political, and environmental challenges.

The second paper by Aneesh Correa and Romar Correa directs attention to remarks that apply to India as well as to any country of the world. Investment in plant and machinery, even if multipurpose and driven by cloud computing and Artificial Intelligence (AI), is a purposeful thrust into the future. In order to earn profits, expected demand must justify the considerable costs incurred today. If the future is clouded by the portent of shocks that cannot be forecasted, investment plans are stillborn. The contemporary twist is options that are available to corporations. Nonfinancial firms can transmute into financial firms. Stock market returns remain high, even if volatile, through financial crises. The cost of subdued real activity is unemployment. The labor market remains in a long twilight with no work and flat or falling wages. Clearly, the state must bridge the present and a perilous future. An imaginative industrial policy for India, for instance, would connect failing agriculture and soporific industry. However, the state and monopoly capital are in cahoots and at war with the Indian people. In this paper, the authors also share their diary of recording events as they unfold in the Indian economy. The mere reporting of incoherence and contradictions underscores the irrationality of the Indian form of capitalism.

The third paper by Nikolaos Karagiannis and Philip Slater has as its overarching intention to propose an alternative economic development framework for India taking into account the country’s historical, social, cultural, institutional, and political characteristics. The main focus of the paper is to sketch out the policy framework that might be advisable to promote an internally-propelled growth pattern and diversify the production lines of India while broadly spreading the socioeconomic gains. To this end, a “developmental state argument with Indian characteristics” is proposed as a realistic alternative policy framework for the support of selected industries of high potential and achievability while leaving space for further social and political advancement.

The fourth paper by Salimah Valiani examines the early, post-Independence development experience of India through the lens of mineral-based industrialization. Retracing a history engendered by mass production and what is now called the “developmental state”, the author argues that India has been largely successful in erecting capital goods and other manufacturing industries but equally unsuccessful in creating employment and reversing impoverishment of the majority of Indian people. The author further argues that the political-economic process of mineral-based industrialization established a structure of inequality by 1980, which continues to shape industrial growth and development of India today. For India and other developing countries, given the effects of climate change coupled with “the renewable energy revolution,” a returned focus to agricultural productivity framed by the social goals of food sovereignty, ecological soundness and collective control, offers possibility for long-awaited change.

Part II, entitled “Social, Institutional, Political, and International Relations Dynamics”, contains three papers. The fifth paper by Zhihua Wang, Michael Tong and Thomas Peschken-Holt draws attention to social wavefunctions, which are intertwined with the cognitive waves and impact social transformations and changes. The authors, specifically, examine how their interplay impacts evolutionary fitness and adaptative dynamics towards economic growth and a better society. The empirical study of the contribution sets the focus on the emerging economy of India, and the results suggest that human societal evolutions incur in pattern changes that are hinged on social, economic, and political forces. The social phenomena, studied by the authors, offer implication for sustainability and resilience of human societies and unfold knowledge from the perspective of Quantum Mechanics entanglement.

In the sixth paper, Rajendra Srivastava and Lydia Kulik analyze several characteristics that distinguish the digitization process in India. One such important distinctive feature is the role of the state in this process, which has created the most important digital platforms and keeping them freely available to citizens and businesses as public goods. The basis for these platforms has been India's biometric identity system of citizens called 'Aadhaar'. The other distinctive features are the private-public partnership, and the active participation of private players in India's digital revolution. Despite the strong political drive to bring India back to its cultural and historical routes, the country is simultaneously moving towards its very ambitious goal of becoming a new powerful technology player and a global innovation hub in the near future. The paper pays attention to both the beneficial and negative consequences of the digitization phenomenon, and examines the obstacles and limitations associated with the unprecedented growth of this sector. Successful digital transformation has given hopes about addressing many of the serious challenges that India faces today, such as job creation, quality of education, energy efficiency, sustainable development and climate change. These forward-looking aspects of India's digital revolution receive the attention of the authors too.

In the last paper, Mueni wa Muui argues that India and South Africa use South-South cooperation to protect and promote their national interest. Their relations are based on both idealism and realism and are dependent on the conditions and the issues involved. Both countries value human rights, expanding participatory democracy, and non-intervention in other countries' internal affairs. From the Indian classics to the present, India has used realism with Indian characteristics. Its objective in the Non-Aligned Movement focuses on the need to make independent decisions in order to have a more equitable international order. India's domestic success depends on how it addresses international challenges. These ideals have been noticed in the various administrations in India from Nehru to Modi. As middle power states, both India and South Africa use soft power in their attempts to transform international organizations and the Western-dominated world system. South-South relations between the two countries focus on increased commercial relations, exchange of technology, defence, maritime agreements as well as cultural exchanges and people to people interactions. But despite their strong relations, India is not among post-apartheid South Africa's top ten trading partners. It remains to be seen how South-South relations between India and South Africa will develop in the new and constantly evolving global order.

Our task would have been incomplete if we had not acknowledged all those who aided us in editing this special issue. We wish to thank the distinguished contributors for their willingness to participate and respond to our suggestions, and the editorial office of the *American Review of Political Economy* which has welcomed our ideas and contributions and has provided excellent support. Last, but not the least, we would like to thank our families for their continuous support and encouragement, and our colleagues and students for the inducements. We owe them more than we can recount.