

workforce. Its dependency ratio—the proportion of children and old people to working-age adults—is one of the best in the world and will remain so for a generation. India's economy will benefit from this "demographic dividend", which has powered many of Asia's economic miracles.

The second reason for optimism is India's much-derided democracy. The notion that democracy retards development in poor countries has gained currency in recent years. Certainly, it has its disadvantages. Elected governments bow to the demands of selfish factions and interest groups. Even the most urgent decisions are endlessly debated and delayed.

China does not have this problem. When its technocrats decide to dam a river, build a road or move a village, the dam goes up, the road goes down and the village disappears. The displaced villagers may be compensated, but they are not allowed to stand in the way of progress. China's leaders make rational decisions that balance the needs of all citizens over the long term. This has led to rapid, sustained growth that has lifted hundreds of millions of people out of poverty. Small wonder that authoritarians everywhere cite China as their best excuse not to allow democracy just yet.

No doubt a strong central government would have given India a less chaotic Commonwealth games, but there is more to life than badminton and rhythmic gymnastics. India's state may be weak, but its private companies are strong. Indian capitalism is driven by millions of entrepreneurs all furiously doing their own thing. Since the early 1990s, when India dismantled the "licence raj" and opened up to foreign trade, Indian business has boomed. The country now boasts legions of thriving small businesses and a fair number of world-class ones whose English-speaking bosses network confidently with the global elite. They are less dependent on state patronage than Chinese firms, and often more innovative: they have pioneered the \$2,000 car, the ultra-cheap heart operation and some novel ways to make management more responsive to customers. Ideas flow easily around India, since it lacks China's culture of secrecy and censorship. That, plus China's rampant piracy, is why knowledge-based industries such as software love India but shun the Middle Kingdom.

India's individualistic brand of capitalism may also be more robust than China's state-directed sort. Chinese firms prosper under wise government, but bad rulers can cause far more damage in China than in India, because their powers are so much greater. If, God forbid, another Mao were to seize the reins, there would be no mechanism for getting rid of him.

That is a problem for the future. For now, India's problems are painfully visible. The roads are atrocious. Public transport is a disgrace. Many of the country's dynamic entrepreneurs waste hours each day stuck in traffic. Their firms are hobbled by the costs of building their own infrastructure: backup generators, water-treatment plants and fleets of buses to ferry staff to work. And India's demographic dividend will not count for much if those new workers are unemployable. India's literacy rate is rising, thanks in part to a surge in cheap private schools for the poor, but it is still far behind China's.

Advantage India