

India's economy

India's surprising economic miracle

The country's state may be weak, but its private companies are strong

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HORRIBLE toilets. Stagnant puddles buzzing with dengue-spreading mosquitoes. Collapsing masonry. Lax security. A terrorist attack. India's preparations for the 72-nation Commonwealth games, which are scheduled to open in Delhi on October 3rd, have not won favourable reviews. "Commonfilth", was one of the kinder British tabloid headlines. At

best—assuming that the organisers make a last-minute dash to spruce things up—the Delhi games will be remembered as a shambles. The contrast with China's practically flawless hosting of the Olympic games in 2008 could hardly be starker. Many people will draw the wrong lesson from this.

A big sporting event, some people believe, tells you something important about the nation that hosts it. Efficient countries build tip-top stadiums and make the shuttle buses run on time. That India cannot seem to do any of these things suggests that it will always be a second-rate power.

Or does it? Despite the headlines, India is doing rather well. Its economy is expected to expand by 8.5% this year. It has a long way to go before it is as rich as China—the Chinese economy is four times bigger—but its growth rate could overtake China's by 2013, if not before (see article (/node/17145035)). Some economists think India will grow faster than any other large country over the next 25 years. Rapid growth in a country of 1.2 billion people is exciting, to put it mildly.

People power

There are two reasons why India will soon start to outpace China. One is demography. China's workforce will shortly start ageing; in a few years' time, it will start shrinking. That's because of its one-child policy—an oppressive measure that no Indian government would get away with. Indira Gandhi tried something similar in the 1970s, when she called a state of emergency and introduced a forced-sterilisation programme. There was an uproar of protest. Democracy was restored and coercive population policies were abandoned. India is now blessed with a young and growing

