

Capitalism and the Rise of a Global India

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Abstract

When India launched market-oriented economic reforms in 1991 not many expected that it would lurch from a severe crisis to an aspiring great power within a short span of three decades. India today is among the fastest growing major economies in the world with its GDP predicted to be behind only USA and China in the next few decades. Such a change in fortunes is unprecedented for a country that struggled to grow while maintaining its fiscal sustainability during the heydays of socialism. India's global presence is easily recognizable with its footprint in trade in goods and services, capital investment, infrastructure development and migration of productive labour across the globe. Power can have various bases however the economic dimension remains pivotal in reinforcing other forms of capabilities a nation requires to flex its muscle globally. India's recent surge owes to the capitalistic market-oriented reforms and therefore to continue the current growth momentum it shall further need to deliver on reforms without giving in to the socialist populist demands of a vociferous democracy. A liberal democracy and a capitalist economy remain by far the safest bet for India to emerge fully as a major power in the world.

Keywords: development; capitalism; socialism; economic reforms; economic power; great power

Introduction

India has attracted global attention due to its size, diversity, economic potential, experiment with democracy and, also its strategic role and location in the Indian Ocean. The world has viewed India with hope and admiration ever since its independence in 1947¹. After four decades of economic planning and a politically appealing tryst with socialism, the country faced a severe economic crisis in 1991 that compelled it to do course correction in policies and embrace market-oriented capitalistic economic reforms that subsequently changed forever that long-held perception into reality. India is a successful democracy and a rising economic power, and it has stayed united for more than 75 years now, contrary to the popular prediction of its dissolution, a feat only a handful of postcolonial countries achieved.² It is a fast growing economy with a young population and a rising middle class. The IMF predicts that it shall remain a fast growing emerging economy in the world.³ We find that the postcolonial experience of many nations has been difficult and fractious. The consolidation of democracy and finding solutions to economic challenges has been tricky and blemished.⁴ When India achieved independence in 1947 and chose to be a representative democracy not many expected that the former could flourish in a diverse, illiterate and poor country like India. Likewise not many anticipated that India could battle successfully the economic crisis of 1990s that left it bankrupt and move robustly on a path of self-sustained

¹ Clive Crook, 1991

² Ramachandra Guha, 2007

³ IMF, 2025

⁴ Martin Meredith, 2021

economic development. It has however not just survived but even thrived in the global economy registering high growth and faster poverty reduction. The fruits of accelerated economic growth has spread across states and social groups and further strengthened the democratic roots of this country leading to rising expectations.⁵ The increasing economic power has provided India with a new found ability to exert itself more forcefully on the global stage. India is a rising power but can it sustain this accelerated momentum for long in a convulsing world order and *reclaim its lost glory*⁶? This is the subject matter of this paper.

Rise and Fall of Nations

The challenges and the unfulfilled promises notwithstanding, India may now have finally taken-off for a better economic future and a more influential role on the global stage. Since its birth in 1947, presciently wrote Stephen Cohen, that India has seemed poised on the edge of two very different futures. On the one side lay greatness; on the other, collapse. The spectre of collapse has ended and India is now emerging as a major power⁷. The twenty-first century is being proclaimed as the Asian century with both China and India poised to become the biggest economic powers in the coming decades sitting next to the American behemoth⁸.

There is nothing unusual about the rise and fall of nations. Historical experience shows that nations rise and fall. China and India both were once the two largest economies just a few centuries ago.⁹ Great Britain, for instance, was once a great power and exercised huge control and influence over a large tract of the globe, but no more on a similar scale and authority. Portugal, Spain, Russia, Japan, Germany, France, Belgium, Netherlands, Denmark were all more powerful and influential in the past.¹⁰ Recently, China's rise has been astonishing so has been the audacity of its global ambitions. It is everywhere on the globe, right from Central Asia to Latin America to Africa and to the pacific and Europe. The economic heft has provided the Middle Kingdom a genuine claim for global supremacy. The economic momentum of this aspiring superpower however has slowed recently raising doubt about its continued success and influence.

America, on the other hand, remains a preeminent a power despite its domestic political challenges and convulsion over immigration and the claimed hollowing out of the middle class. The country has maintained its global dominance for much of the twentieth century. For now, despite the gravity of economic power slowly shifting to the east, America continues to remain the most influential great power today. It still contributes roughly twenty percent to the global GDP.¹¹ In this geopolitical backdrop, the history of nations, and empires, compel us to do some serious introspection and crystal ball grazing into the renewed potential, and the challenges facing an emerging power like India.

The country has only recently entered into the league of fast growing economic powers. Without continued economic success its prospects of remaining an influential power in the region and emerging fully as a Great power on the world stage shall be circumscribed by the geopolitical realities of the day and the constant questions of a vociferous democracy. The euphoric sound bites of the media and the

⁵ Arvind Panagariya and Megha Mukim, 2014

⁶ Arvind Panagariya, 2020

⁷ Stephen Cohen, 2002

⁸ Kishore Mahbubani, 2014

⁹ Angus Maddison 2007

¹⁰ Paul Kennedy 1987

¹¹ Maria Llop, 2023

extravagant claims of the politicians might unduly convince us of a disproportionate economic prowess, and of successful crossing of the rubicon, however that would be premature. India still has some distance to cover. It won't be unreasonable to assess where we stand and perhaps enumerate what needs to be done to maintain the fortuitous current momentum. The distinguished author on politics and international affairs, Robert Kaplan, offers a bleak vision of a future in a permanent political upheaval.¹² It need not be so.

Economic Power: Why it Matters

In International Relations power is the ability to influence others and get the outcomes you want. Robert Dahl, a distinguished political scientist, defines power as the ability to get others to do what they otherwise would not do.¹³ There are three ways to exercise power: coercion or threats; carrots or promises or payments; and through attraction.¹⁴ Power, says the distinguished political scientist Joseph Nye, is like love. It is easier to experience than to define or measure.¹⁵ A powerful nation influences the processes and, therefore the outcomes of events. The nation-states like individuals crave for power as it brings influence and enriches further their global standing. It empowers them to shape the rule-based international world order. Nation-states are the units of the international system.

The economic dimension of this interaction is largely through trade and capital flows, movement of people and flows of technology. The *rules of the game*¹⁶ that is the rules by which nations interact with each other are set collectively by the interacting nations at different international fora in the liberal international world order. It is easy to find that the influence a nation exerts in these bodies is strongly correlated with its economic power. Powerful nations such as the United States of America have often exerted huge influence in these bodies. America played a key role in the establishment of the post-war liberal international order.¹⁷ The economic heft reinforces military and diplomatic power. Indeed other factors do come into play as well however economics is the key determinant of national power. It perhaps matters more than anything else in providing the foundations of national power.

The struggle for power is universal in time and space and is an undeniable fact of experience.¹⁸ The nations of the world are driven to acquire power. The different roles that nations play in world politics is determined by the power they possess over other nations and institutions. The elements of national power include – geography, raw materials and natural resources, population and technology etc. The geographical factors like size, location, climate, shape, topography and boundaries give nations advantages over other countries. The size of the domestic economy, the advances in research and technology, the possession of essential raw materials, oil and natural gas reserves, quality of educational institutions and human capital formation etc are foundational elements of national power.

A capitalist economy is characterised wealth creation. Adam Smith recognised the importance of a commercial society in creating wealth and power¹⁹. Joseph Schumpeter identified with capitalism a

¹² Robert Kaplan 2025

¹³ Joseph Nye Jr, 1990

¹⁴ Joseph Nye, 2011

¹⁵ Joseph Nye, 1990

¹⁶ Douglas North, 2003

¹⁷ Robert Kagan, 2013

¹⁸ Hans Morgenthau 1962

¹⁹ Jesse Norman, 2018

process of creative destruction²⁰. Karl Marx a trenchant critique of capitalism also highlighted the ability of the capitalist class to produce wealth²¹. These classical thinkers were quick to identify the power of capitalism however they differed in important ways in their analysis of the working of the system. While Marx identified the productive powers of the capitalist system he also pointed at its many deficiencies. Smith, on the other hand, forcefully wrote about the benefits of division of labour, specialisation and international trade and how they could produce sustained economic growth, something India has witnessed since the 1990s. Most of the successful economies in the past have been capitalist economies. India's rise on the international platform and its growing influence recently is largely attributed to the sustained growth momentum it has achieved in the past few decades particularly after the 1990s when it launched capitalistic reforms.

Capitalism triumphs over Socialism

It is important to recognise that the objective to build a socialist pattern of society after independence created its own set of policy infrastructure in the economy. It created its own set of regulatory institutions for directing and aligning economic activities along the cherished goal. With the passage of time the economy acquired greater complexity. India is a democracy with elections taking place periodically. As such, promises have to be made and populist measures taken. Consequently, the electoral compulsions further complicated the economic policy space and consequently added to the underperformance of the economy prior to the 1990s.

Those with socialist leanings advocated greater interference in the functioning of the economy and the governments of the day pressed harder in the name of *garabi hatao* in the early 1970s²². In India, the promises to reduce poverty and inequality and the goal of establishing socialism have often served as noble pretexts for increasing government control in the economy. It is often understood that greater government control would result in better economic outcomes. Over the years, control and interference have been portrayed as useful and beneficial. The more the control, the better the chances of beneficial economic outcomes, so went the logic. The consequence of such policy activism have been bad for the economy. The first four decades since independence witnessed relatively limited economic success.

Good economic performance is often the result of economic freedom and private initiative, overseen by a benevolent government. The vested interests that develop around policies are so strong that even well-intentioned governments find it hard to replace them with beneficial policies. The implementation of economic reforms since 1991 has been difficult. The American economist Milton Friedman pointed out that in democracies policies once in place are often hard to reverse or abolish.²³ The economic reforms policies launched since the early 1990s were done on the back of relatively poor economic performance. It was carried out of compulsion on the behest of international institutions²⁴.

A capitalist economy is a dynamic machine where individuals and enterprises constantly interact with each other within a given infrastructure of policies and institutions established to influence their choices and actions. Modern economies are rule based systems of economic organisation. Those rules either incentivize/disincentivize choices and initiatives. These rules are often (but not always as there is room

²⁰ Joseph Schumpeter 1950

²¹ Karl Marx, 2024

²² Ashok K Lahiri 2023

²³ Milton Friedman 1962

²⁴ Ashutosh Varshney 2013

for bureaucratic discretion and many a times in cases of conflict judicial interpretation) neatly defined collection of incentives and disincentives that influence the basic economic activities like production, consumption, exchange and distribution. In a socialist policy infrastructure or under a system where planning plays a critical role, policies are usually characterised mainly by *control* and *licensing* systems and there are lists of forbidden economic territories too. Thou shall not do that!

Economic reforms are associated with *decontrol* and *de-licensing*. It means we are liberalizing the rules of the economic game. It means we are making them less stringent. We are making room for private initiative and thereby increasing the scope for innovation and ingenuity by the private sector. Liberalization offers the space and competition in turn expands the output, incomes and job creation. This may be the reason why the liberalised sectors of the Indian economy are doing well. Liberalisation encourages economic growth.

When we liberalize the rules of the economic game, and open up various sectors of the economy for private participation, in popular parlance this is seen as privatising the erstwhile areas where only public sector could operate. That is, the areas where only the public sector was allowed to operate is now opened up for private investment. However, in another sense, privatization is also associated with the selling of the government stake in public sector enterprises established during the pre-reform period as part of the socialist exercise to create growth and jobs. This perhaps has been the most controversial reform measure so far. The number of privatized PSEs is low due to severe opposition. Politicians survive on votes in a democracy. Wherever possible, they try avoiding the contentious issues even if the benefits for the economy may far outstrip their personal political gain.

Private initiative has been at the heart of modern economic progress since the early days of industrialisation in England. India can be no exception to this general rule. A shackled private sector cannot contribute to national purpose unless given the space and incentive to perform. Besides, underperforming PSEs remain a financial drag that gobbles up scarce resources that could otherwise be used for more productive purposes. In dynamic capitalist economies change is normal. It is this dynamism and competitiveness that drives growth.

Economic growth and hence a rising standard of living depends upon trade in goods and services, both domestic and international. For the great Scottish enlightenment thinker Adam Smith consumption was the sole end of production. Prosperity was about enhancement of quality of consumption when the bundle of goods and services available at your disposal keeps on improving periodically. It was also about constantly improving choices at the marketplace that one could make and purchase with one's resources.

A diversified economy is able to pump out more goods and services per unit of factors employed. They are more productive and technologically better equipped. Poor countries are poor because they are technologically less advanced. Hence, to improve their consumption standards and to attain the catch-up growth, poor economies should engage in international trade. The late industrialising economies benefitted from the advanced economies by keeping their barriers to trade to a minimum. Such open economies prosper faster than closed economies. India was *relatively* closed until 1991 when the economy was opened for international trade and capital flows.

Globalization is the catch-all phrase for international economic integration. Cynics have charged its cheerleaders with imposing neo-colonial subjugation; a sell-out to international organisations like the International Monetary Fund (IMF) and an attack on national sovereignty.

However, India has over the previous three decades has gradually opened up to trade and benefitted from international exchange. India today is a large recipient of foreign direct investment. Its dependence on aid for financing its development projects is limited. It no longer faces shortages of foreign exchange. External trade is large share of the GDP. India has participated and benefitted from opening up its economy. Globalisation has been good for India so far. Its benefits however have not spread evenly to all geographical areas of the country. China is far more globalised than India. It has benefitted more from the global economy than India.

Contrary to the popular perception India has had a liberal or conservative argument for economic policymaking in India since the early 1950s. The Swatantra party and some other notable figures were opposed to Nehruvian socialism²⁵ Jagdish Bhagwati and others had been advocating for change in economic policies for long.²⁶

Capitalism and the Rise of a New India

India is major economy today. Its GDP is close to a trillion US dollars. It is growing fast and offers huge business and investment opportunities to the world. It has a large domestic market and a fast growing aspirational middle class. India is a market economy that operates in an international liberal system which offers both opportunities and challenges. Ever since the opening up of the economy in the early 1990s, India's exposure to international trade and investment has grown manifold. Prior to the launch of capitalistic economic reforms in 1991, India followed an inward-oriented trade strategy that restricted international trade in goods and services. However, now average tariffs have come down from a high of around 150 percent in early 1990s to around 12 percent in 2007-08²⁷.

India has been a major beneficiary of the world trading system. It is among the largest recipients of FDI in the world. In the past thirty years there has been considerable increase in the trade to GDP ratio highlighting the relative openness of the Indian economy. The growing economic strength has compelled scholars to project India as a counterweight to China in the region²⁸. The latter however has a much bigger economy and therefore exerts far greater influence in the international arena.

The economic history of post-independent India can be broadly divided into the pre-reform and the post-reform phases. The year 1991 thus becomes the dividing line when comprehensive market-oriented economic reforms were launched. After gaining independence in 1947, India geared its policies in the hope of creating a *socialist pattern of society*²⁹. The objectives were laudable. It was successful in expanding its economy and reducing poverty however the pace was too slow. In the first thirty years the economy could grow only at an average rate of 3.5 percent annually which was pejoratively labelled as the *Hindu rate of growth* for its slow change. The quantum of growth was not enough to overcome many of the challenges facing the economy³⁰.

Economic growth did pick up in the 1980s but it was unsustainable. It was financed by heavy borrowing and high levels of public expenditure.³¹ Consequently, towards the end of the 1980s, a balance of payments crisis struck that finally paved the way for the launch of capitalistic economic reforms in 1991.

²⁵ Arvind Panagariya 2025

²⁶ Deena Khatkhate 1994

²⁷ Pravin Krishna 2022 p. 338-346

²⁸ Michael Schuman 2023

²⁹ Second Five year Plan 1956-61

³⁰ William Byrd 1990

³¹ Arvind Panagariya 2008

These policies intended towards structural adjustment and macroeconomic stabilisation were implemented under the watch of the international institutions. There was vociferous socialist tirade against the alleged sell out of the country but the economic compulsions had kicked the genie out of the bottle – the forty year detour from colonial capitalism to renewed Indian capitalism was set rolling.

Now India would attempt to achieve many of the worthy goals initially enumerated in the initial years after independence through a different means and with greater faith in the power of individual initiative and the markets. The state has since then opened the floodgates to foreign capital and private investment. It is important to highlight that since the late 1970s China had followed a similar strategy of opening up the economy to foreign capital and reaped benefits that comes with integrating with the global economy. It launched capitalistic economic reforms under the premiership of Deng Xiaoping in 1978.

Almost thirty years have passed since the launch of reforms and the gains made have been impressive. Poverty is sharply down. Our perennial curse since independence – shortage of foreign exchange reserves – needed to buy the all-important petroleum products and many other essential and non-essential commodities and services- has turned into a formidable strength. India today has more than \$500 billion dollars of foreign reserves! Accelerated economic growth generates revenues for the government³². A pick- up in growth rate has strengthened the frontal attack on poverty and inequality through the implementation of government welfare schemes for the poor. The economy today is more diversified and its size tremendously bigger. The per-capita income – an indicator of standard of living – has risen considerably over the past decades indicating sustained improvement in the lives of the ordinary people. Recent World Bank reports show that extreme poverty has sharply declined in India.³³ Another report shows that it is the fourth most equal country in the world.

Economic reforms are set of policy measures the overarching goal of which is freeing the economy from unnecessary government control. The policies aim at allowing greater space for private sector initiative and participation in the economy. It however does not mean the abandonment of government activities in the economy rather engaging it in strategic areas, and also in provisioning of goods and services to those who seem to be benefitting less from the market. Other important objectives include the dismantling of barriers to trade and capital flows and integrating with the rest of the world.

Liberalisation, Privatisation and Globalization are three major catchwords that underpin the economic reforms process. Nearly all successful economies have been capitalist economies where private initiative and free enterprises have played a critical role. The outward-oriented trade policies have been crucial in the prosperity of nations.³⁴ America became an economic heavyweight by relying more on the private sector than the government though the latter did play an important role in guiding the economy and helping it overcome economic crises. Many of the western economies in Europe and the late-industrialising countries of Asia including China all grew the fastest and fought successfully poverty and destitution by following capitalist economic policies.

The economic success achieved during the last thirty years has added to our growing acceptance on the international platform. The recent success at G20 summit meeting in Delhi is a landmark event in our national and foreign policy. India's share in the global GDP has been rising. It is likely to become the third largest economy in the next few years. Its military strength is improving and it is aggressively pursuing its diplomatic interests around the world. The change in economic policies since the early

³² Jagdish Bhagwati, 1988

³³ World Bank 2025

³⁴ Douglas Irwin 2002

1990s has improved our international standing. Capitalism and the economic reforms of the 1990s have laid the foundations for the emergence of a more powerful and visible India.

Great Power Economics

India currently has GDP per-capita of around US\$2700 while China with US\$13000 is five times bigger. India's GDP stands at around US\$2.9 trillion while the Chinese GDP has already reached US\$14.3 trillion³⁵. This important figure is enough to highlight China's advantage over India. India is currently as a counterweight to China while the latter has emerged as a challenger to US dominance in the world. China began reforming its economy only in the late 1970s under Deng Xiaoping. Ever since the adoption of economic reforms the Chinese economy has consistently outperformed many others in the region and the in the world. In a matter of years it has come to dominate labour-intensive global manufacturing. Its trade to GDP ratio is among the highest in the world. It is a major exporter of goods and commodities across the continents.

India despite having been an advocate of multilateral trade bodies has yet to fully exploit the full advantages of the global economy. It followed an inward-looking trade policy in the early years after independence doubting the role of foreign capital viewing foreign trade as an instrument of imperial exploitation. The result was limited integration with the global economy. It failed to take advantage of the post-war economic boom in the world economy. Around this time the East Asian tiger economies grew fast and diversified their economy by taking advantage of the global expansion in trade and foreign investment. This was a lost opportunity for India which remained insular and relied upon domestic trade and investment for achieving accelerated growth and poverty reduction.

The situation has however changed since the 1990s. The external sector has a significant share in the country's GDP. Such an integration is important not just to benefit economically from the global economy but also to projection of power. China for instance as part of its economic diplomacy offers loans and investment opportunities, provides technical support and helps in building infrastructure in many countries. It has quickly followed the footsteps of advanced economies. In comparison India's engagement with the world has so far been small given its population and size of the economy.

Both China and India were two leading economic powers in 1820 and they jointly contributed around half of world's GDP³⁶. However, with the spread of the Industrial revolution the scenario changed. The European nations emerged as economic powerhouses and later came to dominate the global economy. The success the European powers achieved in colonising other nations can be seen as a case of their superiority in having better institutions and economic thinking. It follows that the first essential condition for becoming a great power is have a strong domestic economy. Historical evidence suggests that capitalist economies dominated by private capital and initiative and integrated with the global economy tend to grow faster.

Most of the economies with which we interact in the international arena are market economies. No two market economies are alike but they are similar in quite a few important aspects. They all believe in the protection of private property, tend to have a strong law enforcement agencies, advocate for a small but an effective state that sets the rules of the game and acts as an arbitrator, are open to new ideas and innovation and have strong linkages with other economies.

³⁵ IMF 2025

³⁶ Angus Maddison 2007

A review of the East Asian economies suggests that openness is an important determinant for faster economic growth. The rapid industrialisation of economies and the growth in export of manufacturing goods have been the key drivers of sustained economic growth in the Southeast Asian miracle economies and that of China.³⁷ The noted Indian economist Amartya Sen has highlighted the importance of human capital in encouraging growth and development in the miracle economies of Asia.³⁸ However, this view has been challenged by another noted economist Arvind Panagariya who suggests that it the adoption of the outward oriented trade policies that played a more critical role in the miraculous achievement of Asian Tiger economies. He compares the economies of South Korea and India to show how the former benefitted from the expansion of global trade.³⁹

Given the size of India's economy manufacturing contributes insignificantly to its GDP. Moreover, the size of manufacturing units in India is small. In contrast the industrial units in China employ large number of workers. A strong manufacturing base is indispensable for sustained progress. There is a huge scope for the expansion of labour intensive export-oriented manufacturing in India as witnessed in China, and other Southeast Asian countries. Germany is a major exporter of goods globally. So is America which unlike China has an important presence in high value products.

The real wages in China are rising. This offers an opportunity for India to attract some of the manufacturing units shifting out of the country. The labour laws have been partially reformed recently and government is pushing hard to build infrastructure to promote commerce and create jobs. There is currently a great push for developing infrastructure in rural areas too which is good. Moving the workers out of agriculture and into manufacturing and services should be a top priority. So should be the expansion of the formal sector of the economy. India must create more quality jobs for its workforce particularly in the labour-intensive sectors in the economy.

India is a young country. The *demographic dividend* can offer its rewards to the economy only if we invest more in human capital formation and build quality institutions of higher learning. There is a big scope for increasing investment in this critical sector. In fact, all the leading powers of the world today including America, China, Japan, Great Britain, and Germany have quality institutions of higher learning. Modern economies tend to reward more those with better education and skills. A sound higher education system capable of providing quality education and also capable of producing scholars of repute to carry research and innovations is important for any nation aspiring to become a leading power. India has brought higher education to the masses but it lags significantly in providing quality education.⁴⁰

Modern economic growth depends upon technological development and innovation. It is well recognised that innovation is critical for development. To become a leading power India needs be at the forefront of research and development. Late industrialising economies such as Japan, South Korea and China have contributed significantly to global innovations and knowledge pool. India played an important role in the manufacturing of vaccines during the Covid-19 pandemic. However, India's R&D expenditure as percent of country's GDP is only 0.69 % while the figure for South Korea is 4.29%.

The external projection of power is largely contingent upon domestic political and economic situation. An unstable democracy will find it hard to engage with the world. A nation with a robust economy and

³⁷ Rakesh Mohan

³⁸ Amartya Sen and Jean Dreze 2013

³⁹ Arvind Panagariya 2008

⁴⁰ Arvind Panagariya 2020

an inclusive society shall be in a better position to interact more forcefully with the world. Power has significant internal dimensions.

Conclusion

India has been playing a useful role on the global stage since its independence in 1947. It led the Non Alignment Movement (NAM) by trying to keep itself and other recently independent nations away from the American and the Russian bloc. Since the 1990s it is playing a far more important role by engaging with other emerging economies and also the advanced nations of the world in voicing the concerns of the late industrialising nations. The recent success of G20 Summit meeting in New Delhi highlights the significance other nations have come to attach to India. It is competing with China to emerge as the leader of the *Global South*.

India still does not qualify to be a *Great Power* in the conventional sense of the term. However, it is an important *emerging power*. The Great Powers have the ability and resources to *exert influence on a global scale*. They are characterised by economic and military strength. They have the capabilities to diplomatically manoeuvre events in their favour. They possess both the hard power and the soft power.⁴¹ India's scale of influence is currently limited. India indeed is a civilization state like China but both its cultural as well its political influence in other parts of world is limited. China has come to exert a much bigger influence in the world. India is fast approaching the Middle Income country status.

India's contribution to the global GDP continues to remain small despite India being a fast growing economy. It still has some significant *catch up* to do. Both America and China contribute a far larger share in the global economy. In high technology areas like Artificial Intelligence that is potentially going to produce upheaval in social life, India does not compare favourably with America and China. Thanks to its quality intuitions of higher learning, and research bodies, China has a better pool of scientific manpower and therefore has shown better preparedness in emerging technologies. According to one estimate almost half the scholars working on AI are of Chinese origin!⁴²

India has vast natural resources. With right institutions it can benefit from its human and natural capabilities. Both North Korea and South Korea face similar geographical conditions and cultural heritage yet South Korea has performed better due to its market-oriented economic policies and openness to trade and investment.⁴³ India has done well recently and is being seen as a leading economy and an emerging power. This is no small achievement for a nation that has had a difficult economic and political start in the 1950s. It has come a long way however it still has some distance to cover before it can successfully transform itself from an emerging power to a Great Power.

India, China and South Korea faced fairly similar economic conditions in the 1950s and 1960s. However, both China and South Korea are far ahead of India today both in per-capita terms and also in technological superiority. They introduced capitalistic economic reforms in the 1970s when India was still struggling with socialistic economic policies. The last three decades have brought transformative change in India. It can grow into a more prosperous society and a still more powerful and influential country. To conclude, it is only in a capitalist economic system that offers opportunities for sustained economic progress and a possibility of increased power and influence in the world.

⁴¹ Joseph Nye 2005

⁴² Jensen Huang 2025

⁴³ Daron Acemoglu et al. 2005

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