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TWO INDIAS: THE RESULTS OF INDIA'S EXPERIMENT WITH GLOBALISATION

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TWO INDIAS: THE RESULTS OF INDIA'S EXPERIMENT WITH GLOBALIZATION

Rakhee Bhattacharya*

I

The conflict between economic development and income inequality is a global concern around the world today, especially in developing nations like India and China. The fast pace of economic development and the consequent transformation of the traditional societies in these countries, with increasing urbanisation and modernisation, are polarising the societies into groups that can take advantage of these opportunities and those that cannot. Never before has this divide between the haves and the have nots been so sharp – sometimes even so shocking that it can no longer be ignored – and this is increasingly engaging the attention of development economists, and social and political theorists. India's experiment with globalisation has expanded its economy at a rapid pace. Amazingly, it has increased its GDP to AU$ 7160.77 million from AU$ 2708.93 million (at 1999–2000 prices) within a span of only 16 years, from 1990–91 to 2006–07.[1] But such phenomenal economic growth and expansion has not addressed India's historically inherited problems of disparity and inequality – if anything, these have been accentuated by the expansion of her economic frontiers. Nearly a quarter of a billion people have been lifted above the poverty line, but those who remain below look even poorer in comparison to the nouveau riche.

The market-driven economic growth achieved by India within such a short span of time has been hailed as nothing short of a miracle and has indeed been one of the greatest success stories of our time. That a nation that attained her independence only 60 years ago, shaking off a colonial rule of nearly 200 years, with a plethora of problems, some as a legacy of that exploitative colonial rule itself and some from its own past history, a nation that had seen so much strife and deprivation, a nation impoverished for so long with the burden of such a huge population, could at last take such a stride was in itself a miracle. It was even more significant that most of the growth was driven by Indian companies, Indian entrepreneurship and Indian creativity, and not simply by jobs outsourced from developed countries as many tend to believe. *The Economist* commented that 'in many ways India counts as one of liberalisation's greatest success stories … Its companies have become worldbeaters. Without India's strength, the world economy would have had far less to boast about.'[2] Some of these companies have now acquired some of the most respected transnational companies abroad, something that was unthinkable even just a decade ago. But these success stories should not blind anyone to the fact that there are still a quarter of a billion people who cannot afford two decent meals a day and cannot even read and write, who live in abject poverty and deprivation and to whom words like 'standard of living' and 'quality of life' would be nothing but jokes. It is like two nations living within one nation, separated by a huge, formidable and intractable Berlin Wall, only one side of which offers all the opportunities, and the other none, not even hope.

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1 Estimated from data available from Central Statistical Organisation, Government of India.

2 'What's holding India back?', *The Economist*, 6 March 2008.

To trace the story of India's remarkable economic transformation, as Robert Stern describes it, 'India best served British interests as an approximation of a "colonial open economy" … India became ... a major supplier of raw materials to British factories … and a major market for British manufactured products ... Thus, from the late nineteenth century, India enabled Britain to make good between two-fifths and one-third of her deficit with other industrialized nations, and to continue to perform as an economy with a world-wide balance of payments surplus.'[3] The bits and pieces of industrialisation by the British might have suited their interests perfectly, but it never equipped the newborn democracy for any meaningful economic expansion – it inherited an almost complete economic void from its colonial rule of nearly two centuries.

Thus, after independence, India had few options other than to follow a policy of a closed and mixed economy with a 'socialistic pattern of society', dominated by public sector and government controls at all levels. Ultimately every single control served as a channel of corruption, ushering in what became known as the permit and licence raj economy. This was to continue for more than 40 years of India's existence as an independent nation. As can only be expected in such a scenario, the economy stagnated under such tight controls in all spheres of activity and the growth in national income continued to languish at a laughable 2 to 3 per cent, which was affectionately referred to as the 'Hindu rate of growth'. External and internal debts continued to grow, even after the nation had attained the remarkable achievement of being self-sufficient in food production, thanks to the Green revolution of the late 60s and 70s. The best brains in the country out of its highly subsidised institutes of technology and management and various other institutions of higher learning continued to drift to fairer lands abroad in search of greener pastures due to the lack of economic opportunities in their own backyard, the thousands of university graduates found no gainful avenues of employment and in general people continued to cower under the sinister gazes of poverty and unemployment. Things reached a flashpoint in 1991, when the balance of payments was so eroded that the nation was left with only two weeks of imports and collapse looked imminent. And then someone decided to act, and act decisively, in a way that was to alter the history of the nation forever. That someone was our present Prime Minister Dr Manmohan Singh, an economist of repute who was then the Finance Minister and earned the distinction of being the man who saved the economy from ruin, restructured, reformed and globalised it. He opened up new vistas of growth and opportunity to millions of deprived people while opening up the economy to the entire world. As government controls were removed one by one, and as the strangleholds that held the economy captive for so long started evaporating, the energy and creativity of the people were unleashed and the growth rate reached and then exceeded 8% per annum within only a decade. The world could no longer ignore the vast market of India and its immense potential. The investments made in education and institutes of learning and the high subsidies given to propagating knowledge of science and technology now started paying off. For the first time since independence, Indians were tasting real freedom to do anything they felt like doing and experimenting with. Already foreign direct investments (FDIs) and 'sunshine industries' – the IT and ITES sectors – were attracting millions of jobs from affluent countries in a world that was becoming increasingly flatter and flatter. To the rest of the world – and even to many of its own optimistic political leaders and elites – India was becoming 'Shining India', though the shine apparently hid much squalor.

3 Robert W Stern, *Changing India: bourgeois revolution on the subcontinent*, 2nd ed, Cambridge University Press, Cambridge, 2003, p 132.

Shining India

- Annual growth rate of economy more than 8%
- US$ 200 billion foreign exchange reserve in 2007 up from US$ 1 billion in 1991
- Production of food grains for 1+ billion people
- Abundant human resources and IT, especially software, experts
- Phenomenal expansion of its knowledge base/knowledge economy
- Emergence of a strong, vocal middle class
- 36 billionaires in a land of one billion, worth a total US $ 191 billion
- International recognition and reassessment
- Transformation from
    - a pre-industrial economy to a knowledge economy
    - license Raj to free-market economy
- Realisation of population as driving force behind growth, production and income generation
- Redefining of population as human *resource*: not simply one extra mouth to feed but two extra hands to work.

But alas, nothing in life is a tale of unmitigated joy! The Congress Party, whose government had ushered in the economic reforms in 1991, lost out to the coalition led by the right-wing nationalist party BJP in the parliamentary elections of 1995. The new government pursued the path of economic reform with even greater vigour, hailing technology and IT as the new vehicles of progress and promoting their use in every sphere of activity. They accelerated the growth rate and expanded the economy at a pace that was inconceivable even to the most optimistic proponents of reforms, earning widespread admiration from nations across the world including even its most virulent critics. Therefore when in the 2004 parliamentary elections this stable and seemingly progressive, forward-looking government was thrown out of power, it took everyone, within and outside the country, by surprise. Everyone was asking, 'What is wrong?' Why was this stable government thrown out of power by the people whose lot it had apparently improved so much, and especially when India's economy truly seemed shining, when inflation was controlled, FDI and foreign exchange reserves were continuously rising and when India was being hailed in the world as the new economic phenomenon? Slowly, as the results of academic investigations, research studies and opinion polls were making it clear, a new realisation dawned upon the self-congratulating politicians, bureaucrats, economists, planners and thinkers: it was the voice of the voiceless, it was the silence of centuries that spoke in a voice loud enough for everyone to hear through the only medium available to them, a medium the country had preserved steadfastly through all its trials and tribulations, the ballot. They were telling the world that the image of Shining India the new leadership was projecting unto the world hid a far more profound reality: Denied India, which was left far behind and far away from the sunshine of growth, progress and hope for a new life. The so called 'Shining India' had indeed transformed urban India, with a strong emerging middle class, but had left the 'other India', the rural India, the peripheral India, the deprived and impoverished India, almost untouched. To this other India, the Shining India had never carried any meaning. It was indeed a moment of reckoning, a moment of awakening from the rhetoric of 'Shining India' to the rudeness of 'Denied India'.

Denied India

- Home of 40% of the world's poor
- 300 million people earning < US$ 1 a day
- 150 million households without electricity
- 30% of Indian villages without roads
- 35% of people are still illiterate
- Ranked 127th among 177 countries in human development index of UNDP, 2006

Historians have always credited India as a fine example of 'unity in diversity' and a 'land of contrasts'. The contrasts were now becoming more apparent than its inherent unity.

Land of contrasts

Two Indias coexisting with

- growth and gap
- affluence and misery
- power and poverty
- aspiration and deprivation
- vigour and voicelessness
- potentials and preventions

The divide between these two Indias will be the subject of our investigation in the rest of this paper, when we divert the focus of our attention from history into economics and development issues.

II

As the new millennium was ushered in with great exultation by people all over the globe, India found itself poised in the midst of a serious dilemma: whether to continue with its proclaimed reform agenda and make the divide between its haves and have nots even more pronounced, making way for a future conflict that might not always be peaceful, or to halt its pace of reform and focus on the deprived and denied to ensure that they are included in its path to progress and development even at the cost of foregoing its phenomenal economic expansion and growth. As the country tries hard to resolve this dilemma, let us examine the nature of this divide:

Table 1: Ranking of top and bottom Indian states by per capita income (AU$ current prices)

Top 4 states	2005–06	1993–94	Disparity ratio (%) 2005–06
Goa	2268	566	301
Delhi	1898	574	211
Pondichery	1534	331	154

Punjab	1183	406	91
Bottom 4 States	**2005–06**	**1993–94**	**Disparity ratio (%) 1993–94**
Bihar	253	95	194
Uttar Pradesh	482	165	163
Madhya Pradesh	504	210	91
Assam	577	183	49
All India	**670**	**246**	**-**

Source: Estimated from data of Central Statistical Organisation, Government of India

From Table 1, it is interesting to see that over twelve years the Indian states have increased their per capita income irrespective of their relative ranking. But the rich states have grown much richer compared to the poorer states, resulting in higher disparity ratios between the top and bottom states in 2005–06 as compared to 1993–94.

Table 2: Inter-state disparity in per capita income in India

	Pre-reforms		**Post-reforms**		
Indian states	1970–71	1980–81	1990–91	2000–01	2003–04
Average income (AU$)	143	169	233	334	385
Coefficient of variation	35.63	39.58	41.59	56.26	55.95
Gini-coefficient	0.140	0.159	0.169	0.250	0.290

Source: Estimated from data of Central Statistical Organisation, Government of India. Here figures are estimated for 19 states in India, covering all the regions of the country.

From Table 2, we can observe that from the pre-reforms period to the post-reforms period the average income for Indian states increased but, side by side, inequality also increased. This is reflected in the disparity measures like coefficient of variation and the Gini coefficient. Indian economic reforms are characterised by a positive correlation between high income and high inequality.

Barbara Harriss-White in her book *India working*[4] shows this sharp divide between India's privileged and underprivileged very clearly, a divide, as she asserts, between 12 per cent and 88 per cent of its billion-plus population. According to her, just 12 per cent of India's population, who are highly competitive and enterprising, enjoy a high quality of life, while the remaining 88 per cent continue to live in poverty and deprivation! But here let us work out some simple arithmetic. 12 per cent of India's population is not a small number. It is 120 million people, who belong to urban and metropolitan areas of the country. The six metros – Delhi, Bombay (rechristened Mumbai), Madras (now Chennai), Calcutta (now Kolkata), Bangalore (renamed Bengaluru) and Hyderabad – alone account for a population of over 60 million. Urban India, only 12 per cent of India's population, amounts to almost six times the entire Australian population. These 120 million people are highly endowed and skilled; they are equipped with the most modern knowledge of engineering, science, mathematics, languages and of course information technology, having already acquired a high capability index to contribute in a very large measure to India's services sector, which now contributes around 65 per cent of our GDP.

4 Barbara Harriss-White, *India working: essays on society and economy*, Cambridge University Press, Cambridge, 2003.

For the time being, let us forget about all other service sectors and examine only the IT sector.[5] By any standards, the achievements of this sector in India is astonishing: in barely a decade, it has been able to employ more than 800 000 employees, contributing to annual sales close to $20 billion, almost all of it coming from exports to developed countries. The IT practitioners have truly transformed India with their skill and knowledge, and helped India to reshape its conventional, traditional economy into a market-driven, competitive, 'knowledge economy'. They are the most empowered labour force in India and have caught the eyes of the world. They are highly demanded and highly priced in the global market. Their capability index is so high that they can enjoy every benefit of Shining India; they can relish the advantages of modernisation to the fullest extent. They can exercise their rights to freedom of speech and expression, the inviolable fundamental rights guaranteed by our Constitution and resolutely protected by our judiciary and our powerful media. This group of people can enjoy living in the world's biggest democracy with a global outlook, and can have access to all the global benefits and opportunities of today, for themselves and for their children. This large human resource capital of 120 million people is indeed our economic strength and our pride. The former President of India, Dr APJ Abdul Kalam, identified this human resource base as one of India's greatest core competencies.[6]

But in a nation with over a billion people, this constitutes just a miniscule part of the employment and workforce statistics. In fact, the rapid growth of IT probably will lead to a digital divide[7] in the short term, where the rich and educated will be empowered and enriched by IT and the poor, the deprived and dispossessed, the millions working in the unorganised and informal sectors at subsistence wages, the marginal farmers and landless labourers working in the fields of rich farmers at below-subsistence wages, the majority 88 per cent, that is 880 million people, 44 times the size of Australian population, could not care less about this IT revolution that is transforming the face of urban India – because this revolution has so far left their lives untouched. All the glitter and advantages of reforms and modernisation have passed them by almost completely. Their sheer number is mind boggling, but their socioeconomic status is even more depressing. They have neither economic freedom and security, nor human dignity. Around 60 per cent of our population are still dependent on agriculture, which is still at the mercy of Mother Nature and good monsoons. This huge labour force contributes less than 25 per cent to our GDP. The vast agricultural sector that feeds a billion mouths still suffers from acute unpredictability and inconsistency. If we have surplus agricultural production one year, the farmers do not have adequate storage facilities and access to markets to raise their profit and to save a little for the bad days, and so when in a particular year the production is below normal farmers have to starve and commit suicide. Quoting *The Economist* again, 'One area of the economy that is undeniably stagnant is farming, which will probably grow by just 2.6% this year. Too many Indians still rely on the land, and too much of the country's arable land depends on the vagaries of the monsoon. Over 17,000 farmers killed themselves in 2006 … to escape unpayable debts.'[8]

But India's agriculture still contributes significantly to the global market, which feeds 17 per cent of the world's population using less than 5 per cent of the world's water and 3 per cent of its farmland.[9] In this present wave of food crisis and food inflation in the world, which Josette

5 Prabhudev Konana and S Balasubramanian, 'India as a knowledge economy: aspirations versus reality', *Frontline*, vol 19, issue 2, 2002, http://www.flonnet.com/fl1902/19020650.htm.

6 APJ Abdul Kalam with YS Rajan, *India 2020: a vision for the new millennium*, Penguin Books India, New Delhi, 1998.

7 Konana and Balasubramanian, 'India as a knowledge economy'.

8 'Write-offs as high as an elephant's eye', *The Economist*, 6 March 2008.

9 'The new face of hunger', *The Economist*, 19–25 April 2008.

Sheeran of the World Food Programme terms a 'silent Tsunami',[10] Indian farmers probably have an opportunity to set the course for a new equilibrium for their products at a higher price with high returns, because the global rice price has already increased from 16 per cent last year to 141 per cent this year since January[11]! But this needs radical reforms in domestic agricultural policy in India.

Apart from agriculture, a sizable proportion of the population works in the unorganised/informal sector of India's economy, both rural and urban. These workers are highly vulnerable, unprotected and exposed to the most hazardous and unethical working conditions. But they are highly skilled in their jobs: they make a high profit margin for their owners while lacking any bargaining power for themselves. People working in sectors like the carpet industry, tobacco industry, tea industry, garment industry, construction industry, and so on are exposed to shameful exploitation. The labourers working in these industries include a large proportion of children and woman, in spite of legislation prohibiting the use of child labour in any industry. Two square meals a day is their only source of joy and happiness; they do not know what will happen to them tomorrow. To them, economic reforms, the knowledge economy, globalisation, economic freedom – all these words convey no meaning. Unempowered and marginalised, never taught to fight for their rights, never given any space to bargain despite having skill and productive capacity, they live on the fringes of subsistence, not even daring to hope for a better life.

But they certainly constitute a strong electoral force for our political parties. For them, democracy means to cast a vote for the leader who comes near them before the election with plenty of dreams, promises and commitments. For instance, our Finance Minister in his present budget speech[12] announced that he would raise the monthly salary of workers in Anganwadi centres, who primarily look after infants and pregnant women in Indian villages and slums, from Rs 1000 to Rs 1500 (AU$ 28 to AU$ 40 approximately). This trivial amount that the Finance Minister has to shell out from his huge budget allocation will possibly do little to better the lives of these workers, but it is going to be a great bonus to the Congress party before the parliamentary election due next year. And to cap it all, there was a loan waiver for farmers for which a whopping amount of Rs 600 billion (AU$ 15 billion) was allocated in the budget! Truly an 'Incredible India!'

The people of India are now slowly becoming disenchanted with such political gimmicks. Our democracy has matured to the stage where we can rediscover the role of our civil society through a vocal media, popular culture, NGOs, autonomous institutions and think tanks, who are increasingly becoming more and more vocal against these gimmicks. What we realise now is that the 9 per cent aggregate economic growth that has stunned the world is not in itself any indicator of economic equilibrium and strength. Rather this growth will soon be under threat, unless the country pays attention to the mammoth population who have been denied the opportunities and who desperately need help and support. The development that we have achieved through mastering technology and through knowledge is highly skill-based, and this high growth rate of 9 per cent probably reflects a maximum rather than a permanent achievement.

So the immediate questions that come to mind are:

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10 Cited in the editorial of *The Economist*, 19–25 April 2008.

11 'The new face of hunger', *The Economist*, 19–25 April 2008.

12 P Chidambaram, Minister of Finance, *Budget speech*, Budget 2008–09, http://indiabudget.nic.in/ub2008-09/bs/speecha.htm

- Is this growth desirable for India? How far we can sustain such growth?
- Is the time span too short to arrive at a conclusion about the sustainability of such high growth? The convergence theory says that one needs to test a growth model over a very long period of time in an open economic system, where the weaker regions will converge and catch up with the rest only after a period of time.

I personally think that we are allowing too much divergence in our growth. This widening gap is making the people of our lower strata even more vulnerable and exposing them to non-traditional threats and conflicts. This type of modern capitalism is unhealthy for a society and an alternative needs to be sought. India's challenge at this hour is, therefore, enormous. On the one hand, it cannot afford to lose its new-found economic strength and the admiration it commands in being a pluralist, multi-cultural, multi-linguistic, multi-ethnic, democratic society (unlike China), which has achieved this kind of growth, driven by its own people, trained in its own institutions, its own industries and its own ideas and essentially retaining its Indianness. On the other hand it needs to rejuvenate and strengthen its social welfare measures in all forms for the benefit of its large underprivileged population. Our policies of social justice, social overhead costs, labour laws and human development approaches also need to be seriously re-examined, and we also need a fresh and clean political and economic vision to deal with such complexities. Many scholars feel that if this economic imbalance continues to widen unchecked, it will not be the right time for India to embrace transnational capitalism. But the process, once set in motion, is irreversible. We are bound to be a global player and have to meet the rising demands of the global market and global expectations. At the same time we cannot leave our other India behind. The two Indias grow and survive together. Otherwise there will be great turbulence, which may not always be peaceful.

Amartya Sen has propounded an excellent theory through his capability approach.[13] He says development needs to be gauged by a process of expanding human freedom and capabilities to choose, through the functioning of beings and doings, which should be measurable, observable and comparable. This is in contrast to narrower definitions of development like rise in GNP, or personal income, or industrialisation, or technological modernisation. So the real debate about the free market, according to Sen, is not on the efficiency of markets or on the importance of modern technology, but on the inequality of power. Through a better governing of circumstances, he says, India could enhance its education, health care, gender equity and land reforms. These can translate into empowerment for ordinary people, improving the quality of their lives and giving them better access to better markets. For this to happen, governments still need to share a great deal of the responsibility to strengthen our human capital.

It is also time to think about individual efforts and ethical responsibilities to strike a balance in this free market economy. The successful example of Bangladesh and its revolutionary Grameen Bank[14] and its micro-financing system, which Prof M Yunus has evolved, may be cited for this purpose. Yunus, popularly known as the 'micro-credit guru', runs his Grameen Bank with the normal profit motive of a bank, but in a non-conventional style, based on mutual trust, accountability, participation and creativity. Due to its simplified transaction system, it has attracted and the poorest of the poor and given them access to credit. This has allowed capital to flow down to the underprivileged classes, who now have the freedom to invest it independently according to their skill and ability, thus gradually empowering themselves. This approach has

13 Amartya Sen, interviewed by Nermeen Shaikh, *AsiaSource*, 6 December 2004, available at http://www.asiasoc.org/news/special_reports/sen.cfm (accessed 20 May 2008).

14 Grameen Bank, http://www.grameen-info.org/ (accessed 15 May 2008).

triggered a 'trickle-up' effect, as Yunus describes it. In words of Shamsul Khan, 'Within this micro-finance context Yunus invites the banks to become socially conscious capitalist enterprise, like the Grameen bank.'[15] This is a remarkable achievement in a country like Bangladesh and more such efforts in developing countries will probably make a significant impact.

Another important variable is India's huge administrative services. The power nexus between politicians, bureaucrats, technocrats and business that are bound together in a mutually protective unholy embrace needs to be broken, because this nexus is primarily responsible for most of the development funds in India failing to reach their intended recipients. So economic reforms should go hand in hand with administrative reforms in India. This is a serious concern of any development thinker in India today and at this point in time it looks like chasing a chimera to break the unholy alliance. So far this is a distant dream, but once it is done, the number of 120 million that today represents the empowered India will multiply fast.

In a country like Australia, India's story may not generate enough interest. Why would someone in Australia be interested in knowing about the miseries of millions of Indians? But, as we are moving towards a concept of a borderless economy and a globally integrated frontierless society, developing countries like India and China can no longer remain isolated within their respective national boundaries. The world indeed needs the 'Shining India', whose emerging economic strengths can no longer be ignored except at one's own risk. Australia appears to be keen to engage herself with the highly skilled Indian labour force, who can contribute to her own future.[16]

One can also derive some useful lessons from the Indian experience – and I am sure the Chinese experience will be no different, with runaway growth rates in both countries creating situations of unsustainable inequality and enormous disparity due to globalisation. Globalisation is the latest development experiment of most nations in the world – and it would be well worth the effort to reassess the degree of inequality in the process of globalisation in every country, developed or developing. This inequality can be attributed to the process of transnational capitalism. Did Australia face similar problems of inequality during its phase of modernisation? Though we probably cannot compare the inequalities in countries like India and Australia in terms of degree, scale and context, can we at least attempt to understand the nature of the problems in the respective countries? Does a paradox also exist here between growth and inequity? Is there any issue of marginalisation of any section of the population? Or how far has it remained successful in converging development across its population and regions? Economic inequality has probably not escaped any nation during its development process. But in a country like Australia, which is one of the richest nations in the world in per capita terms, with a large resource base, a very small population concentrated in a few cities, the nature of such problems and their management could not have been be as intractable and complex as in India. But the fact that Australia also may not be free from the problem of inequality is suggested by the following statistics:

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15 Shamsul Khan, 'Muhammad Yunus: an economics professor who turned the tables on banking in Bangladesh' in JV D'Cruz and Nathan Hollier (eds), *Profiles in courage: political actors and ideas in contemporary Asia*, Australian Scholarly Publishing, Melbourne, 2008.

16 Engaging India is one of Australia's recent strategies, as reflected in the 'Contextual Awareness Programme: Engaging India' held at the University of South Australia, 13 May 2008.

Advantage Australia – Fair?

- 25% of Australian school children were living in poverty in 1992.
- Around 100,000 lived in caravans and another 100,000 were homeless in 1992.
- The wealth and income of farmers and rural dwellers had fallen in 1992.
- Aboriginal adults hoping for a long, healthy life would be better off in Bangladesh than in Perth.

Source: The Age, 20 August 1994, cited by Arnold-Hess, The paradox of economic growth and inequity, Victorian Association of Peace Studies, Melbourne, 1994.

The above data pertain to 1992. It would be interesting to see if, over the years, the situation has improved and, if so, what mechanisms were adopted to bring about the change. But the following table shows that in 2007–08, Australia's level of income inequality was not really much better than India's. The Gini index is almost the same for both nations and also the income gap between the poor and rich was also within the same range, though they were in different income brackets. Thus the idea that there might be higher levels of disparity in Australian society may be worth investigating, and this is indeed a challenge even to an advanced nation like Australia.

Table 3: Income inequality in Australia and India, 2007–08

Indicators	**Australia**	**India**
Poorest 20%	5.9	8.1
Richest 20%	41.3	45.3
Richest 20% to poorest 20%	7.0	5.6
Gini index	35.2	36.8

Source: Human Development Report 2007–08, UNDP

The recently concluded 2020 Australia Summit[17] on the future of modern Australia also emphasised an inclusive growth strategy, bringing together its economy, infrastructure, environment, health, indigenous Australians and security. It emphasised using Australia's knowledge base and human capital to maximise its wealth, excellence and equity, through new collaborations between education, business and innovations.

These gaps created by development processes like economic reforms and globalisation raise one vital concern about the entire theoretical perspective of development and modernisation in a different structural paradigm. Do we need a structural shift from the present development paradigm to make the policies much more pro-poor, and to bring vast sections of the population into the modern production network? It is important to recall Samuel Brittan's concept of 'capitalism with human face'[18] at this point. Brittan reassessed capitalism by exploring the connections between economics, ethics and politics. We would all perhaps agree that in the

17 Australia 2020 Summit, *Initial report*, available at http://www.australia2020.gov.au/initial_report/index.cfm

18 Samuel Brittan, *Capitalism with human face*, Harvard University Press, Cambridge, MA, 1995.

coming days the world economy will be more dependent on human capital than on physical capital due to its limited supply, and expansion of knowledge will dominate the economy. If this is the case, then education has to be the pivotal component in any development theory. Modern economists like Paul Romer[19] also emphasise that the crucial input for economic growth today is human capital, which is a function of education level and workforce skill. Quality education can bridge the gaps, bring the capability up to the desired level, and turn population into an 'economic resource' at different levels and all this can possibly create a better world for tomorrow.

Here probably we need more and intense transnational collaboration and cooperation at different levels along with constructive engagement between nations and different geographic regions. Academia can be one such actor, which can undertake joint research for an alternative, for a better theory, for the millions who are still at the periphery of today's modernisation, and give 'modern capitalism a human face'. There has to be an expansion in the capacity to produce human capital through joint global efforts, understanding and sharing of wealth to meet the increasing demands for knowledge economy on the one hand, and to meet the challenge of disparity in human civilization on the other hand. I conclude here with one of my favourite lines from Amartya Sen where he imagines the possibility of two persons from these two different worlds – the endowed and the denied – ultimately finding a convergence towards a common unified goal: 'We can also open up the possibility of a world that can overcome the memory of its troubled past and subdue the insecurities of its difficult present … I imagine another universe, not beyond our reach, in which he and I can jointly affirm our many common identities … We have to make sure above all that our mind is not halved by a horizon.'[20]

19 Paul M Romer, *Human capital and growth: theory and evidence*, National Bureau of Economic Research, Working Paper No W3173, 1989, available at http://ssrn.com/abstract=227284

20 Amartya Sen, *Identity and violence: the illusion of destiny*, Penguin Books, London, 2006, p 185.

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