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The relationship between democracy and economic growth: the cases of India and China

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Introduction

Following the pioneering studies conducted by Schumpeter (1942), Lipset (1959), Olson (1982), Przeworski and Limongi (1993), the relationship between political regimes and economic performance has become of the most researched and debated topics of political science in the last several decades (Akhremenko and Petrov, 2014). Typically, the terms in which this issue has been explored are those of democracy/authoritarianism on the one hand and of economic growth on the other. The analysis of such dichotomy allows scholars to establish whether a state's democratic institutional architecture and its economic well-being are interrelated. Further, it allows to determine if there exists a causal link between the former and the latter. Overall, when considering the combined data from all the regions of the world, it is evident that democracy is in fact positively correlated with democracy (Knutsen, 2012). As for causality, if there is any, it can follow two directions: from economic growth to democracy or from democracy to economic growth. Then, two frameworks appear. A first one where democracy is understood as a result of economic improvements; a second one that investigates the possibility for democracy to be gear of economic growth. This work develops in the latter framework.

Whether democracy causes economic growth more than authoritarianism is a controversial issue and, indeed, the literature shows that scholars are much divided on this point (Knutsen, 2012). Some of them have emphasized the positive economic impact of democracy on economic growth, especially through higher levels of legal certainty and human capital compared to autocracies. On the contrary, others have stressed that authoritarianism is far more growth-enhancing then democracy, given the latter's representation mechanisms that make it subject to growth-discouraging redistributing pressures by interest groups. This second line of reasoning draws from the economic experiences of East Asian authoritarianisms, such as the Four Tigers (namely Hong Kong, Singapore, South Korea and Taiwan), that saw skyrocketing rates of growth over the last decades (Krieckhaus 2006, Knutsen 2015).

Empirical studies on the effect of democracy on economic growth didn't settle the debate about which political regime between democracy and non-democracy is better suited for economic growth. Such studies have in fact given credit to both the diverging views that democracy enhances growth as well as that democracy hampers growth. In addition, in a meta-analysis of the studies conducted prior to December 2005, Doucouliagos & Ulubasoglu (2008) report that "the distribution of results that we have compiled from 483 regression estimates from 84 published democracy–growth studies shows that 15% of the estimates are negative and statistically significant, 21% of the estimates are negative and statistically insignificant, 37% of the estimates are positive and statistically insignificant, and 27% of the estimates are positive and statistically significant" (Doucouliagos & Ulubasoglu, 2008, p. 63). This confirms that "there is a quite large spread in the literature when it comes to the sign of the effect of democracy on economic growth" (Knutsen, 2012, p. 407).

0.1 The Research Question

The present work seeks to explore the issue of whether or not democracy promotes economic growth more than a non-democracy – i.e.: authoritarianism. This will be done through the analysis and the comparison of the relationship between economic performance and political regime of two significant case-studies: the Republic of India and the People's Republic of China (PRC).

As shown below, both India and China have undergone rapid and continuous economic growth and development since the early 1950s. Here, however, what is of interest about these two countries is not their remarkable economic performances as such, but rather their remarkable economic performances given their radically different political environments. Notably, since its birth in the late 1940s, the People's Republic of China has been ruled by a stable authoritarian regime with a single party dominating the political arena – namely, the Chinese Communist Party (CCP) (Dumbaugh and Martin, 2009). At the opposite pole stands the Republic of India that is has been a solid democracy since its birth in the late 1940s (Panagariya, 2008). That said, it can be argues that that China's and India's experiences of economic acceleration relate differently with the different institutional environments where they took place. In fact, as Panagariya put it, India "offers a political economy experience […] that is quite different from that of other countries […] and the People's Republic of China, that have attained high rates of growth under authoritarian regimes" (Panagariya, 2008, p.4). Here lies the *raison d'etre* of this research, that aims indeed at clarifying the institutional and political factors that contributed to both countries' remarkable growth, in light of their opposite political regimes. The comparison between India and China for the purpose of this work seems particularly adequate also given a broad range of similarities between the two, which range from geographic to demographic issues (Marelli and Signorelli, 2011), and include, not least, the fact that initially, at the moment of their birth in the early 1950s, they were characterized by a highly comparable level of economic development (Saith, 2008; Desai, 2003). To be sure, even if China's and India's similar initial level of development and opposite institutional architecture make their comparison well suited for the sake of this work, it certainly doesn't allow us to establish in general terms if democracy is better for growth than authoritarianism, or vice-versa. In fact, as Knutsen (2012, p.397) affirms: "any comparison between a single democracy and a single dictatorship is too thin for generalizing about the economic effects of regime type". On the other hand, though, the analysis of their relative experiences provides an opportunity to understand that the relationship between economic performance and regime type – being it democratic or authoritarian – is a nuanced and controversial picture.

0.2 Remarkable Economic Growth

Following their birth at the end of the 1940s, China and India underwent remarkable economic growth. Below, this is shown by significant data on well-established economic indicators – namely, GDP, PPP, GNI and TFP.

The gross domestic product (GDP) has long been considered the primary indicator of the health of a country's economy, and it estimates the total monetary value of goods and services that are produced in a country. GDP is the measure mostly referred to when talking about economic growth or contraction (Khan, 2014). It is possible to improve the accuracy of international GDP comparisons between two (or more) economies that use different currencies by adjusting GDP estimates for Purchasing Power Parity (PPP) – which considers differences in purchasing power based on cost of living and inflation. ("Purchasing power parity", n.d.; "What is Purchasing Power Parity (PPP)? Why is it important?", n.d.).
The People's Republic of China was proclaimed by Mao Zedong in 1949. A decade after its foundation, in the early 1960s, it's GDP was about 50 billion current US$ (World Bank). In 2015, the country's GDP was above 11 trillion in current US$ (World Bank). To be sure, estimating China's 2015 output in current international dollars using PPP delivers a value of almost 20 trillion $ (World Bank), which makes the Chinese economy the world's number one. The Republic of India came into being in 1947, once India obtained its independence from Great Britain. After a little more than 10 years, at the beginning of the 1960s, the country's GDP was around 40 billion in current US$ (World Bank); in 2015 it amounted to 2.9 trillion in current US$ (World Bank). The latter estimate, based on PPP, is equal to slightly more than 8 trillion in current US $, which makes the Indian economy the third largest in the world. To compare, the World Bank reports that United States GDP was 563.3 billion current US$ in 1961 and about 18.1 trillion current US$. The same value emerges if the 2015 GDP estimate is based on PPP. With calculations based on PPP, in 2015, China's share of the world GDP was about 17 percent and India's share of the world GDP was about 7 percent (IMF). Together, China and India make up to a quarter of world economy.
To make another comparison, based on the same calculations, in the same year, USA share of the world GDP was about 15.7 percent (IMF).

Gross National Income (GNI) represents the value of the income perceived by the residents of a country, produced both at home and abroad. Indeed, GNI is particularly useful considered that GDP doesn't capture income earned outside the country (Maverick, n.d.). Moreover, GNI – which is a monetary estimate – is closely associated to other nonmonetary indicators of development, such as the quality of life, life expectancy etc. (World Bank). As above, given that GNI is a monetary measure, adjusting it for PPP enhances the validity of international GNI comparisons.
China's GNI in 1962 was about 45.8 billion in current US $; in 2015 it amounted to about 10.9 trillion in current US $ (World Bank). The latter estimate, when based on PPP, amounts to about 19.7 trillion in current international dollars. In current dollars, Chinese per capita GNI has risen from 70.0 $ in 1962 to 7,950.0$ in 2015, which would be 14,400.0 current international $ if based on PPP (World Bank). Over this period, per capita GNI has increased about 113 times. India's GNI in 1962 was about 40.6 billion in current US$; in 2015 it had risen to about 2.9 trillion in current US$. The latter estimate, if based on PPP, amounts to 7.9 trillion (World Bank). In current dollars, India's per capita GNI has risen from 90.0$ in 1962 to 1,600.0$ in 2015, which would be 6,060.0 current international $ if based on PPP (World Bank). Over this period, per capita GNI increased about 17 times. To compare, United States' GNI per capita in current US$ was 3,280.0 in 1962 and 56,290.0 in 2015. Over this period time, it increased about 17 times.

Total Factor Productivity (TFP) is a common measure of the level of productivity of an economy, which is the value of output obtained with one unit of input. TFP growth accounts for the improvements in the factors of production in the sense of efficiency gains related to technical progress as well as other structural factors such as government policy (Bosworth and Collins, 2008). In China, the period 1953 – 1978 saw a rather mild annual TFP growth: 1.9% per year in non-agriculture and 0.3% per year in agriculture. By contrast, the period 1978 – 2012 was characterized by a significant acceleration of TFP growth: non-agriculture grew at 4.4% per year and agriculture grew at 3.9% per year (Cheremukin, 2015). In India, the trend of annual rate of TPF growth for the period 1951 – 2004 was the following: immediately after independence it was 2.4%; then, a continued drop brought it down to 0.39% in 1972 – 73; then, after a steady acceleration it reached about 2.5% in 1988-89 and then remained stable (Virmani, 2004).

0.3 Opposite Political Regimes

India's classification as a democracy and China's classification as an authoritarianism can be based on the definition provided by Przeworski and al. (2000). Accordingly, a democracy is a regime where "those who govern are selected through contested elections" (Przeworski et al 2000, pp. 15-18); residually, authoritarianisms are regimes that are not democracies. The discriminant feature between the two kind of regimes is thus the presence of free elections – present in India whilst absent in China -, which is deemed the condition sine qua non in all the modern definitions of democracy (Antic, 2004).

To have a general overview of China's authoritarian regime and India's democratic one, regime characteristics are briefly reported below for both countries. This allows to grasp key regime differences, especially in terms of electoral accountability and separation of powers.

0.3.1 The People's Republic of China

Since its birth in 1949, in the aftermath of the Mao-led communist revolution, the PRC has had an authoritarian political regime. In fact, he country has developed as a one-party state, where electoral accountability is lacking and where no independently organized and established political party other than the Chinese Communist Party (CCP) is tolerated (Dumbaugh and Martin 2009).

The political structure of the China's authoritarian regime involves two main "vertically integrated, but interlocking institutions": the Chinese Communist Party (CCP) and the State/Government Apparatus (Dumbaugh and Martin 2009, p.2).

The CCP was founded in 1921 as a Marxist-Leninist party organization. Headed by the Party General Secretary, the CCP is organized as an expansive and hierarchical network able to reach into many dimensions of society (from education to enterprise). Its structural layers comprise congresses and committees both at the subnational and national level and its main decision-making bodies are the Politburo and the Politburo's Standing Committee (PSC) (Dumbaugh and Martin 2009).
The Politburo (Political Bureau) is deemed to be the main formal political institution in China. It is chaired by the Party's General Secretary and its size is variable. However, more important in terms of decision making is the Politburo's Standing Committee (PSC). The PSC is formed by a smaller group of elite party members, each responsible of a different portfolio (economy, foreign affairs etc.). A third important institution within the CCP is the Party Secretariat, that is the administrative body implementing the decisions taken by the Politburo and the PSC (Dumbaugh and Martin 2009).

The other main major institution of the PRC is its entire governmental apparatus, that is organized according to two criteria. On the one hand, horizontally, as a system of activity-based ministerial organizations; on the other, vertically, as a system of subnational administrative layers – namely, provincial, municipal, county, township ad village governments (Dumbaugh and Martin 2009, p.7).
According to the Chinese constitution, the highest governmental body is the State Council, that carries out the function of Cabinet of the PRC government and that is headed by the Premier. However, daily government administration is generally dealt with by the smaller State Council's

Standing Committee (SCSC). The government apparatus includes the various ministries. They are organized in hierarchical layers going through the national and subnational levels and are responsible for the interpretation and the implementation of the decision taken by the central leaders. (Dumbaugh and Martin 2009). Another important institution that is part of China's governmental apparatus, is the National People's Congress (NPC). The NPC is the unicameral legislative body of the PRC. It comprises about 3,000 deputies who meet for about 15 days per year and it represents the uppermost layer of a series of subnational people's congresses (Dumbaugh and Martin 2009). Rather than being popularly elected, the members of the NPC are selected by the next lower people congress from a list of candidates approved by the CCP. Only the members of people congresses at the lowest subnational layers are elected directly by the people, but they have nonetheless to receive approval from the CCP. "The full NPC officially selects the PRC's President, Premier, and cabinet-level officials, allowing the PRC government to assert that these officials have been vetted through "elections" by representatives of the Chinese people. For much of its existence, the NPC has simply "rubberstamped" leadership decisions made earlier and in secret by senior Party officials" (Dumbaugh and Martin 2009, p.9).

Even though the CCP and the Governmental apparatus apparently have their distinct structure and hierarchies, they are in fact characterized by overlapping membership. Indeed, many central PRC leaders hold positions in both systems at the same time (Dumbaugh and Martin 2009, Bramall 2009). These inter-linkages involve also another crucial component of the political system of the PRC – namely, the People's Liberation Army (PLA). The PLA responds in fact of two formally distinct Central Military Commissions (CMC): one is the Party CMC, whilst the other is the government CMC. De facto, though, the two commissions are composed by the same elements, who are chosen by the PSC (Dumbaugh and Martin 2009).

0.3.2 The Republic of India

As established by the 1950 Indian Constitution, the Republic of India is a bicameral parliamentary democracy, an institutional configuration largely inherited from the pre-independence experience of the British rule (Metcalf and R. Metcalf, 2004). At the same time, India is a federal state, comprising 29 states and 7 Union territories ("Indian Constitution And Parliamentary Government", 2013). With more than 830 million voters, India is currently the largest democracy in the world ("India: the biggest democracy in the world", 2014). As shown below, India's institutional configuration respects the principle of the separation of powers between the parliament, the government and the judiciary.

The Indian parliament comprises a lower house – “Lok Sabha” – and an upper house – “Rajya Sabha”. The “Lok Sabha” – the “House of the People” – is directly elected and represents India’s people. It can have a maximum of 552 members, serving for a term of 5 years. The “Rajya Sabha”- the “Council of Sates” – consists of a maximum of 250 members who are elected indirectly by the state legislatures (with 12 of them being directly nominated by the President of the Republic) and who serve for a term of 6 years. The two houses share legislative powers, except for money bills – where the lower house has overriding powers ("Indian Constitution And Parliamentary Government", 2013; “India: the biggest democracy in the world”, 2014).

The Head of Government of the Republic of India is the Prime Minister, appointed by the President of the Republic based on his nomination by the party or party coalition with the majority in the lower house. The Prime Minister recommends the government ministers to the President of the Republic, who then appoints them (Darlington, 2018). The Republic of India also has a Head of State, namely the President of the Republic, who has mainly a ceremonial and advisory role except for situations of hung parliament, when his role becomes critical. There is also a Vice-President of the Republic, a role taken up ex-officio by the chairman of the upper-house (Darlington, 2018).

Both national and state laws are administered by an integrated court system at the top of which there is the Supreme Court – seated in New Delhi (Kumar Tiwari, n.d.; Darlington, 2018). There is also a High Court in each state, exercising judicial control over lower state courts, for which it also acts as an appeal court (Kumar Tiwari, n.d.).

0.4 The structure of this work

The first chapter analyses the development of China’s and India’s economy and political regime in further detail. Adopting a historical perspective, the chapter goes through the various phases of the economic and political/institutional development of the People’s Republic of China and the Republic of India, starting from their birth in the late 1940s up to today.

The second chapter reports a review of the literature on the topic of the relationship between democracy/authoritarianism and economic growth. Going through both the theoretical and empirical literature of the last decades, it attempts to clarify the main findings on the effect of democracy/authoritarianism on economic growth as well as the ways in which such effect is reached.

The third chapter analyses the specific relationship between China’s and India’s experiences of economic growth and their respective political regimes. In this way, it looks for the causes of China’s better economic performance in the former’s authoritarian political regime – as opposed to the latter's democratic one – and in its relation to economic policy. However, later in the chapter, it is claimed that the fact that India is a democracy and China is an authoritarianism is arguably not sufficient to make full sense of the differences in their economic experiences. In fact, these are explained to a larger degree by more specific features that go beyond their political regimes as such, and include issues in governance as well as in society and culture.

The final section summarizes and concludes.

Chapter I – A Historical Perspective

In this chapter, I analyse the China' and India's economic growth and political regime in historical perspective. The chapter identifies and describes the various phases that both countries went through.

1.1 China

The following assessment of the development of China's economy and political regime is based on the book "China's Political System – Modernization and Tradition" by J. T. Dreyer (2015) and on the book "Chinese Economic Development" by C. Bramall (2009).

1.1.1 First Phase: Consolidation, 1949 – 1962

In 1949, the Mao-led Chinese Communist Party (CCP) defeated the Kuomitang (KMT) troops and won the Civil War. In need to legitimize its power in front of the Chinese population, the party's next step was to establish the government organs of the new-born People's Republic of China.

At the fall of 1949, the CCP convened the first Chinese People's Political Consultative Conference (CPPCC), involving people from all the strata of society, and including CCP members as well as social change-oriented influential individuals. Here, Mao's intention was to put together China's forces – including the bourgeoisie – in a proletarian-led democratic dictatorship against the country's enemies – the so called "non-people" - i.e.: landlords, bureaucratic capitalists and KMT reactionaries. Ultimately, the CPPCC would serve as the vehicle to prepare the awaited socialist revolution. In those times, the CCP implemented various mass campaigns to promote unity among "the people" (workers, peasants, petty bourgeoisie and national bourgeoisie) and to encourage support for the common cause. Symbols of loyalty were diffused, a standard language was imposed, national magazines and newspapers begun circulating and the plethora of existing currencies was standardized too. In addition, Mao and his party acted against the counterrevolutionaries by

searching and destroying anti-communist secret groups and by struggling against (sometimes executing) the "non-people".
As the power of the CCP consolidated, between 1949 and 1955, the institutional architecture of the People's Republic of China come about, with the progressive formation of subnational administrative layers – namely, provinces (sheng), prefectures (diqu), counties (xian) and townships (xiang).
In 1954 a constitution was ratified, giving birth to the whole institutional apparatus. Notably, two parallel structures with interlocking membership emerged: that of the Communist Party and that of the government. At the outset, the idea was that the government would work out the administrative details needed to implement the policies of the CCP, whose was considered supreme. In those years, the military couldn't largely influence either the party of the state as an independent institution, since many members of the elite simultaneously held positions within and outside the military.

In economic terms, the protagonist of these early years of power for the CCP was the first Five-Year Plan (1952 – 1957).
In the aftermath of the Civil War, the main challenge for the CCP was to put the country on the path of economic development (Bramall, 2009). In the framework of a planned economy, the first Five-Year Plan would serve this purpose. Covering the period 1952-1957, this set of industrial, agricultural and trade policies was based on the idea that the best way to support China's economic transition was to do it gradually. Indeed, "early collectivization was ruled out. The nationalization of industrial assets proceeded slowly. Material incentives were retained in order to motivate the workforce" (Bramall, 2009, p. 86).
Industrial development was prioritized. In addition to defence considerations, this was because, "in the early 1950s, China's industrial production was underdeveloped and orientated towards the production of consumer goods". The secondary sector contributed to GDP by around 20%, and by 7% to overall employment.
The plan yielded positive results. The real industrial value added of saw a growth of about 19 percent between 1952 and 1957 and, in addition, the geographical distribution of Chinese industry became less uneven.
As for agricultural policy, a land reform was completed in 1953. The project aimed to place 'a wager on the strong' through the seizure of landlords' property by newly-created Peasants' Associations. This was considered as a transitional stage towards full-scale collective farming. In order to raise agricultural output, the level of mechanization was increased, and farms were enlarged so as to pool tools, livestock and fertile land. Scholars agree on the positive outcomes of such policies (Bramall 2009), especially in terms of in income distribution and in agricultural

performance. Between 1952 and 1955, the latter had an annual growth rate of 4%.
In the 50s, trade policy was mainly about high import of intermediate goods from the USSR. Importing such goods had two main positive implications. On the one hand, it meant a higher multiplier effect on the overall economy compared to importing consumption goods. On the other hand, it widely supported the industrialization projects in the country.
For an overall assessment of the first Five – Year Plan, we can look at patterns in GDP growth and in the level of human development. "The official GDP data suggest an overall growth rate of close to 9 per cent per year (at 1952 prices) between 1952 and 1955, much faster than during the 1930s and 1940s. In addition, inequality was much lower than it had been in the 1930s. Human development rose as well, thanks to a decrease in mortality and an expansion in educational expansion.

Between 1955 and 1956, there were growing concerns among China's ruling elite that "staying too long at this intermediate stage might make it harder to advance to true communism" (Dreyer 2008, p. 97). For this reason, China's ruling elite decided to speed up the process for the creation of a complete communist system. This was the goal of the campaign known as "Great Leap Forward", which was meant to change the modes of production and to close the gap between the city and the countryside. This was to be achieved by improving rural performance both through the collectivization and modernization of agriculture. The late 1950's saw the creation of collective farms (the communes) and of communal dining arrangements, together with the supplying of "farm machinery, chemical fertilizer and the steel and concrete needed for irrigation systems". In addition, investments were increased, and labour was transferred from the production of consumer goods to production of intermediate goods. The outcome was a disastrous famine, known as the "Great Chinese Famine", that lasted for roughly three years, from 1959 to 1961. Bramall claims that the causal factors were multiple. First, the communes system of un-hierarchic and collective responsibility entailed a lack of incentive for farmers, which in turn caused a reduction of agricultural labour productivity. Second, the particularly hot weather that damaged crops. Third, and most important, "the emphasis on iron and steel production in the countryside". In Bramall's view, the latter was "critical because it led to the wholesale diversion of labour from farming to industry, thus bringing about a collapse in production because of labour shortages compounded by Chinese trade policy. For despite the cuts in production, China remained a net food exporter (principally to repay its debts to the Soviet Union), reducing grain availability further. And to compound the difficulties of the situation, there was a distributional problem within China in that those provinces which produced surplus grain in the early 1950s (notably Sichuan and Heilongjiang) were expected to continue to supply grain to deficit regions (such as Shanghai), even though their production had fallen". All these issues caused a "catastrophic fall in grain output, compounded by a range of distributional failures; The collapse of output during the Great Leap Forward was by some way the biggest fluctuation in output in the entire post-1949 period".

However, this is not the end of the story. In fact, the Leap did have some positive effects on the Chinese economy, "especially in terms of learning-by-doing in rural industry; many Chinese peasants had barely seen steel before 1958, let alone attempted to make it. The skills acquired in the learning process helped in the development of rural industry in the 1970s, and especially after 1978".

From 1960 to 1962, the CCP elaborated economic policies aiming at recovery. Rural iron and steel production ended so that labour went back to farming; communal canteens were abolished, thus increasing peasant producer incentives; procurement quotas were seriously reduced; finally, some private markets and a certain degree of family farming were restored. The positive effect of these measures is evident in the 2000 SSB data reported by Bramall. Grain production reached its lowest level in 1961 at 137 million tonnes, well below the 195 million tonnes of 1957. Thereafter, production rose steadily and was back at its pre-Leap level in 1965, when the overall recovery of agricultural production had almost been completed. However, given the increase in China's population in the years of the famine, per capita output had to wait some time more to be restored.

The failures of the Great Leap Forward undermined Mao's reputation with the Chinese people and were the reason for the emergence of a less ideologically hard-line faction within the CCP. At the end of 1958, Liu Shaoqi took over the role of chairman of the PRC previously held by Mao – who was nonetheless able to retain its top party post. Moreover, in a resolution issued by the party central committee, it was made clear that it was time to do away with blind faith in ideology. These events marked the beginning of the dismantling of the Great Leap Forward.

In the meantime, tensions within the Communist Party were increasing. This was due to the friction between Mao and two party-members who intended to get over Mao's personalistic style of governance and, thus, who represented a threat to his leadership position – namely, Liu Shaoqi and Deng Xiaoping. The clash also regarded the questions of how China was to recover from the socio-economic difficulties that had followed the Leap years and of how was the CCP to reinstate the prestige it used to enjoy before them. Here, Mao's ideological attitude was opposed by Xiaoping's progressive pragmatism, well explained in his quote "it does not matter whether it is a black cat or a white cat, so long as it catches a mouse" (Dreyer 2008, p.102).

1.1.2 Second Phase: Late Maoism, 1963 – 1978

These years saw an effort by Mao to reaffirm its legitimation as the political leader within the CCP and before the Chinese people. To this purpose, in the first half of the 1960s, he sought to correct the “unhealthy [capitalist] tendencies” (Dreyer 2010, p. 103) and the decline in morale in the society and among the party cadres. This was to be done by reintroducing a socialist orthodoxy. In reality, though, what was being spread across China was the personal cult of Mao and the study of his thoughts and interpretations of Marxism, which were credited for all sorts of accomplishments. As the intensity of Mao’s effort increased, extra-party organizations became crucial for his goals. Indeed, in August 1966, he called out the Red Guards, a mass-student movement composed by the children of the “pure classes” – workers, poor peasants, soldiers, party officials and revolutionary martyrs – who had the task to perpetrate the socialist cause by enforcing revolutionary purity. What came to be known as the Cultural Revolution had begun. The zealous Red Guards were urged by Mao to attack the powerholders who were following the capitalist road and to destroy the “Four Olds”, namely old ideas, old culture, old habits and old customs. Terror was spread especially among those who were landlords and who had worked in the KMT government before 1949, and anyone suspected of having capitalist leanings. Also, many museums and religious institutions – manifestations of the Four Olds – were destroyed.
Amidst the Cultural Revolution, at the elite level, three factions started competing for power: the party/government faction led by Premier Zhou Enlai, the Small Group – formed in 1966 by several Shanghai radicals who supported Mao – and the People’s Liberation Army (PLA), which was led by defence minister Lin Biao. As these three poles increasingly engaged and mobilized the masses in their struggle for power, the Cultural Revolution entered a more radical phase where simply “anyone who had had authority over anyone else could be accused of being a corrupt powerholder” and could thus be purged. Deng Xiaoping ended up being one of the victims of this second phase: he was tortured and ousted from office. By the end of 1967, violence came to an end. The CPPCC – representing the collaboration with “impure” classes – disappeared and revolutionary committees were formed, bringing together representatives of the three factions. In 1968, Liu Shaoqi was expelled from the party and a new party constitution was agreed upon, formally adopted in 1969. Ironically, at the end of the Cultural Revolution, many cadres had nonetheless managed to retain their power positions and the ““revolutionary masses”, on behalf of whom the Cultural Revolution had allegedly ben waged, were, at best admitted selectively to the lowest levels of power” and under strict surveillance. Even if in 1970 a rebuilding process had started, in the background, at the elite level the power struggle was continuing: the succession to Mao was at stake. Despite the government faction gaining a considerable advantage over the others in 1973, when some pre-Cultural Revolution party leaders were rehabilitated, including Deng Xiaoping - now Premier

Enlai's protégé – it was not able to inherit Mao's political authority after his death, nor where the PLA faction or the Small Group. In fact, before dying, Mao entrusted as his successor Hua Guofeng, a man who was not an ideologue and who did not belong to any of those factions. Mao died in 1976, bringing an era to an end.

During early Maoism, the CCP's strategy for urban and rural development consisted in accelerating economic growth by carrying out a radical transformation of the relations of production – the "structure", in Marxist terminology. By contrast, with the Cultural Revolution, late Maoism saw the attempt to accelerate economic growth by changing the "superstructure" – in Marxist terminology – of the time, i.e. the culture and the politics of the time, which Mao considered to be an obstacle to economic development. As we have seen, the targets of the Cultural Revolution were, in Bramall's words, the "middle classes and intellectuals who continued to dominate China's universities and schools, and those cadres within the Party itself who were bent upon restoring capitalism in one form or other". However, as for the economic development strategy of Late Maoism, the Cultural Revolution is not the only issue to be mentioned. In fact, in those years, when most industrial and agricultural assets where publicly owned, public investment in the industrial sector was expanded, with particular attention for the Northwest – the so called "Third Front" – under a strategic rationale rather than a purely economic one (Bramall, 2009).

Moreover, one of Mao's central concerns remained the long-run development of the agricultural means of production in terms of improvements of rural labour productivity. In this sense, rural industrialization consisted in two parallel main strategies: collective farming on the one hand, and rural education on the other. Rather than the achievement of productive efficiency and profitability in the short run, the latter was about learning and the development of skills for the long-run expansion of rural industrial capability. This goal explains CCP-forced mobilization of Chinese citizens from the more developed urban areas to the less developed countryside where they would bring skills and know-how.

As for trade, from the early 70s onwards, the main policy change was the growing reliance on imports of intermediate goods from the West and Japan. This owed to the gradual thawing of the relations between China and the United States following President Nixon's visit to the former in 1972.

The three different estimates presented by Bramall (2009) in his book suggest that, during Late Maoism, 1963 – 1978, China experienced an annual GDP growth of about 6 percent.

In his assessment of Late Maoism, Bramall maintains that the educational reform, which didn't only have to do with rural China, was responsible for "the expansion of middle-school opportunities for urban children of working-class origin; the vastly increased number of rural children receiving a primary school education; and growing opportunities for middle-school education in rural areas." (Bramall, 2009). This meant an overall rise in literacy and reduction of educational inequality. In addition, Mao's rural China achieved an unprecedented expansion of the irrigation system" and saw a "remarkable expansion of rural industrial capability – especially skills – which laid the foundation for the extraordinary growth of the 1980s and 1990s and hence provided the basis for rural China's ascent out of poverty" (Bramall, 2009, p.283).

The level of daily consumption increased during these years, as it climbed from about 1,800 kcals per day in 1963 to around 2,400 kcals by 1978, testifying an overall improvement in nutrition.

Owing to improvements in consumption, public health and education, life expectancy rose, especially in the countryside, throughout the whole Maoist era. In fact, from an average of 25 years in the early 1930s, the average life expectancy at birth in rural China had reached an average of 64 years by the mid-1970s (Bramall, 2009).

To conclude, a remark on distributional issues. As Bramall (2009) claims, not only the urban-rural gap was reduced, but also "Income and status inequalities within the workforce were remarkably small as a result of the virtual extinction of the private sector, powerful curbs on wage differentials, collective farming and the educational revolution of the 1960s and 1970s" (Bramall, 2009).

1.1.3 Third Phase: Market Socialism, 1978 – 1996

After Mao's death, the CCP was divided between those committed not to derail from Mao's ideas and directives – headed by Premier Hua Guofeng – and those who believed that time had come for a radical break with Maoism. The main exponent of the latter was Deng Xiaoping, who had been readmitted into the party in 1977 (due to the military's pressure on Guofeng). Xiaoping's ascendancy begun as early as his rehabilitation as party official. Starting in 1977, when he revived and took up the position of CCP secretary general, Xiaoping was then able to increase its influence within the party by rehabilitating previously purged cadres and by installing his fellows in top positions of the party and the government. Eventually, he prevailed over Guofeng – who by 1981 had left the position of head of government to Xiaoping's protégé Zhao Ziyang and had resigned from the position of party president – and obtained the leadership of the party. Crucial in the consolidation of his power was taking over of the position as head of the party's Central Military Commission. Eventually, "Deng was referred to as the "paramount leader", a position that existed on no organization chart. Actual power at the top of the PRC was therefore not synonymous with theoretical power." (Dreyer 2008, p.120). Xiaoping's ground-breaking vision was based on an unprecedented pragmatism, based on which he was to guide China by “seeking truth from facts”, leaving ideology behind. It is in this spirit that Xiaoping was able to carry out a process of reform and modernization, especially in the economic sphere – which undergone progressive liberalization.

Under the new leader, from 1978 to 1996, “China moved unequivocally in the direction of creating a market-orientated economy based on private ownership and presided over by an authoritarian state” (Bramall, 2009). Xiaoping, who had no intention to promote a Western-like system, put in place a system combining features of both market and planning, with class struggle concerns being abandoned and with priority being given to the development of the forces of production.
The new era represented a dramatic cut with the past not only in economic terms, but also in socio-cultural terms. People started being thinking that there was no shame in being rich, and, further, that it was all right for some people to become rich before others” (Dreyer 200, p.116) and they started getting used to the fact that employment was based on job performance. Knowledge and expertise started being valued and sought by the out by the party and the government much more than ideological devotion and political reliability. In this context, cooperation – rather than class struggle – was understood to be the driving force of progress. A new constitution was adopted in 1982 – replacing that of 1978 – where China was no longer described as a “dictatorship of the proletariat” but instead a “people’s democratic dictatorship”. Interestingly, both party and state organs would now respect certain constitutional guarantees. The CPPCC was reinstated and all the political organs that were born and had acquired a governmental function during the Cultural Revolution were replaced with standard pre-Cultural Revolution government bodies. A progressive separation between the party and the government took place. Tolerance towards religion increased. Denying that all this was part of a process of democratization, Xiaoping underlined that what was being created was rather a “socialism with Chinese characteristics”, though what this meant was never made explicit.
The economic policy implemented throughout Xiaoping’s era can be divided in the following phases: readjustment, early market socialism, rectification and completion of market socialism (Bramall, 2009). These are reported below.

1.1.3.1 Readjustment, 1978 – 1982

Xiaoping’s goal in this transition phase was to leave Maoism behind and to stabilize the economy by “readjusting, restructuring, consolidating and improving” it. This was to be achieved through a series of measures.
State investment was withdrawn from less efficient sectors, especially defence (given the improved relations with the United States) and rural education, to be reallocated to more efficient ones,

especially those “which produced inputs for agriculture and consumer durables”.
State prices were aligned to marginal costs and thus to market laws.
The structure of ownership was changed via an industrial policy promoting liberalization without this entailing privatization. Family farming was restored on the large scale; “controls on the operation of private industry were tacitly lifted in some parts of the Chinese countryside”; state – owned enterprises (SOEs) were reinvigorated. In fact, SOEs were now allowed to retain their profits in large parts, “granted more autonomy in respect of the wage scales and the payment of bonuses” and even “allowed to sell some of their products at market-determined prices once they had met the requirements of the plan”.
The government financed the construction of four Special Economic Zones (SEZs) in the regions of Shenzhen, Shantou, Zhuhai and Xiamen, whose purpose was to attract direct investments from abroad (FDI).

In the short run, the outcome was a fall of the annual Gross National Income growth rate from nearly 12 per cent in 1978 to 5.2 per cent in 1981. In the long run, Bramall affirms that evaluations are difficult. He nonetheless points out that “the Readjustment programme may have been essential to restore macroeconomic stability, but it did not go far enough in addressing the issue of continuing state ownership. Only privatization could resolve the fundamental problem of inefficiency caused by soft budget constraints”. That said, after 1982, a more pro-market approach was adopted to determine the elements of Chinese economic policy.

1.1.3.2 The beginnings of market socialism, 1982 – 1989

In this phase, even though also other changes occurred – such as the decentralization of fiscal powers, the relaxing of controls on private industry and the opening-up to international trade – two were the key issues in economic policy agenda, namely the agricultural reform and the price reform. The former consisted in reducing the tax burden; giving teams much more autonomy in choosing cropping patterns; and de-collectivization process, which placed both assets management and decision making under the responsibility of increasingly smaller work groups and eventually, from 1983 on, of households. As Bramall notes, we ca see the period between “December 1976 and December 1983 as a transition period between collective and family farming”. He adds that “much of the initial de-collectivization, especially in mountainous and poor areas, was driven by popular demand and encouraged by local leaders”. The result of the reform was successful, for agricultural output surged. In fact, from a 2.9 percent registered between 1963 and 1981, agricultural Gross Value Added reached a rate of growth of 10.6 percent. However, such an acceleration was not sustainable, as proven by the same annual rate of growth which, between 1984 and 2006, fell back

to about 3.9 percent.
The price reform marked the beginnings of market-based price determination and had to do with the following measures: “enterprises were allowed to sell a significant (and rising) proportion of their output outside the plan”; […] the price at which extra-plan sales could take place was allowed to diverge from planning prices; […] the number of commodity prices subject to any form of state control was reduced” (Bramall, 2009). Consequently, given also the large amount of subsides coming from the government, by the end of this phase, prices skyrocketed thus producing a high inflationary spiral. In 1988 – 1989, this crisis was resolved by both fiscal and monetary contraction which, however, led to diffused bankruptcy, unemployment and people’s upheaval against the government.

1.1.3.3 Rectification, 1988 – 1991

The years 1988 – 1991 are what Bramall calls “rectification”, a phase during which the process of reform was halted until 1991 when it restarted.
The reason for this was rising tension between Chinese rulers and their people, who were becoming increasingly dissatisfied with the regime due to the above-mentioned macroeconomic contraction. Such tension would sometimes evolve into social unrest and demand for democratization. To be sure, the underlying problems were multiple and not limited to macroeconomic matters. Economic reforms had often caused resource waste and increasing inequalities, in a context of inefficient economic competition, jealousy and resentment between people. On the political side, the promise to reverse unlawful judgments yielded to an overload of petitions that could not be possibly dealt with, with the frustration of many. If the party leadership (and the public) agreed on which problems China was facing – inflation, corruption, nepotism, inefficiency and low production levels – they were divided about how to solve them. On the one hand, leftists were pressuring to revert the reforms, which they considered to be the origin of the problem; on the other hand, reformers believed that the latter lied in reforms being only partial, and thus urged to push them forward. As Dreyer carefully points out, though, “one should be wary of differentiating between the two groups, since the specific circumstances of China’s situation at a given point in time” (Dreyer 2008, p. 122) could easily move people from one side to the other.
On the cultural front, the political elite was concerned with what to their eyes looked as growing materialism among people. Indeed, under Xiaoping’s leadership, dogma was disposed of and emancipation of the mind encouraged, which meant that Chinese people suddenly lost the set of values and ideas they had referred to since the beginning of the PRC. In many cases, these were either substituted with materialistic goals, religion or Western ideals, including rather vague notions of freedom and democracy. To correct this imbalance that risked undermining its power, the CCP

turned from reform to readjustment, by carrying out a campaign of against “spiritual pollution”. This, however, was not a success. Generally, people feared that stepping back would have meant losing many of the (economic) benefits they were enjoying thanks to the reforms.
Other challenges faced by the CCP regarded the disorganized proliferation of new offices which were often stepping on each other’s feet and thus increasing the inefficiencies of the system. Also, while the top posts of these offices were by and large occupied by old cadres, many people of the younger generations had remained unpromoted for many years. Due to the consequent frustrations, in 1982, the party begun a process of “rejuvenation” of the bureaucracy by “absorbing” elderly leaders in the newly created advisory organs. To be sure, though, most of them was able to choose their successors personally, and a smaller but consistent group of cadres particularly close to Xiaoping retained their top positions. This meant that the political elite had not given up its power.
On the internal front, as the struggle between leftists and reformists within the party went on, the second half of the 1980s saw the political elite challenged by increasing social unrest. Increasing inflation, shortages and various corruption scandals involving party cadres decreased the already weakening citizens’ faith in the leadership. Thus, dissatisfaction and disorder grew across the country and people became increasingly unwilling to follow the directives of the rulers. At the end of 1986 a student demonstration even brought forward demands for more democracy. Eventually, in 1989, social unrest reached its zenith with the Tiananmen Demonstrations in Beijing. These demonstrations were suppressed in blood by the government which, by that moment, had cut its spending, halted the policy of opening-up and generally suspended the transition project to market socialism.

1.1.3.4 Completion of the market socialist project, 1991 – 1996

When the difficult rectification phase was over, Xiaoping decided that it was time to “accelerate the pace of economic growth and to relaunch the marketization process”. These aims being set, the economic policy of those years provided for the following points: first, further opening of the economy; second, enhancement of the efficiency of the secondary sector; third, both fiscal and monetary expansion which included state capital construction and government spending. Consequently, growth did accelerate. In fact, as Bramall reports, “in each of the years 1992–4, the growth rate of real GNI comfortably exceeded 12 per cent, well up on the 4 per cent recorded in 1989 and 1990”.

Despite the establishment of economic features, in the form of market-based price setting and liberalization of private industry, Chinese economic system in this period retained nevertheless certain socialist elements. This was evident in the domination of the industrial sector by state-owned enterprises, the presence of significantly high tariff barriers and controls on the migration of labour between urban and rural China. Moreover, as Bramall puts it, “stock markets had been created in Shanghai and Shenzhen, but these were weak and sickly things. And the extent of income inequality, though much higher than it had been in the early 1980s, was not extreme by international standards”.

Deng Xiaoping died in 1997, bringing the era of market socialism to an end.
Overall, based on the Maddison data presented by Bramall, between 1978 and 1996, the People’s Republic of China enjoyed an annual GDP growth of about 7.8 percent and an annual GDP per capita growth of about 6.3 percent. These values were at a historical high, which clearly appears if they are confronted against the previous years. In fact, between 1952 and 1955 GDP growth had been 4.5 percent and per capita GDP 2.1 percent, whilst, between 1963 and 1978 such estimates respectively amounted to 5.1 percent and 2.6 percent. Also, the economy was quite stable, with smaller inflationary episodes than in other parts of the world (Bramall, 2009).

As for life expectancy, Bramall reports Banister’s conclusions, according to which “true male life expectancy rose from fifty-nine years in 1973–5 to seventy years in 2000, and female life expectancy climbed from sixty-one years to seventy years over the same period (Banister 1998; Banister and Zhang 2005: 23 and 29)” (Bramall, 2009).

As for poverty, Bramall claims that, after 1978, China did well in reducing the level of absolute poverty in rural areas. However, (regional) inequalities rose, both in income and educational attainment. In 1980, the Gini index was, as reported by Bramall, 0.28; in 1996, it had worsened to 0.39 (SSB estimates).

In the 1990s, a further problem was that of malnutrition in the countryside. In fact, in those years, about the 12 percent of the population (roughly 146 million people) were undernourished (FAO 2006b).

1.1.4 Fourth Phase: Market Capitalism, 1996 – 2008 and beyond

By the mid-1990’s, and ultimately with Xiaoping’s death in 1997, political power passed to the so called “third generation”. Many old cadres were substituted by better educated and pragmatic ones in the politburo standing committee and the new central committee, and Jiang Zemin – whose mentor had been Xiaoping himself – emerged as the main political figure. Confronted with looming economic problems, Zemin announced his market-oriented plans for economic restructuring, involving the reorganization of the whole financial structure and the privatization of state-owned enterprises.

In 2000, Jiang left his ideological stamp by introducing the concept of the “three represents”. According to him, the CCP represented “the most advanced productive forces, the most advanced culture and the fundamental interests of the broad masses of the Chinese people” (Dreyer, 2008, p. 134). To Jiang’s critics with leftist leanings, the third point appeared particularly controversial, given the increasing number of laid-off workers and the declining incomes of farmers, two categories that felt in fact betrayed by the CCP, to the advantage of the capitalist bourgeoisie.

In those years, civic activism grew within the Chinese society, that saw the proliferation of NGOs. To be sure, though, their activity was largely limited by the government that feared to lose control. Indeed, many NGOs were disestablished, and the surviving ones were subject to a set of restrictions, which ranged from the requirement to register with the government to the notarization of all received donations. In the following years, under the leadership of Hu Jintao, restrictions would be even tightened. In any case though, the overall level of freedom in the country improved a little. Indeed, stores were now able to sell both books supporting and criticising government reforms, prison conditions ameliorated, and some dissidents were released.

Together with economic reforms, Zemin was also implementing an important campaign against corruption – the “Strike Hard” campaign. However, despite his efforts, corruption seemed to increase.

In 1998, a law was passed that allowed all China’s administrative villages in the countryside to conduct direct elections every three years. Also, in urban areas elections have been taking place on an experimental basis since 1999. These elections represented a way for the CCP to re-legitimize itself among angry Chinese people, especially in rural areas – where certain forms of self-government had been experimented since Xiaoping’s disbandment of the commune system, which had in fact led to the erosion of the party’s authority in those areas. To be sure, these elections – which, by the way, where never entirely democratic – never represented a serious challenge for the local leadership, as voters would tend to choose candidates acceptable to the local elite, or the central leadership, given the overall dependence of localities and provinces on the centre for budgetary subsidies.

Furthermore, to strengthen its legitimation and grip within Chinese society, in those years, the CCP continued a campaign to increase its members, which were brought from 50 million in 1991 to 826 million in 2013.

In 2002, a turnover in PRC’s leadership saw all the members of the standing committee step down, exception made for Hu Jintao, who also took up the role of party general secretary. However, as

Jiang Zemin retained the position of chair of the party's Central Military Committee, two rival centres of power were formed: one around Hu Jintao and the other around Jian Zemin. Suh rivalry was also reflected within the unusually large politburo standing committee, which comprised indeed nine members. Eventually, as the latter relinquished his role – which was then subsumed by the former – Hu Jintao prevailed and obtained, together with his Premier Wen Jiabao, the undisputed leadership of the country, which would last for the following ten years. Hu Jintao's aims included improving the quality of the services provided by the party and by the government, and making the Chinese one a well-off society, as Jiang Zemin had envisioned. Also, confronted with the struggle between traditionalists and West-oriented progressives, he found a middle ground by not questioning single-party rule but introducing, at the same time, checks on the CCP power via a stronger legal system and freer media. Furthermore, under his leadership, China continued undergoing the process of liberalizing economic reform.

It is in this phase that, according to Bramall (2009), China finally adopted the economic configuration of market capitalism. This was possible for within the CCP, after Xiaoping's death, the figure of Jiang Zemin and his economic vision prevailed, and market socialism was abandoned. In 1993, China had started a process of increasing cuts in tariff barriers that culminated, in 2001, with its accession to the WTO. This happened under the rationale that abandoning protectionist measures, thus enhancing more and free competition, would have accelerated the rate of innovation and productivity growth (Bramall, 2009). Moreover, accession drove-up "the inexorable rise in exports", even though Bramall argues that such improvement owed to much larger extent to China's depreciated exchange rate vis-à-vis the dollar, which enhancing the competitiveness of its products abroad (Bramall, 2009).
During these years, under the slogan "zhuada fangxiao" – "grab the large and release the small" – , many state-owned enterprises (SOEs) were privatized, exception made for those belonging to key sectors of the economy, where a strong state presence was to be retained.
Controls on internal labour migration were lifted, successfully reducing the income gap and providing China's cities with cheap labour. In 2003, the process of prices liberalization was completed (Bramall, 2009).

The outcome of this transition to capitalism was an impressive and stable growth. In fact, as reported by Bramall, between 1996 and 2007, annual GDP growth and annual per capita GDP growth averaged respectively 9.3 percent and 8.5 percent (SSB, 2008).

Against such level of growth, developmental assessment is somewhat controversial.
Certain human development indicators have continued to improve from 1996 on. Indeed, "the

proportion of children going on from junior to senior middle schools rose from 50 per cent in 1996 to 76 per cent by 2006". […] The trajectory of rural poverty appears to have been downwards, continuing a process begun in 1949. […] In terms of its level of mortality China has done well since 1996" (Bramall, 2009, p.537). However, on the other hand, Bramall maintains that, in the late 1990s, the level of poverty increased due to lowering farming incomes. Moreover, "privatization, the restructuring of state enterprises and endemic discrimination against migrants (who have flooded into urban areas in ever-increasing numbers since the mid-1990s) have led to very slow employment growth and hence to the re-emergence of poverty" (Bramall, 2009, p. 537). In addition, China has witnessed extensive environmental degradation since 1978 and inequality has continued to rise since 1996 (Bramall, 2009).

Towards the end of the "market capitalism" phase, China had to deal with the Global Financial Crisis of 2008. Adas and Tussupova (2016, p.147) affirm that "when the worldwide slowdown became obvious, the Chinese government changed in position quickly and forcefully. […] Due to expansionary fiscal policy and monetary policy, China could provide positive economic growth during the global slowdown". Also, they maintain that from their study it evidently appears that China was indeed "relatively less affected from the global financial crisis […] in comparison with the developed and major developing economies" (Adas and Tussupova, 2016, p.147).

In the last years of the "market capitalism" phase, Xi Jinping emerged as a strong political figure, as he took up crucial roles within the party architecture. Eventually, in 2012, he was chosen to inherit the lead of the country by Hu Jintao, who had terminated his second mandate as President of the PRC. A new configuration took form where power was no longer contended between two poles, with Xi Jinping subsuming the roles of party general secretary, president of the country and head of the Central Military Commission, and with Li Keping being confirmed premier. In departure from the past, the new standing committee of the politburo only counted seven members, did not comprise the holders of the portfolios of propaganda and security and saw more members coming from the provinces of inland China. By subsuming in himself the roles of head of the CCP, head of the Central Military Committee and of President of the PRC, Xi Jinping established himself as the paramount leader of a highly centralized political system, thus rejecting the communist tradition of collective leadership. Xi's power grab entailed also an effort to silence dissent – especially on the web – and to restore ideological unity within the country. Along these lines, ideas that could represent a challenge to the political system of the PRC were banned as unpatriotic or dangerous, and even academic research on topics that could undermine the legitimacy and the solidity of the regime (e.g.: universal values, mistakes of the communist party, citizens' rights etc.). Aiming at restoring the authority of the CCP, he implemented a broad set of policies, ranging from fighting corruption, to improving air quality, from reforming the one-child policy, to increasing the transparency of the legal system. While consolidating his own power and that of the party, Xi was also concerned with stirring more growth in China's economy. His goals have been "transforming China from the world's manufacturing centre to its innovation hub, rebalancing the Chinese economy by prioritizing consumption over investment, and expanding the space for private enterprise." (Economy, 2014).

1.2 India

The following assessment of the development of India's economy and political regime is based on the book "India: the emerging giant" by A. Panagariya (2008) and on the book "A Concise History of Modern India" by D. Metcalf and R. Metcalf (2006).

1.2.1 First phase: Consolidation, 1947 – 1965

In 1947, the Indian independence movement succeed, after many decades, in granting India its independence from Great Britain. In the same year the Republic of India was born, and Jawaharlal Nehru became its first prime minister. Strongly committed to secularism and socialism, Nehru's leadership and the Congress aimed at implementing a political, economic and cultural modernization as well as to the creation of a united Indian polity.
Between 1947 and 1949, the Constituent assembly drew India's constitution, drawing from the principles and institutions of the British political system – in particular, a two-house parliament, a prime minister selected by majority party in lower house and a president as the head of state. The federal form of state was kept, together with the power balance between the centre and the provinces – now become states – as well as the structure of the Indian Civil Service – now "Indian Administrative Service". On the American example, India's Supreme Court was endowed by the new constitution with the powers of judicial review of legislation. There was general agreement at the political and social level that the Republic of India should be based on democratic principles, entailing universal suffrage and freedom of press and speech. Furthermore, the constitution gave voice to those who were at the bottom of India's traditional class system, the "untouchables", and to other the disadvantaged groups. In particular, "untouchability" became unlawful.

Since the Congress Party had been the body for the mobilization of the masses in Gandhi's campaign for India's independence, its network had permeated and reached deep into India's society, both in the urban areas and in the periphery. Such network, which had made the party an effective agitational body, was still in place in the 1950s and it would now allow it to be an effective vote-getting body. In fact, Nehru's central leadership could rely on the collaboration of local party “bosses”, thanks to which a politics of brokerage was put to place. “The party bosses dispensed jobs and development funds to the lower-level Congress workers in the districts; and they, in turn, brokered these funds to the controllers of the crucial ‘vote banks’ in the villages, usually leaders of rich peasant castes who could bring their fellows to the polls to vote for Congress” (Metcalf 2006, p. 239).

A salient feature that has always characterized Indian political system is the large presence of ethno-linguistic and religious minorities. Indeed, very soon after his rise to power, Premier Nehru had to confront with the issue that the Indian polity was not a homogeneous one, as a tumultuous movement started urging for the reorganization of India’s provinces. Some language groups were split among two or even three provinces, while others were incorporated into large multilinguistic provinces. At first, Nehru opposed to transform these language-based provinces into actual administrative structures of the State so as not to encourage separatism, but eventually he had to surrender to increasing pressures. In 1956 a Commission was set up, which divided India – based on language - into fourteen states.

Soon, the ruling Congress Party committed to establish a socialist model of economic development, which included the central role of the state in economic matters. Indeed, a commission for economic planning was established in 1950 and tasked with the formulation of sequential five-year plans for the country’s development. The first such plan – which focused on agriculture – started in 1951.

From 1951 to 1961 India’s GDP grew at nearly 4% annum and, between 1961 and 1965 it accelerated even further, reaching an annual growth rate of almost 4.5 percent. Overall, in throughout these years, per capita GDP grew around 2 percent annum. Considered that the growth rate in the first half of 1900 was less than 1%, the acceleration above described appear miraculous. Accounting for it, Panagariya points at the following causal factors.

First, a combination of “Honest and efficient bureaucracy and judiciary, strong political leadership (Nehru) and a vibrant entrepreneurial class” (Panagaiya, 2008) that provided the basis for democratic political stability. The latter, combined with public investments in infrastructure, created a facilitating environment for entrepreneurs.

Second, drawing up an efficient economic plans proved less onerous given that, that at its early stages of development, the economy showed low complexity and required less projects to implement.

Third, given the low level of development of the industrial sector and the openness of the country to foreign investments, imports of foreign machinery were welcomed, together with the benefits they brought to entrepreneurs in terms of innovations.

Finally, throughout those years, growth was also sustained by expansionary fiscal policies and by borrowing from abroad.

At the beginning of India's development process, the Prime Minister and Chairman of the National Planning Committee, Jawaharlal Nerhu, set economic policy with the central aim of providing the country with economic independence; in other words, to avoid India's dependency on external sources of supply in the future. He defended an economic framework characterized by relatively open regimes of trade and foreign investments. As Panagariya claims, proof of the former can be found in the following elements: Commerce Minister T. T. Krishnamachari's commitment to expand investment and the economy fast through imports; consumer goods imports were part of the import basket as provided for by the various five-year plans of the period; "established importers" enjoyed a relatively free activity of import and resell of goods; until 1957-58, the quantity of imports as a proportion of GDP was remarkably large. As for the latter, despite the hostility coming especially from left-wing parties, Nerhu nonetheless believed that a liberal regime of foreign investments in the country was necessary for the well-being of its economy. Therefore, he implemented measures to enhance it, in particular the reduction of the fiscal burden for foreign investors, as established in the budgets of 1949-50 and 1951-52, 1957, 1959 and 1961.

By the early 1960s, the outlook of the economic system started being somewhat reshaped. Public involvement in the development of industry was high, with an average ¼ of overall public investment going to organized industry and mining, and the rest to transport, communication, irrigation, energy, agriculture, village and small industries and education.
Private investment started being regulated through a system of licenses (i.e.: authorizations by the government). The Industrial Development and Regulation Act (IDRA) 1956 set out the guidelines and the priorities to regulate industrial investments and production, encourage small enterprises and to achieve a regionally balanced industrial development. Moreover, based on the Act, the government could take over firms, control distribution and pricing of products and give favourable treatment to certain industries, for example concerning the procedure of registration and license needed to establish new undertakings or to expand old ones. That said though, Panagaiya claims that in this early phase the licensing regime was nonetheless very liberal.
Finally, a framework of price controls was adopted that, however, as Panagariya maintains, had minimal impact on the economy until the mid-1960s.

In the economic policy of the time, agriculture was not a priority. In any case, emphasis was put on land reform and the extension of irrigation. The former was slow and only brought partial success as not much land was actually redistributed and tenancy laws remained fuzzy and poorly implemented. By contrast, the irrigation projects were successful (Panagariya, 2008).

Despite the above-mentioned restrictions, the growth rate did not fall after their introduction. Panagariya states that this was possible, first, because, the tightening of policy was only progressively achieved and, second, because the growth rate was sustained both by high levels of public investment (amounting to 9.7 percent in 1954-55, 12.1 percent in 1959-60 and 14.1 percent in 1964-65, as a proportion of GDP) and by expansionary fiscal policies.
Overall, the launch of industrialization relied especially on planning, public investment in heavy industry and the licensing of private sector investments.
However, at the end of the period, some signs of an imminent crisis appeared, in particular stagnation in agriculture, rising external debt and fiscal deficits.

1.2.2 Second phase: The era of Indira Gandhi, 1965 – 1981

Nehru died in 1964 and the moderate Lal Bahadur Shastri succeeded to the post of prime minister. One of the main challenges that India had to confront with in 1965 was related to the language. In fact, in the same year, the constituent assembly had determined that Hindu should be India's official language; however, less than half of the Indian population had Hindu as their mother tongue and many – especially the elite – pressured to keep English in use. Following the consequent widespread anti-Hindi sentiment, a compromise was fond with English being retained as an associate language to Hindi. On the other hand, this perpetrated the already wide gap between the elite and the rest of the India population.
Shastri's government didn't last very long, as the prime minister was stroke by an unexpected heart attack. He was succeeded by Nehru's daughter: Indira Gandhi. Mrs. Gandhi conserved her father's secular and socialist political vision.
The following 1967 elections marked the start of the Congress's decline, as opposition parties – both leftist and rightist – gained momentum and seats, often coming to power at the subnational level. The Congress didn't quite recover from this blow. Rather, it started suffering intensifying internal tension and divisions which involved also economic policy, especially between the socialist hardliner Indira Gandhi and the more rightist old party patrons (Panagariya, 2008). This came to a final break in 1969, when Mrs. Gandhi was expelled from the party and formed her own Congress Party. Intending to consolidate her figure and socialist vocation, she proceeded with the nationalization of India's largest banks – to much popular acclaim – and formed alliances with leftist parties to stay in office.
In the early 1970s, due to stagnating economic growth, the country saw spreading social discontent

and unrest, which Mrs. Gandhi tried to take advantage of for her political advantage. Indeed, to gain the lead of the popular upsurge, she abandoned the party channels and started appealing directly to the people and committing to end poverty. The 1971 elections prized Mrs. Gandhi's strategy, as her Congress Party obtained indeed a strong majority in the national parliament. The same elections paved the way to a new form of populist politics centred around the person of Indira Gandhi. In this new political order, the government would seek support from the backward classes (e.g.: peasantry) via direct mobilization. At the same time, Mrs. Gandhi would select party leaders based on their loyalty to her figure – rather than based on the support they would command in their home regions as it had previously been – leading to the progressive erosion of the Congress's historical electoral base in the countryside where, furthermore, poverty had not declined despite the party's commitments. This was so also because, notwithstanding her socialist rhetoric, Mrs. Gandhi she didn't dare antagonize the well-to-do rural classes, given that India's food supply depended on them. A further problem in tackling poverty was represented by administrative inefficiency due to widespread corruption. Overall, "trapped between the conflicting goals of economic growth and social justice, and lacking reliable administrative agency in the countryside, the government was reduced to a near ineffectuality" (Metcalf 2006, p.255).

In the first half of the 1970s, India was struck by food shortages and rising unemployment and inflation. This situation of crisis provided an opportunity to politicians from the opposition. They were able to mobilize their fellow supporters in a campaign against Mrs. Gandhi's administration, consisting in sit-ins, fasts, marches and strikes. The situation turned for the worse for the Prime Minister when, in 1975, a high court found invalid the 1971 elections that had confirmed Mrs. Gandhi to power. Rather than resigning, the Prime Minister responded with the proclamation of the state of emergency – with the support of middle classes that saw in the state of emergency the only alternative to dangerous social unrest. Between 1975 and 1977, all civil liberties were thus suspended, strung censorship was enforced, political opposition was prohibited – with thousands government's opponents being sent to jail – and the 1976 national elections were postponed. If, on the one hand, order was restored which brought gains in efficiency, on the other hand, there was growing disillusionment with the government as widespread poverty persisted, and two policies in particular caused widespread popular resentment towards the government – namely, slum clearances and sterilization campaigns. These issues hit especially the backward classes – Muslims and the poor – and thus undermined the electoral support of Mrs. Gandhi's party and government. As a result, the Prime Minister decided to call for elections in 1977, with the hope of legitimizing in this way her state of emergency. As a result, though, Indira Gandhi was swept from office and power passed to the conservatory opposition party Janata, which ended 33 years of uninterrupted

Congress rule. The office of prime minister was taken up by Morarji Desai, who presided over a highly fractioned government coalition. By the end of 1979, in fact, the coalition collapsed under the pressure of diverging internal views.

Panagariya maintains that this period registered the worst economic performance. From an average of 4.1% in the preceding years, the GDP growth rate dropped to an average of 3.2 % between 1965 and 1981; similarly, per capita income growth was at a historical low of 0.9 percent. In general, performance declined in all sectors, especially in the industrial one. According to Panagariya, together with eternal factors (droughts, the rise of oil prices and the war with Pakistan), this difficult economic situation was also due to internal problems.al and internal causal factors. In fact, at the beginning of the second phase, in 1965, India's political leadership had to face a macroeconomic crisis consisting in fiscal deficit, foreign debt rising and inflation in a context of agricultural and industrial recession. In response, in 1966, the government adopted some liberalizing measures, namely devaluation of the rupee, decreased import protection, increased export taxes and decreased export subsidies. However, the project failed due to the lack of a real conviction for pro-market policies. By 1967-68 both the crisis and the liberalizing endeavours came to an end. The following years saw a socialist economic policy putting into place numerous economic restrictions – which should be seen also as an effort to secure popular support for the Congress Party. Indeed, as prime minister, Mrs. Gandhi, placed new controls on industry, including tightened licensing regulations for big businesses, as well as restrictions on foreign investment and the exclusive reservation of the production of some products to small scale enterprises in 1967.
In addition, by 1970-71, import controls were back – preventing India from benefitting from the growth global economy between 1965 and 1975 – and labour policies made virtually impossible for firms to lay off workers, which increased the cost of labour. Land policies established a ceiling on how much vacant urban land could be acquired by and individual, a family, a firm or a company; in addition, holders of excessive vacant land were required either to surrender it to the state for small compensation or to use it for specific projects. In turn, this led to the diffusion of bribery and corruption to retain the land. Following government considerations that the banking and insurance sector didn't serve well agriculture, rural areas and small entrepreneurs, and given its concerns regarding frequent bank failures, in 1969, roughly the 84 percent of bank branches became public. Eventually, though, problems emerged due to the inefficient bureaucracies that had taken responsibility over the management of banks and insurance companies.

1.2.3 Third Phase: The beginnings of liberalization, 1981 – 1988

The following 1980 elections saw the Congress Party coming back to power with an overwhelming majority in the national parliament, and Indira Gandhi taking up again the role of prime minister again and reinstating her personalistic style of governance. Also, “once restored to power, Mrs. Gandhi began courting voters on the basis of ethnic and religious affiliation, and cynically manipulating communalist groups for political advantage”, thus abandoning Congress’s traditional secularism and embedding India in divisive communal politics (Metcalf 2006, p.259). Aware of the bad economic results of her previous administration, she stopped pushing her socialist economic agenda any further. On the contrary, she set to progressively abandon the restrictive regime that had emerged out of the former socialist agenda. To the benefit of the private sector, the plan favoured industrial capacity expansion as well as private investment, and made the licensing regime less burdensome.

Killed in 1984 – in retaliation for the intervention she had led in Punjab – Mrs. Gandhi was succeeded as prime minister by her son Rajiv Gandhi. This was following the 1984 national elections which were the largest history of the Congress Party, that received in fact an 80% majority in parliament.

Rajiv Gandhi continued the process of progressive liberalizing reforms started by his mother some years before. In terms of internal politics, though, Rajiv Gandhi continued to play the game of communal politics. His administration saw the implementation of certain policies aimed at the social emancipation of the Muslim community, which were however considered a form of undue favouritism by the other Indian communities – especially the Hindu. This undermined Rajiv Gandhi’s power and reputation, which led to the Congress defeat in the 1989 elections. These were followed by the formation of a precarious minority government led by V.P. Singh and his “Janata Dal” party.

Rajiv Gandhi’s administration marked a critical turn in terms of economic policy. In fact, liberalization was progressively undertaken, thus contributing to the dismantling of license system continued being dismantled, the liberalization of prices, the lifting of distribution limits and India’s further opening to international capital. In addition, tariff and non-tariff barriers were reduced, thus enhancing the level of imports and exports. A tax reform followed to reduce the fiscal burden on manufacturers. The outcome of this process was positive. Industrial growth rate was 6.3 percent compared to the 4.0 percent of phase II and the rate of approved application for new undertakings increased.

Between 1981 and 1988, the Indian annual rate of growth rose to about 4.8%. According to

Panagariya (2008), this owed to the progressive – albeit piecemeal – liberalization in trade and industry undertaken in those years.

1.2.4 Fourth phase: The triumph of liberalization, 1990s and beyond

The new-born V.P. Singh's government was the first of a series of coalition governments that characterized all the decade of the 1990s. Throughout these years, Basu and Kohli (1997) note what they define a "deinstitutionalization" of the Indian state, which represented by the decline of the Congress Party, of the bureaucracy and of the historical (Nehruvian) normative institutions of secularism and socialism. "The resultant vacuum, coupled with increased democratic competition in terms both of numbers and of decline of the old hierarchies, provided the opening for the political conflicts of the decade" (Metcalf 2006, p.272). Competing parties of this period of "noisy democracy" (Kohli, 1997) included the Hindu nationalist Bharatiya Janata party, as well as parties representing the lower castes and subnational regions. In terms of economic policy, as Panagariya emphasizes, it is interesting to note that, throughout all these years, the lack of continuity in the governments didn't affect the liberalizing reform process which kept moving forward

There were three main regimes among the various coalition governments of the 1990s.

The first was the Janata Dal party rule from 1989 to 1990. In these few years, prime minister V.P. Singh led a rather unstable coalition government, which engaged in large concession to Muslims and lower castes, setting the stage for a decade of interconnected social and political tensions based on class, religious and gender. Indeed, eventually, the coalition collapsed under the pressure of problems including regional separatism, issues related to the aspirations of the lower castes, Hindu-Muslim clashes and violence, women pushing for emancipation and economic anxieties.

The second saw the Congress Party returning to power with a coalition following the 1991 elections. The role of prime minister was taken up by P. V. Narasimha Rao, whose government lasted until 1996. These were the years of the definitive endorsement of the liberalization process of the Indian economy, with the dismantling of state-control and both the cultural and economic opening to the world markets. The protagonist of this process of reform was the then Finance Minister Manmohan Singh (who would later become India's prime minister). Opposition parties engaged in a strong critique of the Congress's economic policies, claiming that they would have meant the end of economic self-sufficiency – leading to unemployment and inflation – and wound have threatened India's traditional culture and values. Further critiques of liberalization included the argument that the reform had not gone far enough, that they had not been focused on human capital development and that inequalities had risen sharply. At the same time, the Congress government struggled to tame anti-Muslim violence and, in addition, the it was hit by a series of a corruption scandals that deteriorated its reputation, leading to its defeat in the 1996 national elections.

"So severe had the fragmentation of Indian politics become, with the profusion of regional and class-based parties, that for two years it was impossible to form any stable government" (Metcalf 2006, p.287).

The main economic events of these years can be summarized as follows. An unprecedented growth was followed by a crisis in the balance of payments. In response, further liberalization of the economy was implemented, leading to economic stabilization and to the resuming of growth. These events are analysed below in more detail.

On average, from 1988 to 1991, the annual growth rate was 7.6 percent. A high growth was registered for all sectors: 7 percent in agriculture, 9.1 percent in industry, 7.1 percent in services. Agriculture was well ripe to grow fast due to its poor growth performance between 1984 and 1988 which was about 0.1. By contrast, the remarkable performances of the secondary and the tertiary sectors are well explained by liberalization, by expansionary fiscal policy and by increased foreign borrowing. However, such measures didn't only mean decreasing pubic revenue on the background of continued public expenditure set to stimulate demand, but also rising foreign debt (rising from 20.6 billion $ in 1980-81 to 64.4 billion $ in 1989-90) and deterioration of its quality. These issues, together with a decline in the stock of foreign exchange reserves, led to a macroeconomic crisis in 1991. This was solved thanks to the intervention of the IMF and WB, secured by Finance Minister Manmohan Singh's commitment to liberalization. The following liberalizing reforms were also favoured by the large consensus that had built around them based on the positive experience of piecemeal liberalization in the 1980s, on the fall of the USSR and on the success of Chinese outward-oriented policies. The new industrial policy provided for restrictions to market entry, investment licensing, price and distribution controls and public-sector monopoly be abandoned altogether. Foreign investment in the service sectors were further liberalized and, at the same time, trade barriers were further reduced, to benefit from market mechanisms, with India joining the WTO in 1995. Liberalization regarded also other sectors, such as taxation, financial sector, telecommunications, electricity, airline industry and national highway construction. During there years of Congress rule, between 1993 and 1997, the Indian economy grew at an annual rate of 7.1%.

Finally, the Hindu nationalist Bharatiya Janata Party (BJP) came to power in 1998 and governed with a coalition until 2004. In those years, the role of prime minister was held by Mr. Vajpayee. The BJP promoted a political rhetoric that denied the relevance of class in favour of the unity of religion, making Muslims a scapegoat for problems they were not responsible for and as a foil for the creation of a Hindu-rooted majoritarian identity. Even if the BJP had strongly opposed the Congress's liberalizing reforms some a few years later as an opposition party, it nonetheless made market-oriented economic policy a critical issue of the coalition's program. Indeed, just like the Congress, the BJP coalition looked at privatization and foreign investment as top priorities.

Panagariya argues that the liberalization process of phase III and phase IV brought a significant decline in poverty. The national poverty ratio fell from 48.8 percent in 1977-78 to 38.5 percent in 1987-88. In this, Rajiv Gandhi's anti-poverty programs where effective given growth-sustaining liberalizing reforms bringing, in fact, generally lower levels of unemployment and in the 1990s and rising wages.
Child labour (10-14) declined from 30.1 percent in 1960 to 12.1 percent in 2000, female (from 407.3 in 1960 to 191.0 in 2000 per 1000 female adults), male (from 397.9 in 1960 to 250.0 in 2000 per 1000 adult males) child mortality (from 242.0 in 1960 to 94.0 in 2000 per 1000 children) fell. Progress was made in life expectancy (male: 59 in 1990 to 60 in 2002, female: 59 in 1990 to 63 in 2002). Overall, also the level of education improved.
Rural inequality either remained unchanged or fell slightly during 1994-2000; by contrast urban inequality rose. Regional inequality rose as well, together with the rural-urban divide. In any case, it must be said that inequality rose in an environment of generally rising incomes.

In the 2004 elections, a reinvigorated Congress Party defeated Bharataya Janata Party (BJP) party and came back to power in another coalition government, with the role of prime minister being taken up by previous Finance Minister Manmohan Singh. For a good part, Congress's success was explained by the widespread discontent of the weaker classes towards liberalization, as they felt as having been left out of the growth process. The new prime minister brought the liberalization process forward and, at the same time, he invested in human development – in particular, education and healthcare. In addition, in those years, various welfare measures were implemented aiming to improve the conditions of the lower layers of society. This included laws by which the state would protect the right to food, education and rural employment. Manmohan Singh stayed in power for two mandates, until 2014. During this period, India's annual growth rate averaged about 7.7% (World Bank).
During Singh's administration, India was struck by the Global Financial Crisis of 2008. Mohan (2008) claimed that "India has by-and-large been spared of global financial contagion due to the subprime turmoil". According to him, this was for a variety of reasons. In fact, he continues, "India's growth process has been largely domestic demand driven and its reliance on foreign savings has remained around 1.5 per cent in recent period. It also has a very comfortable level of forex reserves. The credit derivatives market is in an embryonic stage; the originate-to-distribute model in India is not comparable to the ones prevailing in advanced markets; there are restrictions on investments by residents in such products issued abroad; and regulatory guidelines on

securitisation do not permit immediate profit recognition. Financial stability in India has been achieved through perseverance of prudential policies which prevent institutions from excessive risk taking, and financial markets from becoming extremely volatile and turbulent" (Rakesh Mohan, 2008).

The new national elections of mid-2014 saw the BJP recover its power, leading a coalition that gained victory of the rival Congress, making Narendra Modi prime minister. According to Varshney (2017), Congress's defeat can be partially explained by what had been perceived as an overdue focus on welfare, which limited growth. Indeed, the economic elite was expecting Modi's administration to pursue growth more vigorously then the previous government. Eventually, Modi's government chose a combination of growth and welfare policies (Varshney, 2017). At the same time, Modi engaged in campaign against corruption, which is to be considered a crucial variable accounting for Modi' political success, together with his promotion of a Hindu religious nationalism (Varshney 2017). Under Modi's administration, the Indian economy grew at an annual rate of 7.3% (World Bank).

Chapter II – The effect of democracy on economic growth

This chapter surveys the existing theoretical and empirical literature on the relationship between democracy and economic growth, and it is divided in two parts.

The first part reports an overview on the general theoretical perspectives on the issue – namely, the "conflict perspective", the "sceptical perspective" and the "compatibility perspective" (Sirowy & Inkeles, 1990) – and the related empirical findings. Respectively, such perspectives posit that democracy is ill-suited for economic growth compared to authoritarianism; that democracy or authoritarianism per se do not affect economic growth; that democracy is better suited for economic growth compared to authoritarianism.

The second part of the chapter takes a step further by reporting the specific theoretical arguments end the related empirical findings on the single mechanisms in which democracy may promote or hamper economic growth.

Overall, at a theoretical level, there is apparently no agreement as for whether democracy promotes or hampers growth. However, on the other hand, empirics reveal that, while there seems to be no clear direct effect of democracy on economic growth, the latter seems to be positively affected by democracy in an indirect way, as pointed out by more recent empirical findings.

PART I – General perspectives

2.1 Sceptical perspective – theory

The first perspective emerging from the theoretical literature is the sceptical one (Pye, 1966). The central claim here is that no systemic relationship exists between democracy and economic growth. "The proponents of this view argue that it is the institutional structure and organizations, rather than regimes per se, that matter for growth" (Doucouliagos & Ubasoglu, 2008, p. 63), such as the party system, industrialization strategy, cultural environment etc. (Sirowy & Inkeles, 1990).

2.2 Sceptical perspective – empirics

At the empirical level, the sceptical perspective seems to be confirmed by the following studies.

Przeworski & Limongi (1993) examine the 21 findings generated by 18 empirical studies. Among such findings, 8 supported the view that democracy is better than authoritarianism in fostering growth, whereas other 8 confirmed the opposite. The last 5, instead, discovered no difference between democracy and authoritarianism when it comes to supporting economic growth. Adding a "puzzling" consideration based on an historical perspective, the authors note that "that among the 11 results published before 1988, eight found that authoritarian regimes grew faster, while none of the nine results published after 1987 supported this finding" (Przeworski & Limongi, 1993, p. 60). Prezeworski and Limongi fail to identify any reliable insights on the relationship between democracy and economic growth based on previous literature since, according to them, all these results are poor in significance. According to the authors, the main reason for this is that such results are based on invalid standard regression models, where samples of democratic and authoritarian regimes are indeed affected by selection bias. In the authors' words: "It is the difference in the way regimes are selected […] that generate the observed difference in growth rates. Hence, this difference is due entirely to selection bias" (Przeworski & Limongi, 1993, p. 63). In their study, Przeworski & Limongi correct for such bias, thus enhancing the reliability of their sample and results. Eventually, what they find is that there is no difference in terms of growth rate between democratic and authoritarian regimes. In their final remarks, the authors conclude that it is only possible to make some educated guesses as for the answer to the question of whether democracy fosters or hinders economic growth. "First, it is worth noting that we know little about determinants of growth in general. And without a good economic model of growth, it is not surprising that the partial effect of politics is difficult to assess. […] Secondly, there are lots of bits and pieces of evidence to the effect that politics in general does affect growth. But while suggestive stories abound, there is little hard evidence. Our own hunch is that politics does matter, but "regimes" do not capture the relevant differences. Postwar economic miracles include countries that had parliaments, parties, unions, and competitive elections, as well as countries ran by military dictatorships. Hence, it does not seem to be democracy or authoritarianism per se that makes the difference but something else" (Przeworski & Limongi, 1993, p. 65).

Another relevant study was conducted by Brunetti (1997). In his work, the author provides an overview of the results found by 17 empirical studies that, through cross-country growth regressions, assess the effect of democracy on economic growth. The author clarifies that, in the early studies, the adopted measures of democracy are mainly based on various sources, including the Political Handbook by Banks (e.g. 1979) and the Handbook of Social and Political Indicators initiated by Russet et al. (1964) and the democracy indicators provided by Bollen (1980).
Based on his review, Brunetti (1997) finds a wide variation in the results concerning the investigated relationship between democracy and economic growth. In fact, among these 17 studies, "9 studies report no, 1 study a positive, 1 study a negative, 3 studies a fragile negative and 3 studies a fragile positive relationship between democracy and economic growth. […] The majority of empirical studies report no relationship and only some studies, under particular specifications, find significant positive or negative relationships. Most of the latter studies report only fragile relationships, meaning that the clear result applies only to some arbitrarily chosen subset of countries and/or years" (Brunetti, 1997, p. 167). Based on this literature, then, the most credited results seem to be that democracy has either no effect or an insignificant effect on economic growth. More broadly, the author concludes that there is no clear relationship between democracy and economic growth. In any case, he adds, certain shortcomings can be found in the literature, such as, for example, the wide variation in terms of methods, periods and countries considered – which makes direct comparisons difficult.

Another significant contribution came from the book "Democracy and Development" by Przeworski & Limongi (2000). According to Ramos (2006) this is one of the most important books written on the relationship between political regimes and economic growth. It consists of a remarkable effort in which 141 counties are analysed from 1950 to 1990. Such analysis covers a total of 1645 years of democracy and a total of 2482 years of dictatorship, to include 39 transitions from democracy to authoritarianism as well as 49 transitions in the opposite direction. The main finding is that "in the end total output grows at the same rate under the two regimes" (Przeworski & Limongi, 2000, p. 179), which is consistent with the view that political regimes have no effect on economic growth (Ramos, 2006). However, this is total output, rather than per capita output. To be sure, interestingly, the authors find some evidence that democracies are associated with somewhat higher growth of GDP per capita in comparison to autocracies. Another significant finding is that there appears to be "much more variation in growth between different dictatorships than between democracies" (Knutsen, 2012, p. 406).

As for the method, Przeworski & Limongi adopt the counter-factual methodology. Developed by Nobel Prize winner James Heckman, this methodology consists on a two-stage regression model and asks the following question: what would have the outcomes been if, under the same conditions, other institutions had been observed? (Ramos, 2006). Ramos (2006) reports the thought experiment that the authors develop to illustrate this point. "Using standard statistical methods, we can conclude that democracies are correlated with economic growth. However, that conclusion will lead us astray. As democracies fall when they face economic crises, we will never observe democracies under bad economic conditions and, thus, we can wrongly conclude that democracy is related to economic prosperity. The counter- factual methodology is designed to avoid such mistakes as it helps us to avoid a non-random choice of cases" (Ramos, 2006, p. 347).

The second crucial element in the authors' method is the adoption of the minimalist definition of political regimes. Thus, they consider a regime as democratic only in the case where it meets three criteria: 1. executive selection i.e.: the government must be elected, 2. legislative selection, i.e.: the legislative must be selected, 3. alternation: the opposition must have concrete opportunities to win and to take office. On the other hand, authoritarianism is considered a residual category, i.e.: if it is not a democracy, it is an authoritarianism.

When in chapter three of their book the authors turn to the issue of the relationship between economic growth and political regime, their analysis if driven by the following questions: "are dictatorships a necessary step towards higher rates of economic growth in developing countries? Is democracy hostile to economic growth?" (Ramos, 2006, p. 350). The results they obtain indicate that the annual rate of total income growth is higher under authoritarianism – amounting to 4.42 percent – then under democracy – amounting to 3.95 percent. However, according to the authors, this difference does not depend on the political regime itself. Rather, the most likely reason why the estimated growth rate is higher in authoritarianism is that authoritarianism occurs most frequently in poor countries, which generally enjoy higher rates of growth (Ramos, 2006). At the same time, democracy is overall the typical regime found in developed countries. However, according to the data analysis of Przeworski & Limongi (2000), this is only so because democratic regimes, regardless of the reasons why they emerged, have more chances to survive in more developed and affluent nations.

The authors continue by emphasizing that, in any case, authoritarianism and democracy differentiate from each other for their specific patterns of growth. On the one hand, autocracies are more labour extensive and more labour exploitative. Thus, as the work force grows faster and earns lower salaries, the average worker's contribution to overall income is inferior. On the other hand, in democracy one finds better salaries, better employment conditions and the opportunity for workers to associate freely. “Therefore, affluence is what differentiates regimes: dictatorships grow using a lot of labour, pay very little for it, and use their labour force very inefficiently. Thus, the main conclusion […] is at odds with the claim that democracy has a significant impact on growth: […] political regimes neither foster nor hinder growth. Yet the conventional wisdom is correct: life is far more difficult under dictatorships” (Ramos, 2006, p.351).

2.3 Conflict perspective – theory

The second one is the so-called conflict perspective. Among its exponents, Sirowy and Inkeles (1990) mention De Schweinitz (1964), Andesrki (1968) and Chirot (1977).
The conflict perspective maintains that democracy hampers economic growth, and that authoritarianism is in fact better at driving growth than democracy. As reported by Doucouliagos & Ulubasoglu (2008), Kurzman, Werum, and Burkhart (2002) cited Hobbes ([1651] 1967) as the first one to support the conflict view, claiming that an absolutist regime is more likely to improve public welfare since that’s the only way for it to promote its interests. More recently, Huntington (1968) underlined that democracy is vulnerable to popular demands for redistribution and self-interest-motivated rent seekers coming at the expense of growth-enhancing investments. Here lies a central argument of the conflict perspective. Accordingly, authoritarianism (and not democracy) promotes economic growth by granting state autonomy, defined as “a combination of the "capacity" of the state to pursue developmentalist policies with its "insulation" from particularistic pressures, particularly those originating from large firms or unions” (Przeworski & Limongi, 1993, p. 56). Drawing from the example of the developmental authoritarianisms of the so-called “Asian Tigers” (Hong-Kong, Singapore, South Korea and Taiwan) – Asian autocracies characterized by high rates of growth – this argument unfolds by holding, first, that state autonomy fosters economic growth and, second, that state autonomy is only possible under authoritarianism. This is so for a three-fold reason: (1) the state has a role to play to make the economy function in an efficient way; (2) in order to perform well such role, the state must be insulated from private pressures; (3) the state apparatus aims at performing this role well. In this framework, Becker (1983) claims that, where allowed, self-oriented lobbying activity of interest groups is wasteful, it produces transfers of income resulting into deadweight losses and it causes policies to lose internal coherence. The higher degree of state autonomy in authoritarianisms is related to what has been reported above on their higher investment level. Indeed, Haggard (1990, p.262) claims that, by sparing them from distributional pressures, authoritarianisms increase political leaders’ ability to “extract resources, provide public goods, and impose the short-term costs associated with efficient economic adjustment.” In other words, an authoritarian government is better able to enact “painful” growth-enhancing economic policies. In addition, reforms may be implemented more speedily under authoritarianism, for the

time-consuming process of negotiation associated to democracy is in fact averted (Knutsen, 2012). For authoritarian regimes can use coercion as a force of implementation, they are considered capable to ensure more social/political stability, firmer control over labour and markets, and greater efficiency in resource allocation and, in general, the implementation of “hard” economic policies necessary for growth (Sirowy & Inkeles, 1990; Doucouliagos & Ubasoglu, 2008). In addition, they produce higher savings – and thus higher investment – for the absence of representative mechanisms will impede redistribution practices that take away wealth from the rich who have a higher marginal propensity to save than the poor.

Critics of this view, though, have emerged. Some scholars (e.g. Wittman 1989, Evans 1995, Sen 1999, Bueno de Mesquita 2003) have argued that democracy is also able to avoid socially wasteful activities of rent-seeking. Wittman (1989) argues that, in a democratic regime, politicians have an incentive in this since they are subject to mechanisms of reputation and monitoring by voters, organizations and politicians in the opposition. According to Evans (1995, p. 12), effective political and bureaucratic processes are based on an embeddedness “in a concrete set of social ties that binds the state to society” which they would in fact lose “under dictatorship because of the regime’s insulation from the general populace, and the lack of an organized civil society with extensive knowledge of local conditions.” Indeed, Sen (1999) emphasizes that, in terms of information needed to achieve efficient policy implementation, leaders in authoritarianism are likely to be at a disadvantage compared to their counterparts in democracy. In addition, Bueno de Mesquita (2003) challenges the basic assumption that dictators are autonomous from pressures coming from the society by emphasizing that, in fact, it is hard for any dictator to survive without the backing of specific interest groups. Moreover, other critical authors, such as Alesina et al. (1996) and de Haan and Siermann (1995), have pointed at contrasting cases in which the policies implemented by dictators motivated by their own economic benefit proved to be a failure, especially in Africa and in a large part of the socialist world.

2.4 Conflict perspective – empirics

At the empirical level, the conflict perspective seems confirmed by the following studies.

The first significant contribution comes from Sirowy & Inkeles (1990). In their study, the authors assess the state of empirical research at the time of writing. They compare and review thirteen[1] cross-national quantitative studies that tried to establish “the economic consequences of differences

[1] Adelman and Morris (1967) Feierabend and Feierabend (1972) Dick (1974) Huntington and Dominguez (1975) Russett and Monsen (1975) Marsh (1979) Meyer et al. (1979) Weede (1983) Berg-Schlosser (1984) Kohli (1986) Landau (1986) Sloan and Tedin (1987) Marsh (1988).

in the democratic character of national regimes" (Sirowy & Inkeles, 1990, p.136).

As reported by Sirowy & Inkeles, among all these studies, only three - Huntington and Dominguez (1975), Marsh (1979), and Landau (1986) – found an unconditional (or unqualified) negative effect of democracy on the economic growth rate. On the contrary, six studies - Feierabend and Feierabend (1972), Dick (1974), Russett and Monsen (1975), Meyer et al. (1979), Kohli (1986), and Marsh (1988) – established the absence of relationship between the degree of democracy of a regime and the pace at which the economy grows. Finally, the four remaining studies reported a conditional (or qualified) relationship between the two variables. Indeed, for example, Adelman and Morris (1967) reported that democracy appears to have a negative effect on growth, except for wealthier less-developed countries. "Weede (1983) reports the existence of a negative relationship only when developed countries and less-developed countries are both included in the analysis and also in those societies in which the role of the state in economic affairs is decidedly larger" (Sirowy & Inkeles, 1990, p.137). Instead, Both Berg-Schlosser (1984) and Sloan and Tedin (1987), reported that differently democratic regimes do have a different impact on the growth rate, but they also claimed that this depends on the specific measure adopted to account for economic progress.

As it clearly appears, the conclusions drawn by such studies are mixed and the resulting overall picture of the effect of democracy on economic growth appears rather confused. Sirowy and Inkeles (1990) add that these studies are quite heterogeneous with respect to many of their characteristics, such as measurement, coverage, design and method of analysis. This issue largely contributes to the inconclusiveness of their results. In particular, Sirowy & Inkeles (1990) affirm that, in most of these studies, the mis-specification of the economic growth model is to be considered one of the main systematic deficiencies. In fact, the authors maintain that only Adelman and Morris (1967), Meyer et al. (1979), Weede (1983), Landau (1986), and Marsh (1988) attempt to include a series of factors – known to affect economic growth - as control variables, which is necessary for the estimates of the effect of democracy on economic growth to be meaningful. These factors include the initial level of development, the availability of human capital, the availability of internal investment and population growth. In any case, though, even the five studies which adopt this meticulousness disagree in terms of results and conclusions.

In addition, Sirowy & Inkeles affirm that the reported large variation in the number and set of countries analysed by the studies and the period of time in which economic growth was measured are likely to be other features that could account for the discrepancies in results. Examining each study, the authors found that there was no systematic association between the population of observed countries or a particular period of time and the major finding.

Finally, the thirteen studies also differ based on how they measure democracy, with seven of them using point measurement and the rest period measurement. The authors emphasize that the former method is not to be preferred, as “the measurement of a political characteristic such as democracy at a single point in time (or over an interval of time shorter in length than the period over which the dependent variable is observed) suffers from severe weaknesses” (Sirowy & Inkeles, 1990, p.139). “Period measurement” – they continue – “refers to the technique by which democratic characteristics are assessed for exactly the same period for which the dependent variable is assessed” (Siwory & Inkeles, 1990, p.139). Concerning the measurement of the independent variable, the studies differed also in terms of their operationalizations of democracy, with some of them adopting a numerical-rating-based single scale and other a typology consisting in discrete categories.

In terms of the methods of operationalization, either a single scale was developed consisting of numerical ratings or a typology with more or less discrete categories was adopted. This quantitative-qualitative distinction in operationalization parallels the point-period one.

In conclusion, Sirowy and Inkeles, maintain that few – if any – solid conclusions could be drawn by previous literature on the effect of democracy on economic growth. What emerged from the evidence, though, is that “political democracy does not widely and directly facilitate more rapid economic growth, net of other factors; hence, the compatibility perspective finds tittle support. Beyond this, however, very little else seems clear. The studies examined are divided nearly equally with respect to whether a negative relationship or no relationship was found between democracy and economic growth. Each of the reviewed studies suffers from one or another serious shortcoming. Ideal standards aside, perhaps the strongest analyses consist of the efforts of Marsh, Landau, Meyer and Associates, and Weede. But again we find no consensus within this subset of the studies. Therefore, considering these weaknesses, even the conclusion that political democracy does not facilitate economic growth is at best a tentative one” (Sirowy & Inkeles, 1990, p.150).

Another insightful study was conducted by Barro (1996). In his work, the author seeks to empirically establish what is the net effect of democracy – intended in terms of political freedom – on economic growth. Barro (1996) reports that economic freedom – consisting in a free market and in a government focused on property rights protection – is indeed thought to encourage economic growth. However, he affirms that relationship is in fact quite controversial. In his empirical assessment of the matter, Barro (1996) analyses a panel of about 100 countries observed from 1960 to 1990 and builds regression models. The dependent variables are the rates of growth of real per capita GDP measured for three periods: 1965-75, 1975-85, and 1985-90. Two are the measures he adopts for democracy. For the period 1972 – 1994, he uses the political rights indicator developed by Gastil and his followers (1982-1983 and subsequent issues) from 1982 on. Instead, for the period

1960 – 1965, he uses a similar variable developed by Bollen (1990). As Barro reports, the concept of political rights is defined by Gastil (1986-1987 ed., p. 7) as the rights to "participate meaningfully in the political process. In a democracy this means the right of all adults to vote and compete for public office, and for elected representatives to have a decisive vote on public policies".

When the democracy indicator is included as an explanatory variable in the growth equations, Barro estimates a slightly negative coefficient of -0.0074 (0.0060). This finding implies a moderately negative effect of democracy on economic growth, although statistically not different from 0 at conventional critical levels. This negative effect is consistent with the compatibility perspective, in which democracy is considered averse to growth. However, given the reported weakness of such effect, Barro's findings provide more against the idea that democracy benefits economic growth, than directly in favour of the view that democracy hampers growth.

Another insight revealed by Barros' empirical research is that, the relationship between democracy and economic growth may in fact be nonlinear. Indeed, if the level of democracy is classified in low, middle and high, Barro's results seem to indicate that "the middle level is most favourable to growth, the lowest level comes second, and the highest level comes third" (Barro, 1993, p. 14). Notably, the latter two appear to have in fact a negative impact on growth. What is remarkable is the superiority of the middle level over the other two, considered that the latter are indeed quite comparable in terms of the growth rates they are related to. Such nonlinearity could be explained in the following way "in the worst dictatorships, an increase in political rights might be growth enhancing because of the benefit from limitations on governmental power. But in places that have already achieved a moderate amount of democracy, a further increase in political rights might impair growth because of the intensified concern with income redistribution" (Barro, 1996, p. 14). To summarize Barro's conclusions, one can say that, once the variables of maintenance of the rule of law, free markets, small government consumption, and high human capital are held constant, democracy is found to have an overall weakly negative effect on economic growth. In addition, from the analysis of the data, there appears a suggestion of a nonlinear relationship, according to which democracy fosters growth at low levels of political freedom, whereas it acts to its detriment when a higher level of political level has already been attained.

2.5 Compatibility perspective – theory

In contrast with the previous one, this third theoretical perspective maintains that growth is better driven by democratic regimes than by authoritarianisms. Examples of scholars who adopted this point of view are Goodin (1979), Hibbs (1973), King (1981), Goodell (1981), Nelson (1987) and

Claude (1976).
The compatibility perspective challenges the authoritarian growth model. Indeed, it holds that the process of redistribution does broaden the market, thus promoting economic expansion. Also, it points at the inadequacy and unreliability of authoritarian rulers, claiming that they are in fact more easily corruptible, unable to handle problems in the periphery. In relation to such unreliability of the, a central theoretical argument of the compatibility perspective holds that democracy is better able to promote growth because it places constraints on potentially predatory rulers who, in an authoritarianism, could instead freely rob society in order to pursue their own economic interest. This argument can be understood as the other side of the coin with respect to what has been discussed above in terms of state autonomy. Accordingly, as North (1990) puts it, state autonomy is dangerous for growth because the state is always ready to prey on the society and, in fact, the only institutions that can constrain a government to act in the general interest are the democratic ones. "In democracies, elections, free media and independent courts provide checks and disincentives for predatory behaviour" (Knutsen, 2012, p. 402). In accordance with this, Przeworski (1990) finds that democracy is indeed the political regime in which both decision-making and the right to the fiscal residuum lie with the citizens. By contrast, in an autocracy, it is the state apparatus that decides the size of government (i.e.: the fiscal burden) and can appropriate the fiscal residuum.
Following a logic of rational self-interest, Olson (1993) maintains that, in a democracy, citizens are better-off as they keep a larger share of their resources than they can do in an authoritarianism. This is so because, in the former, the level of taxation is typically lower than it is in the latter. His argument develops as follows. The tax rate represents the rational autocrat's share of national income and it is thus his "encompassing" interest to maximize it at the revenue-maximizing point, where higher tax rates would distort incentives and reduce income, and thus also the autocrat's share. In other words, the subjects of the autocrat must endure taxes or other impositions so high that, if they were increased further, income would fall by so much that even the autocrat, who absorbs only a portion of the fall in income in the form of lower tax collections, would be worse off. In a democracy, the optimal tax rate will be lower, namely below the autocrat's revenue maximizing level. In fact, "though both the majority and the autocrat have an encompassing interest in the society because they control tax collections, the majority in addition earns a significant share of the market income of the society, and this gives it a more encompassing interest in the productivity of the society. The majority's interest in its market earnings induces it to redistribute less to itself than an autocrat redistributes to himself. (Olson, 1993). The author continues by claiming that, even in the case where democratic political competition is not sound, due perhaps to lobbying activities, nonetheless, it won't provide the government leader with an incentive

comparable to the autocrat's to extract the largest possible share of social surplus from the society in order to pursue his personal interests. As a result, the tax burden would nevertheless be lighter in a democracy.

The point behind the concept of a predatory authoritarian ruler is not only that he may be able to appropriate socially productive resources for his material benefit but that, more in general, "might use strategies that are well-designed for achieving personal goals, but which reduce economic growth" (Knutsen 2012, p. 402). One such case is when a dictator who wants to minimize the probability of losing his office sees industrialization as dangerous in this sense. In fact, realizing that such process might strengthen the middle class and, thus, threating calls for democracy, he will avoid implementing any industrialization policy (Robinson, 1998; Acemoglu & Robinson, 2006). In addition, Nelson (1987) underlines that authoritarian rulers are likely to be involved in factional/ideological disputes, leading to inconsistent, paralyzed or wasteful policies. King (1981) claims that the high capital investment typical of authoritarianism harms the rural sector and the society as a whole. According to the compatibility perspective, "implementation of the rule of law, contract enforcement, and protection of property rights do not necessarily require an authoritarian regime" (Doucouloagos & Ulubasoglu, 2008, p.63). In this sense, de Haan and Sierrmann (1995) underline that a state doesn't need to be an authoritarian regime to be strong. A further argument on the positive effect of democracy on economic growth is based on that fact that democracy is rooted in political pluralism. Indeed, the latter brings about both open competition and predictability, the two of which in turn produce both competitive economic pluralism and security of expectation about working, saving and investing. Taken together, these elements promote economic growth in a longer run with respect to autocracies. Also, it is maintained that democratic political pluralism leads to a participative mentality that fosters "conditions conducive to change, entrepreneurial risk, and economic development" (Sirowy & Inkeles, 1990, p. 134).

Critics of this view maintained that, in fact, not all authoritarianisms are predatory (Knutsen, 2012). Among the possible reasons there's the fact that they do vary in terms of institutionalized checks and balances, provided by, for example, legislatures and parties playing a however minimal political role (Przeworski et al., 2000; Wright, 2008). Moreover, rational dictators may refrain from predatory behaviour in case they don't see as being in their long-run interest. This is the case, for example, of dynastic regimes. In fact, given their relatively long-time horizon, rulers of such regimes may realize to have a disincentive in increasing the tax burden in a way that would reduce the overall tax base in the future (Olson, 1993). In any case, though, it has been argued that democratic leaders will generally have less incentive to engage in predatory behaviours with respect to authoritarian ones, regardless of the specific characteristic of an authoritarian regime (Knutsen, 2012).

2.6 Compatibility perspective – empirics

At the empirical level, the conflict perspective seems confirmed by the meta-analysis of Doucouliagos & Ulubasoglu (2008). The authors conducted an extensive meta-analysis of all the 84 empirical studies published before December 2005 on the relationship between democracy and economic growth. Based on their selection criteria, early literature (mostly published before the 1970s) was excluded by authors since, according to them, it is not comparable to the more recent econometric-based researches. In order to measure the quality of the surveyed researches, the authors used three indicators: sample size, the number of citations received and the impact factors of the journals where studies were published.
Firstly, their meta-analysis aimed at establishing whether there exists a conclusive association between the two or not, by identifying a mean effect of democracy on growth based on the aggregate results of these studies. Secondly, the goal was to make sense of the heterogeneity – the high degree of divergence – of the published results. Indeed, in their words "the distribution of results that we have compiled from 483 regression estimates from 84 published democracy–growth studies shows that 15% of the estimates are negative and statistically significant, 21% of the estimates are negative and statistically insignificant, 37% of the estimates are positive and statistically insignificant, and 27% of the estimates are positive and statistically significant" (Doucouliagos & Ulubasoglu, 2008, p. 62). As they claim, the differences in the results delivered by these studies has to do with systematic differences in their research designs which in fact, due to understandably narrow research questions, vary in terms of data sources, estimation methodologies, sample compositions and time periods. From the 84 studies, Doucouliagos and Ulubasoglu derive two different datasets. "The first is the All-Set, which includes the democracy-growth estimates of 483 regressions. This is the entire pool of publicly available estimates on the democracy-growth association. Second, we can derive 81 estimates, one from each study, being the best estimate provided by each study (the Best-Set)" (Doucouliagos & Ulubasoglu, 2008, p. 66).

One insight that soon emerges from the data is the time-series pattern of the democracy-growth effect, from the first half of the 1980s to 2005, showing that the initial findings of the literature on the democracy-growth relationship reported a negative effect of democracy on growth. Then, subsequent early literature reported instead relatively large, positive, and statistically significant effects. As more evidence accumulated, the average effect diminished to a small positive effect that is not statistically different from zero. In any case, the authors emphasize, since 1988 the democracy-growth effect has always remained, on average, positive.

According to the authors, a positive partial correlation between democracy and economic growth is confirmed by the confidence intervals for both the All-Set and the Best-Set. However, so they continue, the hypothesis of a zero correlation cannot be ruled out, which means that the picture remains somewhat unclear. In this context, the strongest result seems rather be that a negative correlation between democracy and growth is to be excluded. Then, based on the aggregated available empirical evidence, the authors mainly conclude that, while the direct effect of democracy on economic growth appears to be no different from zero, it is, in fact, not negative. In their words: "whatever its other benefits and costs may be, the literature finds that democracy does not come at the cost of economic growth" (Doucouliagos & Ulubasoglu, 2008, p. 69). On average, there exists no evidence proving that democracy has a detrimental – negative – effect on economic growth. The same conclusion – i.e. to exclude the option of a negative effect – also holds when the authors weight the reported democracy-growth effects against the quality of the studies, using, for example, the number of citations received by each individual study. Overall, it can be said that, rather than directly confirming the compatibility perspective, this meta-analysis excludes the conflict one, while providing, at the same time,

2.6.1 Indirect effect of democracy on economic growth

The empirics reported so far – for all the three perspectives – have looked at the direct relationship of democracy on economic growth, which, as we have seen, remains somewhat controversial. However, scholars have started conducting empirical research also on the indirect relationship between democracy and economic growth, which confirmed the existence of an indirect effect of democracy on economic growth. Reportedly (Doucouliagos & Ulubasoglu, 2008), this indirect effect is broadly positive. Thus, the empirical findings on the positive indirect effect of democracy on economic growth are, probably, the most significant empirical validation of the compatibility perspective.

Already in 2001, Tavares & Wacziarg (2001) pointed at the narrow focus of many studies which, when accounting for the relationship between democracy and economic growth, only took into consideration the direct effect, without, on the other hand, giving due attention to the indirect effect that the former might have on the latter. In this sense, they maintain that this approach "should be questioned: in theory, if a comprehensive institution such as democracy matters, it should matter indirectly through its effect on variables that in turn determine economic growth" (Tavares & Wacziarg, 2001, pp. 1342–1343). Further, Baum and Lake (2003) add that, indeed, empirical analysis doesn't seem concerned with the perspective of an indirect effect which is, unfortunately, only assessed by theoretical speculation. Knutsen (2012) points at the widespread ill-thought practice of controlling for the "intermediate" variables through which democracy affects growth – such as labour, human capital, efficiency etc. – in order to isolate its net effect. In fact, according to him, "one should not control for economic policies and institutions or the 'immediate determinants of growth', given that one wants to estimate the total, and not only direct, effect of democracy on growth" (Knutsen, 2012, p. 410).

Gathering evidence from a panel of 175 countries between 1960 and 2010, Acemoglu et al. (2014) support the claim that democracy has an indirect positive impact on growth. They maintain that such effect remains sizable regardless of the initial level of economic development, and that no evidence confirms indeed that democracy is a constraint on economic growth for less developed economies. Holding GDP per capita as main outcome variable of their regressions, they enhance the quality of the explanatory variable by constructing an index of democracy that combines information from various datasets, including Freedom House and Polity IV. This allows them to classify a country as a democracy only when several sources agree. In addition, they purge their analysis of certain methodological errors made by previous research. In fact, for example, they isolate their calculations from the impact that some fixed country characteristics may have on economic growth given their potential correlation with democracy and adopt an instrumental-variable strategy to avoid possible bias due to omitted variables. Then, Acemoglu and colleagues' empirical results (2014) do confirm the existence of an indirect positive effect of democracy on economic growth. In the author's words, "the channels via which democracy raises growth include greater economic reforms, greater investment in primary schooling and better health, and may also include greater investment, greater taxation and public good provision, and lower social unrest. In contrast to the equally popular claims that democracy is bad for growth at early stages of economic development, we find no heterogeneity by level of income. There is some heterogeneity depending on the level of human capital, but these effects are not large enough to lead to negative effects of democracy for low human capital countries" (Acemoglu et al., 2014, p.24). Further insights on the compatibility of democratic institutions and the causes of economic growth are provided by Doucouliagos & Ulubasoglu (2008) who, based on their meta-analysis, do confirm the existence of a positive indirect effect of democracy on economic growth. Their conclusion is indeed that is "democracy has significant indirect effects on growth through various channels" (Doucouliagos & Ulubasoglu, 2008, p. 78), including higher human capital and higher economic freedom.

PART II – Specific mechanisms

The theoretical literature goes beyond the general perspectives discussed above. Indeed, it also formulates certain specific arguments regarding the single mechanisms in which democracy and authoritarianism might impact economic growth. The main ones deal with property rights, investment, technology, inflation and political stability. They are reported below.
As is has been for the general perspectives discussed in the first part of the chapter, such mechanisms have not only been assessed at the theoretical level, but they have also been object of empirical research. Interestingly, as it is shown below, empirical results reveal that these mechanisms capture – partially or in toto – some indirect positive effects of democracy on economic growth. In this way, they give credit to the compatibility perspective.
Below, each one of these mechanisms is first assessed at the theoretical level and then at the empirical one.

2.7 Protection of property rights

A first mechanism has to do with the relationship between democracy and property rights. Przeworski & Limongi (1993, p.51) argue that "while everyone seems to agree that secure property rights foster growth, it is controversial whether democracies or dictatorships better secure these rights". They claim that, during the first half of the 19th century, the thought of many scholars, such as Ricardo and Marx, was that democracy threatened property rights. On the contrary, more recently, North (1990) and Olson (1991) argued that democratic institutions are the only ones that can commit rulers to respect property rights. In fact, on the other side of the coin, an autocrat cannot credibly commit himself to protect property rights, nor can he be forced to do so due to the lack of institutional mechanisms holding him accountable to the people. However, according to Przeworski & Limongi (1993), both scholars fail to demonstrate how can democracy provide such a credible commitment. Moreover, Przeworski & Limongi (1993) argue that private actors represent a threat for property rights just as well as a predatory state. Given universal suffrage, this is particularly true for democracy, which is indeed likely experience attempts by the "suffering ones" to expropriate the riches via the former's influence on redistributing issues and, thus, on the allocation of resources. In general, the authors conclude, a democratic system is not a guarantee of property rights, thus excluding that it can foster growth via this specific mechanism.
Olson (1993) offers a different perspective on the matter. He claims that growth mainly requires two long-run elements – namely, long-term investments and returns, and contract enforcement. According to him, such requirements can only be secured by a government respecting individual rights. That said, he continues by emphasizing that not only can't an autocrat credibly commit or be

forced to commit to respect property rights, but neither such individual rights in general. This is due to the autocrat's unpredictable behaviour and the absence of an independent court system. For these reasons, people would not adopt a long-run perspective, and, in addition, no long-run reliable contract enforcement could take place. By contrast, he maintains, the conditions necessary to uphold the two above-mentioned growth requirements can be found in democratic systems. The reason for this is that the same conditions needed for the protection of individual rights, which the author identifies as independent judiciary and respect for the rule of law, are also needed for democracy itself.

At the empirical level, Doucouliagos & Ulubasoglu (2008) do not assess property rights protection per se and its relationship with political regime; rather, they deal with the relationship between political regime and the broader concept of economic freedom, of which property rights protection is one component, together with smaller governments, access to sound money, freedom to exchange with foreigners, and freer credit and labour markets (Gwartney & Lawson 2003).
The empirical results of Doucouliagos & Ulubasoglu (2008) predict a positive correlation between political freedom and economic freedom. Dawson (2003) finds that the overall level of economic freedom is found to be caused by the level of political and individual liberties. The same result is also reported by De Haan & Strum (2003) "who find that increases in economic freedom are caused by the level of political freedom in a sample of developing countries". Dawson (2003) finds that economic freedom does cause growth. This qualifies the positive correlation between these two variables that was found in the preceding literature (Dawson 1998, Gwartney et al. 1999, Carlsoon & Lundstrom 2002). More precisely, Dawson (2003) maintains that the drivers of such causation are the degree of freedom in the use of markets and the level of property rights protection. Thus, it can be inferred that policies that enhance market use and property rights use of markets and property rights are more likely to promote economic growth compared to other aspects of freedom.

2.8 Investment

A second mechanisms is related to the relationship between democracy and investment.
As for the relationship between democracy and investment, Przeworski & Limongi (1993) report the view of scholars such as Galenson & De Schweitz (1959) and Huntington (1968), according to whom "democracy generates an explosion of demands for current consumption. These demands, in turn, threaten profits; hence they reduce investment and retard growth. Democracy is thus inimical to economic development" (Przeworski & Limongi, 1993, p. 54). By contrast, so the argument goes, authoritarianism has a positive effect on the level of investment. In fact, compared to democratic regimes, authoritarianisms are better able to force savings, which translates into higher

investment and, thus, higher economic growth. In adoption of this line of reasoning, Rao (1984, p. 75) affirms that "economic development is a process for which huge investments in personnel and material are required. Such investment programs imply cuts in current consumption that would be painful at the low levels of living that exist in almost all developing societies. Governments must resort to strong measures and they enforce them with an iron hand in order to marshal the surpluses needed for investment. If such measures were put to a popular vote, they would surely be defeated. No political party can hope to win a democratic election on a platform of current sacrifices for a bright future." In addition, as reported by Knutsen (2012), Rodrik (1999) maintains that, due to the suppression of the freedom of association (among others), in dictatorial regimes independent trade unions are either very weak or absent. This means lower wages and relatively rich capital owners taking a larger share of total income. “When combined with the assumption that savings rates increase with income […], aggregate savings and thereby investment rates are expected to be higher in dictatorships. Furthermore, political accountability is lower under dictatorship. […] This reduces pressures on leaders to channel resources to immediate public consumption. Instead, dictators can make long-term investments, independent of the desires of ‘short-sighted electorates’ (Przeworski & Limongi, 1993). A similar political logic underlies the argument that dictatorial governments need not provide as much social security to their populations. The response of rational citizens living under dictatorial rule is to save privately to self-insure for the future” (Knutsen, 2012, p. 400). However, even though Knutsen (2012) finds this reasoning to be theoretically well-founded, on the other hand, he also claims that, as such, this does not imply that authoritarian governments will indeed have incentives to generate a high rate of investment.

The empirics on the relationship between political regime and investment allow us to distinguish between two kinds of capital in which investment can be made, namely physical capital and human capital. Physical capital can be defined as the stock of physical productive factors (plant, machinery, transportation etc.), whereas human capital can be thought as the stock of skills possessed by the labour force. The concept of human capital is related to the idea that productivity (and thus economic growth) can be increased by investing in people – in terms of education, training, health etc. (Goldin, 2016).

Both Doucouliagos & Ulubasoglu (2008) and Knutsen (2012) claim that there is widespread agreement among scholars on the contribution given to economic growth by human capital. In fact, for example, among the main explanatory variables for economic growth found in their study, Sala-i-Martin, Doppelhofer and Miller (2004) mention primary school enrolment and certain measures of human capital and health, included life expectancy. The results of Doucouliagos & Ulubasoglu (2008) also predict a positive association between democracy and human capital. This finding is coherent with the argument of Baum & and Lake (2003) that democracies typically provide people with higher-level public services than nondemocracies. Indeed, they confirm the indirect effect of democracy on growth through the enhancement of especially public health and education. Doucouliagos & Ulubasoglu (2008) state that democracy's contribution to factor accumulation – which enhances growth – occurs indeed via human capital rather than via physical capital. In their words: "democracy is not likely to operate on growth through physical capital investment" (p.75). In fact, there is general agreement in the empirical literature that physical capital is more successful in fostering growth in autocracies than in it is in democracies (Akhremenko, 2014). Apparently, this is related to the reduced pressures that authoritarian regimes experience to support immediate public consumption, which allows to channel resources in the accumulation of physical capital (Rodrick 1999; Tavares & Wacziarg 2001; Knutsen 2011).

2.9 Technological change

Citing Romer (1990) and Acemoglu (2008), Knutsen (2012) argues that many economists acknowledge that technological improvements is crucial in promoting growth in the long run. It follows that if there exists a positive link between democracy and the innovation and diffusion of technology, there is also a link between democracy and economic growth. For example, as reported by Knutsen (2012), according to Sah and Stigliz (1986), such possible link lies in the fact that democracy is a polyarchal organization – here recalling Dahl (1973) – meaning that the power of decision making is distributed horizontally. Indeed, in this kind of environment, where there is a higher degree of uncertainty, there are also higher probabilities of accepting good, novel projects compared to hierarchical organizations, i.e.: authoritarianism. In other words, according to this logic, democracies enjoy a technology-related growth advantage. Unlike authoritarianisms, according to Halperin (2005, p. 14), democracies are "learning organizations", thus provided with a greater level of adaptability that grants them higher growth rates that those found in non-democracies. To make sense of this argument, Knutsen (2012, p. 402) claims that "evaluating and changing old ways of doing things and achieving progress by trial and error are important for political and economic dynamism, and civil liberties are especially relevant for these processes. Free and open debate, in particular, is presumably instrumental for eliminating unfounded knowledge and for opening up to new ideas." These mechanisms are not possible in authoritarianisms since, he continues, by restricting such civil liberties, autocrats place the general diffusion of information under a constraint.

Empirically, it appears that democracy does indeed favour growth by stimulating technological improvement, albeit with some conditions. In this sense, the empirical results of Przeworski et al.

(2000) indicate that rich democracies, but not poor democracies, benefit from higher productivity growth based on technological improvements with respect to their dictatorial counterparts. Also, based on a sample of 81 countries with data going from 1975 to 2000, Faust (2007) finds that democracy has a positive impact on the growth rate of total factor productivity (TFP). The same result is confirmed also by Knutsen (2011c). Further insights on the matter are brought by Aghion et al. (2008), who find that democracy stimulates growth in technologically advanced sectors, but not in less advanced ones.

2.10 Inflation

In general, there is widespread agreement that inflation has a negative impact on growth, for it decreases both the value of assets and the incentives for work and investments (Doucouliagos & Ulubasoglu, 2008).

As for the relationship between political regime and inflation, at the theoretical level, there are two competing views – namely, the so-called "populist approach" and the so-called "state-capture approach" (Desai, Olofsgard, & Yousef, 2003).

The "populist" approach claims that inflation is more likely to occur in democracies than in authoritarianisms, which makes the latter more suitable for growth. The reasoning here is that, due to the democratic institutional arrangement based on electoral competition, elected politicians are subject to pressures for redistribution. Then, to accommodate redistributing demands, they generate income via public spending, thereby increasing inflation. (Desai, Olofsgard, & Yousef, 2003). Consequently, in a logic that draws from the "state-autonomy" argument in the conflict perspective, inflation is less likely to occur in authoritarianisms, where the ruling elite is indeed able to avoid these pressures.

The "state-capture" approach, by contrast, maintains that inflation is more likely to arise in authoritarian regimes than in democracies, which makes the latter more suitable for growth. The reasoning here is that, due to the absence of democratic mechanisms of accountability, rent-seeking economic elites are able to engage with corrupted politicians in order to achieve their private benefits via the creation of money and credit creation and via the resulting inflation – e.g.: channelling credits to favoured sectors, or having lower real interest rates lowering the value of their liabilities (Desai, Olofsgard, & Yousef, 2003). Then, drawing from the logic of protection from "predatory rulers" in the compatibility perspective, inflation is less likely to occur in democratic regimes, where elites are subject to mechanisms of accountability.

At the empirical level, the positive impact of democracy on growth vie lower inflation is confirmed by Doucouliagos & Ulubasoglu (2008). Indeed, through their meta-analysis, the authors find that "democracies foster growth through greater price stability" Doucouliagos & Ulubasoglu (2008, p.75). In addition, based on the evidence collected for 100 countries between 1960 and 1999, Desai, Olofsgard, & Yousef (2003, p. 391) suggest a more nuanced picture on this mechanism, claiming that "democracy is associated with lower inflation in lower-inequality countries but with higher inflation in higher-inequality countries".

2.11 Political instability

Several authors maintain that political instability acts on the detriment of economic growth (e.g.: Alesina et al. 1996; Barro, 1991; Doucouliagos & Ulubasoglu, 2008). The theoretical argument is that political instability leads to "policy uncertainty" (Alesina et al., 1996, p. 191), that has a negative impact on the productive economic decisions of risk-averse economic actors, thereby reducing economic growth.

As for the relationship between regime type and political instability, two competing views can be found in the theoretical literature. A first perspective suggests that democracy – based on electoral competition – inflames social divisions, thereby engendering high levels of political instability over time (Sirowy & Inkeles, 1990). By the same token, conversely, authoritarian regimes appear "better able to suppress disruptive dissent and conflict" (Sirowy & Inkeles, 1990, p.129).

By contrast, a second line of reasoning holds that democracy has a positive effect on political stability. This is associated with democratic electoral politics that facilitate dialogue, debate and consultations, as well as with democracy's capacity to avoid abrupt changes in policy or government – which are more likely to occur in authoritarianisms – thanks to the large number of decision makers and to constitutional rule (Dutt & Mobarak, 2007; Ibrahim, 2013).

At the empirical level, the meta-analysis of Doucouliagos & Ulubasoglu (2008) reveals that democracy leads to higher growth through lower political instability. Alesina et al. (1996) define political instability as the "propensity of a government to collapse", and they find it to be generally detrimental to growth. He further qualifies this argument by emphasizing that such result "is particularly strong for the case of unconstitutional executive changes such as coups, as well for changes that significantly changes the ideological composition of the executive. The effect of instability on growth is less strong for the regular and frequent executive turnovers typical of industrial democracies." (Alesina et al., 1996, p. 205). Also Feng (1997) emphasizes that democracy has a positive effect on growth by reducing political instability. In his study, he differentiates between government change and regime change. According to him, whilst the former implies a constitutional shift in the effective executive that doesn't affect the configuration of the regime, the latter implies an overall change in the very characteristics of the regime, including its party system. His empirical results reveal that, on the one hand, government change benefits economic growth, whilst regime change hampers it; on the other hand, democracy is found to have a positive influence on government change, and a negative influence on regime change. Therefore, he concludes that democracy that democracy promotes economic growth" (Feng, 1997, p.414).

Chapter III – The case-studies

In this chapter, I come to the analysis of the links between the economic experiences of China and India and their respective political regimes. The starting point is that China has indeed outgrown India. Interestingly, this happened only in partial coherence with the predictions of the literature. On the one hand, China has had higher levels of physical investment, that is a growth-contributing dimension where authoritarianisms are indeed expected to achieve higher results than democracies. On the other hand, though, China has interestingly performed equal to or better than India also in those aspects where democracies would be expected – based on the literature on democracies' indirect effects on growth – to have a clear advantage over autocracies – namely, economic freedom and human capital (part I). To a certain extent, China's better economic performance compared to India is explained by the logic – reported in Chapter II – that authoritarianisms are more suited for growth than democracies thanks to their higher ability to pursue developmental economic policies (part II). However, the different economic performance between authoritarian China and democratic India is explained to a larger extent by their specific and unique characteristics that go beyond their political regimes as such, and include governance arrangements as well as socio-cultural issues (part III).

PART I – China has outgrown India.

3.1 The evidence

At a closer look, data – as shown in the introduction and in chapter I – doesn't only show that both countries have experienced a stunning growth. In fact, it also reveals that China has outgrown India in a broad range of economic and social indicators (Bosworth and Collins 2008, Saith 2008, Bardhan 2006 and 2010, Felipe, Lavina and Fan 2008, Zhou 2014).

Bosworth and Collins (2008) emphasize that, over the period 1978 – 2004, "GDP per capita has more than doubled in India and increased a remarkable seven-fold in China over the period 1978 – 2004". According to Zhou (2014), between 1980 and 2002, India's rate of growth reached 6%, and 7.5% during 2002–2010, whilst, between 1978 and 2010, China's GDP grew at an annual rate of about 10%. According to Maddison's data (2001), in 1998, China's and India's shares of world GDP were respectively 11.5% and 7.7%. In addition, Desai (2005) reports that, in 1950, China's and India's per capita incomes were respectively $439 and$619 and that, by 1999, the numbers were $3259 for China and $1818 for India. This means that, over 1950-1999 India's per capita income had increased three times, whereas China's had stunningly increased sevenfold.

According to Saith (2008, p.731), the difference in growth achievements between the two countries was already evident before the 1990s, i.e.: before the period which is generally considered the start of economic liberalization. In the scholar's words: "China had outpaced India dramatically in the first three decades of planned development, notably also in the rural sector, and pulled away discernibly further […] in the second market-led phase of the race to the present."

The fact that China outrun in terms of growth is particularly interesting if we consider that China and India started their growth from a largely comparable initial economic level in the 1950s. This point is stressed by Saith (2008) and Desai (2005).
According to Saith (2008), "In 1950, India and China had remarkably strong structural similarities." Based on Weisskopf (1980: 81–2), Saith reports the following data for the year 1950: in US$, GDP per capita was 65 in China, and 62 in India; as regards the labour force in employed in each sector, the share of agriculture was 77% in China and 72% in India; the share of industry was 7% in China and 11% in India; and the share of other sectors was 16% in China and 17% in India. Comparing sectors' share of overall output in 1952 in China and in 1950 in India, Saith (2008) reports that agriculture accounted respectively for 48% and 51%, large-scale manufacturing for 9% and 6% and small-scale manufacturing for 9% and 10%.
Based on Maddison's estimate, Desai (2005) reports that, as for 1950, China's share of world GDP was about 4.5%, quite comparable to India's 4.2%. This data shows that, at the outset, the economic structures shared indeed strong similarities.

Based on the reported evidence thus far, China's and India's development experiences would seem to indicate that authoritarianisms better foster growth compared to democracies, at least in the case of these two countries.

3.1.1 Physical investment

Indeed, China seems to have outperformed India respecting the argument found in the literature on authoritarianisms' advantage in fostering growth through a higher level of physical investment compared to democracies.
Accordingly, Felipe, Lavina and Fan (2008) underline in fact that differences between China's and

India’s growth can be explained by looking at their respective performances in terms of capital accumulation, intended as real investment in tangible means of production. Their data show that the growth of capital stock over the period 1980-2003 has been much higher in China than in India. Overall, they stress, investment in physical capital throughout this period of time propelled much more growth in the former than in the latter. In fact, during 1980-2003, investment contributed on average 40% of growth in China, whilst the same contribution in India amounted to 25.5% (Felipe, Lavina and Fan, 2008). According to the authors, this is the main reason why China has outrun India.

In his book, Bardhan (2010) focuses on infrastructure investment in the two countries. He notes that, compared to China, India suffers a deficit in infrastructure – power, roads, transportation, ports, irrigation etc. – due reportedly to substantially limited long-run public investments in this sector. Overall, according to Gupta, Hasan and Kumar (2008), total infrastructure investment in China in 2005 accounted for 12.6% of GDP, whereas, in the same year, it was about 5% in India. The author also emphasizes that the high difference in the quality of infrastructure between China and India has been visible since the 1980s.

The story doesn’t end here though. In fact, counterintuitively, democratic India did not do better than authoritarian China in those dimensions where – based on the literature reported in Chapter II – democracy would be expected to achieve better results than authoritarianism – namely, economic freedom and (especially) human capital. In fact, China has had the upper hand in both these two, with a slight advantage over India in terms of economic freedom, and a wider one in terms of human development.

3.1.2 Economic freedom

The Index of Economic Freedom developed every year by the Heritage Foundation – based rule of law, government size, regulatory efficiency and open markets – reveals that, between 1994 and 2018, China and India have had a strongly comparable performance in terms of economic freedom, defined by the Heritage Foundation as “right of every human to control his or her own labour and property” (“About the Index” n.d.), with both of them being considered “mostly unfree”. However, over the whole period of time, China resulted to have a score of 53,47 out of 100, that is slightly higher than India’s average score of 52,66 out of 100. Even more interesting is that, during the decade that came in the aftermath of the full embracement of liberal reforms in both countries (1994 – 2005), the gap in economic freedom between China and India was the largest. Indeed, the former’s average score was about 53 out of 100, whilst the latter’s was about 49 out of 100.
Of all the dimensions included in the index of economic freedom, the only one where India has

performed consistently better than China is property rights protection – even though China has significantly caught up in the last three years. In fact, India’s score has been 50 out of 100 from 1995 to 2014, and has improved to an average of 55 out of 100 in the last four years. By contrast, China’s score has been much lower: 30 out of 100 from 1995 to 2006, when it plunged to 20 out of 100, remaining so for the following ten years; then, over the last three years it dramatically improved to an average of 48 out of 100. To be sure, despite its significant advantage compared to China, India is nonetheless characterized by some considerable shortcomings even as for property rights protection. In fact, in this respect, since 1995, the estimates of the Heritage Foundation have classified India as border line between the two lowest ranking categories of the Index of Economic Freedom, namely – “mostly unfree” and “repressed”. Even from a formal point of view, the protection of property rights in India has decreased since the birth of the Republic, as the right to property has in fact been deprived of the status of fundamental right (Datta Mitra, 2017).
Overall, Patnaik (2014, p.2) has argued that “though economic policies in India have undergone major shifts since independence was established, economic freedoms are still quite constrained”. He further emphasizes that, in India, it has been and still is rather hard to setup a business, employ workers and produce.

3.1.3 Human capital

As Zakaria (2007) has argued, “For all its democratic glories, India has slipped further and further behind on almost every measure of human development: life expectancy, infant mortality, health, literacy, and education”. In agreement, Desai (2005) states that “China has done much better in human development than India has”.
According to Bramall (2008), the most sensible indicator of overall human development is life expectancy. Notably, in China, this has improved from an average of 43.8 years in 1960 to 76.1 years in 2015 (World Bank). A comparable but smaller progress characterizes India where, in 1960, life expectancy averaged 41.2 years whilst, in 2015, 68.3 years (World Bank). The stunning rate of improvement is even more evident against a comparison over the same time span, again, with the United States, which have witnessed their life expectancy rise from 69.8 years in 1960 to 78.7 years in 2015 (World Bank).
Another sound indicator of human development is the literacy rate. In China, in 1982, the rate of literacy of the adult population (equal to and above 15 years old) was 65.5 percent (World Bank); in 2015 it had increased to 96.4 percent (CIA factbook). As for India, in 1981, adult literacy was estimated to be 40.8 percent (World Bank); in 2015 it resulted 71.2 percent (CIA factbook).
A more comprehensive measurement is the Human Development Indicator (HDI), which is indeed constructed by aggregating GNI per capita, life expectancy and literacy rates, and which ranges

from a minimum of 0 to a maximum of 1.
Growing at an average of 1.57 percent per year, HDI in China moved from a score of 0.499 in 1990 to a score of 0.738 in 2015. With a comparable annual growth average of 1.52, HDI in India rose from 0.428 in 1990 to 0.624 in 2015.
Saith (2008) claims that, in 2003, China's per capita income was twice as much the Indian one, which indicates that the former's people were comparably overall better off in terms of accumulation of wealth. As for 2008, he stresses that in China there were about twice as many physicians per head of population with respect to India; "only 8 per cent of its under-fives are moderately underweight" he continues "and none are severely so, whereas for India, as many as 47 per cent are moderately or severely underweight; only 14 per cent of children suffer from moderate or severe stunting in China, but as many as 46 per cent do in India." (Saith 2008, p. 729).
According to Desai (2005), China was ahead in terms of human development already before the 1990s, in what he considers the first phase of both countries' development (TAB p. 10). He adds that, over the period 1950 – 2000, China increased its HDI score four and a half time, whilst India saw a significant bur smaller increase of three and a half times. Commenting on this data, Desai (2005, p. 10) affirms that "China's emphasis on education for all from early on paid handsome dividends while education remains a blot on India's record". On the other hand, "India continues to pay a heavy price for its neglect of education especially as it concerns women".
China has done better than India also in terms of poverty reduction (Saith 2008, Chen and Ravallion 2004). Saith (2008, p. 729) has affirmed that – regardless of the methodologies used – China "has a much lower incidence of headcount poverty" compared to India.
Chen and Ravallion (2004) reports the performance of the two countries over the period 1981 – 2001. Data show that, even in this aspect of development, China has done much better than India. In fact, in China, in 1981, there were 875.8 million people living below the poverty line of $2.15 per day (based on PPP); in 2001, the number had reduced to 593.6 million. This is in stark contrast with India, where the number of people below the same poverty line was 630 million and, by 2001, had even increased to 826 million. The same contrast holds also as for another poverty line set at $1.08 per day (based on PPP). Indeed, In China, the 633.7 million people living with less than $1.08 a day had reduced to 211.6 by 2001, whereas, In India, they had only reduced from 382.4 million to 358.6 million over the same period of time.

Overall, higher level of human development in China compared to India is related the former's higher investments in human capital which, especially thanks to the initial socialist-motivated egalitarian drive, led to the creation of extensive basic health and education systems that the latter lacked (Bardhan 2010).

PART II – Economic policy vis-à-vis different political regimes

3.2 A summary of the economic reforms

Before starting the analysis of the two countries' economic reforms to promote growth vis-à-vis their different regimes, it is useful to briefly summarize such reforms.

As for China, Bardhan (2010) differentiates between early years and later years of reform.
The early years (late 1970s – 1980s) saw the progressive dismantling of a collective system of agricultural production in favour of a household responsibility system, which involved individual cultivation rights. At the same, dual track pricing was introduced - allowing some products to be sold at market prices as opposed to planned one – as well as some principles of competition and management incentives, but without privatization.
In the later years (late 1980s – 1990s), full liberalization was embraced, paving the way to market-based allocations, commercialization and corporate restructuring of firms, which boosted economic growth.

As regards India, the first significant reforms against a background of central planning and protectionism started in the early 1980s (Rodrik and Subramanian, 2005), and consisted in imports liberalization, higher export incentives, relaxation of industrial licensing and decontrol of administered prices (Kochhar, 2006).
Full commercial and financial liberalization was then conducted the 1990s under the lead of Finance Minister Manmohan Singh, thus boosting growth. In those years, the system of licensing was almost completely abolished, with firms being now able to decide about investment, pricing and technology, and foreign investments were liberalized (Varshney 2007). On the other hand, limited results were achieved in terms of fiscal policy, privatization, small-scale industry, agriculture, and labour law (Varshney 2007).

3.3 The impact of electoral mechanisms on economic policy

To explain how and why China outrun India, scholars (Bardhan 2010, Varshney 2007, Saith 2008, Dirlik 2012) have pointed at China's ability to implement its economic policies much more effectively than India, where they had a more limited reach. This draws from the well-established argument that, given their monopolistic control of resources and "insulation" from particularistic pressures (Przeworski & Limongi, 1993), authoritarian governments are better able than democracy to pursue developmentalist economic policy.

The point is that in India's "conflict-ridden democracy", it is hard to build the consensus required for the government to carry out long-term reform and investment. The Indian democratic government is rather faced with many particularistic pressures it needs to deliver to with the result that its capacity to organize effective collective action for a lasting haul is considerably reduced. In other words, India's politics has been dominated by short-term oriented electoral politics, which limited the opportunity for long-term growth (Bardhan, 2010). Indeed, "market interests and democratic principles are uneasily aligned in India" (Varshney, 2007, p.93). The reason is that the market-based policies that would increase the efficiency of the economy and foster growth often produce short-term dislocations and resentment, which has a cost in electoral terms for the ruling elite. An example of this is the slower pace at which privatization proceeded in India compared to China. In India workers' interests have been protected by labour unions and political parties; by contrast, "in China labour leaders who resist job losses due to privatization are tried and jailed for treason and subversion" (Varshney 2007, p.94). Democratic politicians rarely have incentives to undertake long-run oriented action, especially in terms of economic policy. This is at least part of the reason why India has made almost no progress in aspects such as fiscal policy, privatization, de-reservation of small-scale industry, agriculture and labour law (Varshney, 2007).

On the other hand, as China doesn't suffer the burden of representative politics, it was able to easily organize collective action both in goal formulation and policy enforcement. Chinese more "decisive and purposeful" kind of governance benefitted the country's economic growth (Bardhan, 2010). Bardhan (2010) makes also another argument that can be seen as complementary to what stressed above: China's authoritarian leadership placed particular emphasis on economic growth because, in the absence of democratic politics, that was as its source of legitimacy. Then, as economic policy yielded positive results, opposition to reform decreased even further, thus paving the way to further development.

In India, not only the market reforms of the 1990s were hampered by the dynamics of democratic interest representation, but the same happened also to early agrarian reforms. Saith (2008) underlines that, as the Republic of India was born, power remained in the hands of the middle-upper classes which formed the backbone of the Congress Party. These of course included Indian land-owners, whose interests were in fact defended in parliament by the dominant Congress Party in exchange for their electoral support. In this way, the land-owing class was not only able to resist any deep redistributive or collectivist agrarian reform that could threaten its economic (and political) power, but also made sure that the few reforms that were carried out consolidated existing holdings. For the country, this meant losing the potential gains in agricultural efficiency and equity that would have been brought by an overhaul in agriculture. Saith (2008) remarks that all this happened in contrast with post-independence China, where such gains were in fact enjoyed thanks to rapid and broad agrarian reforms, which were easily implemented since landowners were among the “losers” of the Mao-led socialist revolution and had thus lost their power.

It clearly appears that, in India’s democratic politics, economic policies were influenced by the interests of the powerful classes and rooted in electoral strategies, which came to the detriment of sound growth plans. This is also stressed by Rodrik and Subramanian (2005). Their main argument is that the economic reforms responsible for India’s critical growth acceleration – which occurred around 1980 – were “pro-business” rather than “pro-market” in kind. Rodrik and Subramanian (2005) clarify that the latter aim at removing impediments to markets and favouring new entrants and consumers through liberalization; the former, on the other hand, focus on enhancing the profitability of the existing industrial and commercial establishments and favour incumbents and producers. In other words, a pro-business orientation serves the interest of the established economic elite, at the expanse of an actual liberalization which was, in fact, retarded. This is exactly what happened in India. According to Rodrik and Subramanian (2005), the primary reason for this lies in “political calculation and not in a desire to enhance the efficiency of the economic regime” (Rodrik and Subramanian 2005, p. 216). Indeed, Kholi (1989) emphasizes that, by the end of the 1970s, one of the main priorities of the then prime minister, Indira Gandhi, was to counter the perceived threat posed by the rival right-wing and Hindu-nationalist Janata party, which had in fact surpassed the Congress in the Hindi heartland in the 1977 subnational elections. For this reason, he notes, Mrs. Gandhi’s political line and rhetoric became more favourable to the already established private-sector, so as to gain electoral support from the economically powerful part of the electorate. Kholi (2006, p.1368) stresses that the adoption of a pro-business developmental model in India rests indeed on a “fairly narrow ruling alliance of the political and economic elite”.

Patnaik (2014) points at another episode – occurred only some years before the one discussed above – that reveals India’s politically-biased economic policies that constrained growth. According to him, by the late 1960s, it was clear that the state-led model of economic development – rooted in the socialist ideology many in the Congress Party were committed to – was yielding a rather disappointing “Hindu” annual rate of growth of 3.5% and annual per-capita GDP growth of 1.5%. Patnaik (2014, p.4) argues that, even though “a reasonable response would have been a shift towards a more liberal economic policy […] economic policy became even more statist in the period between 1969 and 1977. […] The main explanation for this can be found in electoral strategy, rather than sound economics”. He stresses that, following the 1967 national elections, the ruling Congress Party was for the first time faced with a credible opposition to its statist economic model, represented by the Swantantra party and the Bharatiya Jan Sangh party, which supported greater economic freedom. Against this background, so Patnaik (2014) claims, the Congress decision to expand and intensify state-led economic policies should be interpreted as a move to marginalize rival political forces that could threaten its dominance of the Indian political scene. He further underlines that this strategy – which was an obstacle to growth-enhancing liberal economic reforms – lasted throughout the following years and was again manifest in the 1971 Congress election campaign. The party insisted on statism and promised that the state would have taken direct welfare measures to fight poverty. Based on its commitments, the Congress obtained a landslide victory: statist economic policies continued and intensified, and the prospect of growth-boosting liberalizing economic reforms was put to the side again.

It is due to thise kind of electorally-driven commitments that, according to Bardhan (2010), investment in India was limited – especially in infrastructure, to the detriment of economic growth. In fact, the political exigencies of such committments would keep low user charges for power, roads, railways etc., even at the cost of blowing the state budget. As a result, incentives for investment in many infrastructural sectors were hampered. There is also another channel in which electoral pressures negatively impacted infrastructure. In fact, the functions of the Indian government have at length included also commercial operations of publicly-owned enterprises – as it was the case for key-infrastructure sectors such as power, ports and telecommunications. Given the mentioned electoral mechanisms and anti-market orientation, this has led to management inefficiencies (Bardhan 2010). This was particularly true throughout the socialist rule of the Nehru-Gandhi dynasty until the 1990s – when liberalizing reforms started and economic freedoms were enhanced. In fact, until that moment, the government's involvement in the economy was deemed valuable (Bhalla, 201.4).

As shown in Chapter I, the policy shift came around the 1990s when liberalizing reforms started being enforced. As India moved towards a market-based economy, its rate of growth rose sharply to 6.3% (Varshney, 2017).
However, so Patnaik (2014) argues, such reforms didn't come with significant structural changes in the institutional system of the Indian state, which would in fact be required to sustain growth. Indeed, no progress has been made in the regulatory, legal and governance frameworks, as the levels of accountability and transparency have not improved and resource allocation by the state has continued to be hampered by inefficient discretionary mechanisms. Overall, keeping existing laws and institutions un-touched has caused "the juxtaposition of archaic rules riddled with special exceptions, and government agencies that lack clear purpose and accountability" (Patnaik, 2014, p.16). According to Patnaik (2014), the discussed institutional shortcomings have placed a structural constraint on the opportunity for growth. However, so the author continues, bringing

about fundamental change is not an easy goal to achieve in India's democratic politics. In fact, dismantling the existing institutional system – by making it more accountable and transparent – would act on the detriment on the powerful sectors of society with vested interests in the status quo, which would therefore oppose any redefinition of the rules of the game. These rules where established at the outset in the form of a state-led model of economic development, laying the foundations for the future economic policies. Once the Indian system took this particular direction the relative interest groups formed and, given their stakes in the system, it has been difficult to make structural changes (Patnaik 2014). An example of interest groups' influence for the conservation of the socialist-oriented status quo is offered by the poor-performing yet not significantly reformed sectors of education and health. In fact, "government education and health personnel benefit from the narrative of the state's role in ensuring these services are accessible", and, "not much importance is given to the potential conflict between the interests of the users of these services and that of those running the systems for providing them", who indeed benefit from the mentioned low levels of accountability and transparency. (Patnaik 2014, p.30). At the same time, Subramanian (2007, p.18) proposes a different but complementary reason for the fact that there is a small momentum in Indian politics to push forwards structural reforms to improve public institutions and services. In fact, he argues, in India, the affluent strata of society are well able to "opt out of the public system, turning to the private sector to get essential services (for example, gated communities with private policing, private generators for power, private schools for their children's education, and so on)." Consequently, the normal pressures to improve the provision of public goods reduce. In agreement with this, Kapur (2006) has indeed shown that the exponents of India's well-connected and influential class have, for example, less of a stake in higher education because most of them tend to send their children abroad for graduate education.

The above helps explaining India's government's difficulty in pushing forward structural liberalizing reforms that would have turned the country into a fully-fledged market economy, and its resorting to incremental changes – "liberalization by stealth" (Panagariya 2010) – which prevented the country from exploiting of its full growth potential (Patnaik 2014, Felipe, Lavina and Fan 2008). The government's focus has rather been on the provision of benefits to the people by setting up an extensive welfare system (Patnaik 2014, Bhalla 2014, Varshney 2007). Paradoxically, according to Patnaik (2014), this was possible thanks to the economic growth that India had undergone since independence and, especially, since the 1990s reforms. In fact, economic growth expanded the state's potential of revenue-raising. Then, given a state-led economy, the state was able to use these increased revenues to build up market-distorting welfare schemes and programs to support those who were excluded from the growth process, which proved to be an effective votewinning solution. If, on the one hand, this allowed politicians to secure their political support to the benefit of their political careers, on the other hand, it prevented them from focusing on growth-enhancing investment in capabilities and infrastructure, and on growth-sustaining issues of law & order and courts (Patnaik 2014).

As highlighted above, given the absence of electoral mechanisms, China's authoritarian regime allowed to implement growth enhancing reforms more effectively than India (Bardhan 2010, Varshney 2007, Saith 2008, Dirlik 2012, Fukuyama 2011). In Dirlik's words (2012, p.283), what makes China work is apparently "its deficit of democracy". He maintains that an autocracy is able to mobilize resources more rapidly and effectively than a democracy, which grants the former higher economic efficiency. Quoting Fukuyama, Dirlik (2012, p.10) affirms that: "the most important strength of the Chinese political system is its ability to make large, complex decisions quickly, and to make them relatively well, at least in economic policy. This is most evident in the context of infrastructure, where China has put into place airports, dams, high-speed rail, water and electricity systems to feed its growing industrial base. Contrast this with [democratic] India, where every new investment is subject to blockage by trade unions, lobby groups, peasant associations and courts"

PART III – Beyond simple regime type

Bardhan (2010, p.10) has however argued that "authoritarianism is neither necessary nor sufficient for development, and that the relationship between democracy and development is actually much more complex than allowed in the standard discussion". Indeed, according to the same logic, the difference in terms of growth experiences between China and India appears to be more significantly explained with reference to some specific and unique characteristics of China's authoritarianism and with some specific and unique characteristics of India's democracy, rather than with the countries' regime defined in a "minimalist" way- i.e.: based on the presence or absence of sound elections. In fact, the picture is more nuanced.

3.4. China's Regionally Decentralized Authoritarianism (RDA)

Continuing the discussion on the links between China's regime and economic reforms, it has been emphasised that China's development followed a decentralized model, based on economic initiative at the provincial level (Bardhan 2010). The point is that in such model China's overall economic growth comes in a framework of competition in regional economic performance, where the centre's control was kept through a merit-based system of promotion and rewarding of provincial governors. This seems to indicate that what really makes China's authoritarian regime successful in terms of economic policy and growth is not the absence of electoral mechanisms per se, but rather its specific and unique governance structure.

Xu (2011) has developed the same argument in further detail. According to him, broad economic reforms and stunning economic development in China owed to what he calls a “regionally decentralized authoritarian system”. In this framework, the central government exercises its control over personnel who, at the subnational administrative levels, runs the bulk of the economy – they “initiate, negotiate, implement, divert, and resist reforms, policies, rules, and laws” (Xu 2011, p.1076). This model has been the critical institution – intended as a set of mechanisms providing incentives and coordination to agents in economic and political activities – in China’s development experience.
In Xu’s eyes, China’s (regionally) decentralized authoritarianism has two complementary faces: a centralized political governance and a decentralized economic governance.

3.4.1. Centralized political governance

Despite its economic decentralization, China is nothing like a federal state. In fact, political power is well concentrated in the hands of the CCP, which remains, of course, the single central pillar of China’s regime. The party enjoys control over personnel appointed at the level of subnational governments and over the critical economic sectors (such as banking, energy, telecommunication and railway), as well as over ideology and mass media. Indeed, from a formal point of view, the Chinese Constitution establishes that regional power is granted or rescinded by the central government. It is in this context that the cadre management system is rooted. In fact, the central government determines the career paths of regional officials – e.g. provincial governors – by making decisions about their appointment to or dismissal from positions in the administrative structure. In this way, by putting career opportunities at stake, the central authority provides regional officials with an incentive to comply with party’s decisions, including developmentalist economic policies and policy experiments. The feasibility and effectiveness of this model of political governance relies also on the competition that inevitably emerges between party officials at the subnational level to access top positions: “excellent performance at the provincial level becomes necessary for anyone to be nominated and eventually promoted as a top leader” (Xu 2011, p.1094). By establishing a balance between national and regional interests, this framework creates a broad consensus among the country’s top leaders – national and subnational. This in turn enhances the rapidity and effectiveness of the decision-making process.

According to Xu (2011), the foundations of this particular form of governance are a historical heritage of thousands of years, as they were designed under the Qin Dynasty (211 BC), when subnational government officials were in fact appointed by the emperor.

3.4.2 Decentralized economic governance

Given the consensus-based political control that the central party elite enjoys across the country, subnational governments are tasked with a broad range of government functions, including the enforcement of economic policy on the guidelines provided by the central government. Then in fact, throughout the history of the PRC, subnational authorities have been responsible for the initiation and coordination of economic reforms. This was possible because provinces, municipalities and counties have had large influence – if not direct control – over local resources such as land, firms, financial resources, fiscal resources, energy and raw materials. This means that regional economies are rather self-contained. Xu (2011) argues that these features distinguish the Chinese economy from a typical centrally planned economy. He also adds that this kind of economic governance has its roots in two main waves of decentralization that occurred during Mao's rule. Xu (2011) argues that fiscal decentralization is a good proxy for overall decentralization; therefore, he adopts the level of subnational governments' fiscal revenue as an indicator of the overall level of decentralization, Xu adopts the level of fiscal revenue. Then, the data he reports show that the first wave came in the late 1950s with the Great Leap Forward (GLF), whilst the second in the late 1960's with the Cultural revolution (Susan L. Shirk 1993). During the GLF, the tax revenue of subnational governments vis-à-vis the country's total revenue increased from about 20% in 1958 to about 76% in 1959. In fact, in the GLF years, the control of state-owned enterprises (SOEs) passed from the central government's ministries to the local authorities of provinces and cities – in this way, SOEs became a critical tool for regional economic development. At the same time, economic competition progressively took the place of central planning. In fact, subnational governments were encouraged to compete with each other in overfulfilling the targets set by the central government (e.g.: establish communes earlier or at a larger scale, to close down markets etc). Then, with significantly diminished responsibilities, central government saw its bureaucracy be largely reduced. As shown by the data, the second wave of decentralization coincided with the Cultural revolution: indeed, the subnational fiscal revenue's share of total fiscal revenue increased from about 65% in 1966 to about 88% in 1975.

By the time of market-based economic reforms in the 1990s, the overall Chinese economy largely relied on hundreds of relatively self-contained regional economies, which controlled a vast amount of resources. Xu (2011) emphasizes that, given this inherited model of economic governance, providing subnational governments with more autonomy became part of the elite's strategy in post-

Mao reform. “Subnational governments were given strong incentives and were directly involved in man aging or setting up firms, forming joint ventures with domestic or foreign investors, etc. Many subnational governments have granted de facto property rights to local SOEs and collectively owned firms (COEs) within their jurisdictions. […] Moreover, subnational governments have become more important in all regional affairs, from land allocation, business development, infra structure construction, and fiscal matters, to law making and law enforcement” (Xu 2011, p.1086).

3.4.3 Policy experimentation

This framework also proved useful in the cases of stronger suspicion and resistance within the government regarding a potential reform program. In such situations, China’s regionally decentralized authoritarianism was flexible enough to bypass obstacles by giving way to regional policy experimentation (Xu 2011). Reforms would be experimented at the local level under the direction of subnational leaders and, in case of positive outcomes, consensus would be built among the central leaders, thus providing for their diffusion on a broader scale across China. By the same token, in case of failure, experimented policies would be discarded. Regional experimentation presented a two-fold advantage. Ex-ante, it would lower the stakes compared to full-scale projects, which gave reformers greater opportunities to try controversial programs. Ex-post, in case of (even partial) success, they were a source of evidence to persuade undecided politicians and/or to build political support for the reforms. Moreover, such locally-managed policy experiments fitted well the above-discussed framework of interregional competition provided for by the RDA system. Positive yields would, in fact, enhance the careers of local administrators responsible for them.

Three critical economic reforms stemmed from this kind of regional experimentation – namely, land reform, the introduction of special economic zones (SEZs) and privatization.

Chinese land reform was initiated by the end of the 1970s and lasted about until 1984. It consisted in a progressive dismissal of the communes system by adopting a mode of rural production based on household management (as opposed to collective management) and economic incentives – the so called “household responsibility system” (HRS) (McMillan, Whalley, and Lijing Zhu 1989, Xu 2011). Due to ideological commitments, some politicians at the national government level opposed towards de-collectivization, which was indeed banned by the Chinese constitution of the time. In any case, the experiment was initially carried out at the subnational level, as HRS “proto-types” were introduced in a few provinces and, by 1980, China’s central government – under the guide of the pragmatic leader Deng Xiaoping – could already witness positive results. Land reform was thus embraced and started being extended nationwide. In 1981, roughly 45% of rural households were involved in the reform and, by 1984, the percentage had increased to 99% (Lin 1992). Over the period 1978-1984, agricultural output increased by 61% (Xu 2011) and, according to McMillan, Whalley, and Lijing Zhu (1989), about two-thirds of such surge in productivity depended on the introduction of the HRS.

The creation of special economic zones (SEZs) was a strategy to attract foreign direct investments into the country and to enhance exports by creating export-oriented industries. This idea was tried at the subnational level under the proposal of provincial governors in 1979. Initially, the creation of SEZs encountered some significant political opposition at the national government level, as various politicians interpreted this idea as a way to "sell their nation" to foreigners. Unsurprisingly, the creation of SEZs was prohibited by the constitution – as it was for de-collectivisation. Eventually, a compromise was found, and SEZs were allowed in experimental form in some cities (Xu 2011). As SEZs shortly proved successful, in the following years, they were extended to an increasing number of cities. In fact, the author's estimates based on the country's official data reveal that, between 1980 and 2005, the number of SEZs increased from 4 to 342. Over the same period of time, the SEZs' share of national exports increased from 1.5% to 93.1%, and their share of FDI in the country increased from 34.9% to 93.5%.

Another reform based on a policy experiment was privatization, "perhaps the most effective reform" in China's development experience (Xu 2011, p.1124). Indeed, the Chinese process of privatization did not follow a priori-planned rational scheme. Rather, it was carried out based on reginal initiative – particularly at the municipal level – in a framework of regional competition for economic growth provided for by China's regionally decentralized authoritarianism. In origin, privatization was formally banned, and it was not encouraged until the late 1990s. However, Xu (2011) notes that, by those years, privatization had de facto been tacitly going on for quite a while in the background, as city governments had started relying on it in the mid-1990s to achieve their economic development goals. Then, as a result of the positive yields of privatization at the local level, the central government – that had initially turned a blind eye to early regional privatization experiment – gradually accepted it, "from an explicit "tolerance" policy to some proactive guidelines on privatization" (Xu 2011, p.1125). In the end, privatization was officially endorsed by the central government in 1997.

Based on Lin and Liu (2000), Xu (2011) argues that, again using fiscal decentralization as a measurable proxy for overall regional decentralization, data show that regional decentralization has indeed contributed to regional economic growth. More precisely, Lin and Liu underline that "the growth rate of per capita provincial GDP would increase by 3.62 percent in response to an increase of the marginal retention rate of regional fiscal revenue from 0 to 100 percent" (Xu 2011, p. 1126).

In addition, in agreement with Lin and Liu, Jin, Qian, and Weingast (2005) discovered that there is a positive association between increased fiscal incentives and faster development of nonstate enterprises on the one hand, and with greater reforms of state-owned enterprises on the other. Consistently with what argued by Xu (2011) – in terms of personnel control motivating subnational officials in promoting local economic growth – Li and Zhou (2005) found statistical evidence of the relationship between Chinese provincial leaders' economic performance and their career opportunities. In particular, they maintain, such relationship is positive, in that the likelihood of provincial leaders' promotion (termination) increases (decreases) with their economic performance.

3.5 India's federalism and growth

We now turn our attention to the Indian model of governance, in its relationship with economic growth.

While People's Republic of China is generally considered a de facto federalism (Xu, 2011), the Republic of India is without doubt a de jure federalism. (Singh 2006). In fact, as mentioned in the introduction, the Republic of India is a constitutional democracy comprising a central government as well as 29 states and 7 Union Territories at the subnational level. As it happens at the national level, the subnational entities have their own election-based parliamentary-style governments guided by a Governor. "These subnational elected bodies with explicit constitutional authorities are the essential feature of de jure federalism" (Singh 2006, p. 4).

As it is in the case of China, where economic governance is influenced by the PRC (de facto) federal structure, also India's (de jure) federal model has an impact on the country's economic governance. The difference lies, however, in the nature of the effect. In fact, while the Chinese federalism improves economic governance and, thus, promotes economic growth (as discussed above), on the other hand, the Indian federalism weakens economic governance and, thus, acts on the detriment of economic growth. The reason for this seems to be that the Indian federal structure has violated certain conditions that are necessary for a federal state to enhance growth – as established by the literature on the literature on "market-preserving liberalism" (Parikh & Weingast, 1997). On the contrary, the literature agrees that these conditions are respected in the Chinese case (Parikh and Weingast, 1997; Singh 2006).

Specifically, these are: 1. subnational governments must have primary authority over economic decisions; 2. subnational governments must face hard budget constraints; 3. the allocation of authority is institutionalized and durable, so as to provide a self-enforcing government. [2]

India violates the first assumption because, given its power to establish laws and regulations, the national government enjoys vast control over economic decisions via-à-vis subnational states; moreover, the latter have little say regarding revenue raising and spending. In fact, revenue raising lies with the national government, which then re-distributes it based on the recommendations made by two main government agencies, i.e.: the Planning Commission and the Finance Commission, that also have an authority over spending. (Parikh & Weingast, 1997).
Parikh & Weingast (1997) maintain that violating this condition means reducing dramatically the economic competition among states, thereby leading to no policy experimentation and to economic policies that are less likely to respond effectively to local conditions. This, in turns, reduces the opportunity for specialization and market exchange, with a negative impact on economic growth.

The second assumption is violated in India because subnational governments face, in fact, a rather loose budget constraint. This is due to, on the one hand, to role of central agencies – such as the Finance Commission – that provide states with funds in case of shortfall. On the other, it is also due to the fact that states ability to borrow from the market is limited by constitutional rule, with the result that states borrow much more from the centre than from the market (Parikh & Weingast, 1997). Then, subnational states have not faced hard budget constraints in the sense that they have been able to run large deficits financed by an increasing debt with the centre. In other words, they don't risk bankruptcy (Singh, 2006).
According to Parikh & Weingast (1997), failing to respect the condition on hard budget constraints removes a crucial financial incentive for states "to be concerned with the effect of their policies" (Parikh & Weingast, 1997, p.1611) In turn, this causes inefficiencies and waste in the implementation economic policies and, in general, it limits improvements.

India also violates the third assumption because the national government enjoys unilateral powers on various maters vis-à-vis subnational states' powers. For example, the central government is able to redraw state boundaries and it may dissolve state governments in certain circumstances. Specifically, the latter has become a very politicised issue, in the sense that the central government

[2] More precisely, in general, the model of "market-preserving federalism" identifies 5 conditions based on political assumptions: "1) a hierarchy of governments and division of authority exists; 2) subgovernments have primary political authority over the regulatory and police powers concerning the economy; 3) the national government has authority to police the lower governments (in particular, to assure the common market); 4) governments face a hard budget constraint; and 5) some form of institution provides a credible commitment to the entire structure (that is, federalism must provide for self-enforcing government)" (Parikh & Weingast, 1997, p.1597).

may resort to it if economic strategies in a state are considered to run counter the interests of the parties in power at the national level (Parikh & Weingast, 1997).
Parikh and Weingast (1997) maintain that the violation of this condition increases the economic control of subnational states by the central government even further. Thus, this adds up to the negative consequence that follows from the violation of the first condition, in terms of the asymmetry of power between the national government and subnational governments.

Overall, it can be said that the main problem in the Indian federal architecture is the enormous power that the central government has compared to subnational states, that hampers the implementation of economic policies. In fact, at the birth of the Republic of India, given the wide differences dividing the Indian society (e.g.: language, ethnicity etc.), while political decentralization was considered inevitable, instead, economic decentralization was never envisaged by the founding fathers. The conception of a central government with tight control of the economy, rooted also in Prime Minister Nehru's and his fellows' socialist ideology, was aimed at implementing central economic planning, which was considered necessary to create a strong industrial base (Parikh and Weingast, 1997).

However, this strong centralization of power has resulted in a low degree of delegation of economic decisions at the subnational level, that has created the discussed inefficiencies in economic governance, with a negative impact on growth. On the contrary, as discussed above, in the Chinese RDA system the conditions for "market-preserving federalism" are respected, meaning that the power and the responsibility over economic decisions are much more distributed at the subnational level, resulting in efficient and growth-oriented economic governance (Parikh & Weingast 1997, Singh 2006, Xu 2011).

3.6 Investment and growth potential

As mentioned in the second chapter, the literature on political regimes vis-à-vis physical investment predicts the levels of physical investment to be higher in authoritarian regimes compared to democracy. However, to fully understand the specific case of China's advantage over India in terms of physical investment, it is not sufficient to follow such general predictions. In fact, we need to go beyond regime type and look at specific characteristics of the two countries in this respect.

As discussed above, Felipe, Lavina and Fan (2008) showed that the crucial variable accounting for China's higher growth compared to India was the former's higher level of capital accumulation. In order to understand China's advantage in capital accumulation and investment, the authors look at the underlying factor of profitability of capital. Profitability is intended as the average profit rate of

investment in physical capital. Reportedly, according to classical economic theory, as the rate of profit increases so does the rate of capital accumulation and, consequently, the rate of output growth. Surprisingly, profitability has been considerably higher in India than in China since 1982. Therefore, the authors maintain, the reason for higher investment – and thus higher growth – in China lies not in the level of profitability of Chinese capital. Rather, it seems to lie in the fact that China has better exploited its investment potential. The theoretical starting point is that, as emphasized by Kaldor (1937) and Von Newman (1945-46), "the maximum sustainable growth rate of an economy occurs when all profits are reinvested as productive inputs" (Felipe, Lavina and Fan 2008, p. 751). Here, then, the profit rate is an indication of the overall growth potential of the economy. That said, the authors affirm that profits were reinvested almost fully in China, and by far more than in India. As a proof of this, data show that the growth rate of capital stock as a proportion of the profit rate has averaged 1.1 (a sign of overinvestment) in China over the period 1979 – 2003, as opposed to a meagre 0.3 in India over the period 1980 – 1999. In sum, despite higher capital profitability (and a comparable level of capital productivity), the dramatically lower proportion of reinvested profits accounts for India's lower capital accumulation, which largely explains India's lower rate of economic growth compared to China – as discussed above (Felipe, Lavina and Fan 2008). As for the reason why so much (more) profit was reinvested in China, the authors point at State Owned Enterprises (SOEs). Reportedly, locally-managed SOEs were the main source of profits in the Chinese economy. SOEs didn't pay dividends and experienced high investment incentives, since local officials were promoted based on their ability to generate economic growth, which comes indeed with investment. – in the discussed decentralised authoritarian model. As a result, a large part of SOEs' profits could be – and was – used for capital expansion. It then appears that China's advantage in terms of physical investment lies not only with authoritarianism per se, but with a specific characteristic of the Chinese case, namely the existence of such enterprises and with their effective management. Given that most SOEs were owned by subnational governments, such effective management is thus well explained by the discussed functioning of China's RDA, in terms of centralised political governance and decentralised economic governance (Xu, 2011).
As regards the Indian case, the underlying cause of unleashed growth potential has apparently been a rather unfavourable investment climate, due to persistent restrictions on private economic initiative (Desai 2005, Lewis 2004, Dollar 2004, Felipe, Lavina and Fan 2008).

3.7 Homogeneous vs. heterogeneous society

This section compares the Indian society and the Chinese society, and looks at the impact that their different degree of internal conflict has on the politics and on the economy of their respective countries.

3.7.1 Indian heterogeneous society

Some have stressed that the reason why short-term perspectives have often taken precedence over long-run ones in Indian democratic politics – to the discussed detriment of effective long-term oriented economic policies – lies a priori in India's heterogeneous and conflict-ridden society (Bardhan 2010, Desai 2005, Saith 2008). To be sure, by institutionalizing conflict through electoral and representation mechanisms, India's democratic political regime has itself undoubtedly contributed to the maintenance of an heterogenous society. Nonetheless, net of this, it can be affirmed that the Indian society has historically been a "mosaic of languages and cultures", characterized by intense friction between different caste/class-based and religion-based groups (Saith 2008 p.726). To give an impression of this, it suffices to think that, in 2000, more than 4,500 ethnic communities live on the Indian territory (Singh 2000) and, in 2001, "13 each spoken by more than ten million persons, 29 by more than a million persons, and 122 by at least 10,000", with only a minority of India's 28 states – today 29 – recognizing Hindi as their official language and about a dozen different main scripts being used (Saith 2008, p.726). Desai (2005) has argued that, given this fragmentation, India's challenge in state-building was achieving unity in diversity, by realizing a political structure that would, on the one and, deliver to the different interests of ethnic, language and religious groups while, on the other, giving "its center power enough to maintain its territorial integrity but its regions enough room to develop their diversities" (Desai 2005, p.5). The consequent choice was to adopt a federal form of state, but the Indian polity remained nonetheless ridden with harsh internal conflicts – especially between Hindus and Muslims – and, so Desai (2005) has argued, it was hard for India to create a single and coherent vision of Indian nationhood, given its historically-inherited multitude of races and religions. This situation of tension and conflict is reflected at the political level via electoral channels, thereby reducing the effectiveness of political decision making. In fact, such a heterogenous polity means a highly fragmented political elite, which makes it hard to build consensus to carry out the reforms and investments required for economic development – such as liberalization. Indeed, electoral politics in such a divided society has caused the dismay of the Congress Party as the only representative of India's polity and has filled the political arena of decision making – both at the national and local level – with many small and regional parties that defend parochial interests. This in turn has created problems in organizing and coordinating the necessary collective action to bring about long-run lasting change. Consequently, short-term goals were given precedence over long-run ones by the political elite, thus stimulating the provision of short-run benefits that politicians can easily claim an electoral credit for.

Given this context, as it has already been discussed above, liberalization was always particularly difficult in India due to the short-term costs that such economic policy would entail and the consequent negative electoral return it would generate. It must be added, though, that the reason why India's political realm was – and still is to a significant extent (Patnaik, 2014) – particularly resonant to people's resentment towards liberalizing reforms lies with some characteristics of Indian democracy that distinguish it from typical Western democracies where, instead, the political elite encountered less resistance in carrying out liberalizing reforms (Varshney 2007). Particularly, this was due to three main reasons: in the West, universal suffrage was adopted only after the Industrial Revolution – which meant that the poor could vote only after those societies had become relatively rich; a welfare system was implemented to deliver to the needs of the poorer elements of society; and there was a tendency for the educated and the wealthy to vote more than the poor. The experience of India's democracy has been different in all these three respects (Varshney 2007). In fact, in India, universal suffrage was adopted already with independence, thus long before the economy started modernizing. India has failed to develop an effective welfare system (although some progress has been made). Also, "since the early 1990s, India's plebeian orders have participated noticeably more in elections than its upper and middle classes" (Varshney 2007, p.94). These features increased the likelihood of negative electoral returns for politicians who would promote long-run economic reforms associated with short-term pain, which would have aroused the discontent of the lower classes – the mass. This meant that Indian politicians "proceeded gingerly on these deep reforms, embracing instead those that directly affect the elite" (Varshney 2007, p.99).

3.7.1.1 Mass politics vs. elite politics

Two different political strategies had thus emerged – namely elite politics as opposed to mass politics. Varshney (2007) has emphasized that this distinction in crucial to understand reform dynamics in India's democracy. Typically, the Indian elite consists of English-speaking upper class and urban citizen. These people represent the better-off of the Indian society and they generally welcome the reforms that are addressed to them – such as making investment in real estate easier, deregulation the stock market, liberalizing civil aviation, enhancing the Internet. On the other hand, mass politics has to do with lower class and less educated plebeian social orders. These people have resisted – not only by voting, but also via riots and manifestations – liberal economic reforms which, however recommended by economists as a long-term solution to India's poverty, they see as benefitting "everyone but them" (Varshney 2007, p.101). Rather than economic concerns, the driver of mass politics are ethno-communal conflicts – namely, issues related to the protection of interests formed on the basis of ethnic or religious identities, especially in terms of Hindu-Muslim relations – which is consistent with Indian highly fragmented society discussed above. Then, as radical reforms have stalled, in India there seems to emerge what Varshney (2007, p.101) has reported as a "strong consensus on weak reforms" which, by only addressing the elite, will not encounter the resistance of the masses. In fact, Varshney (2007, p.102) in India's conflict-ridden democracy, politicians are hardly willing to stake their political careers on broad economic reforms that "by directly affecting the masses – and affecting them negatively to begin with – likely to arouse the passions of the lower class." In this sense, Jenkins (1999) and Varshney (1999) agree of the fact that, had economic reform been a central concern for mass politics, they could not have been implemented. This mass-politics constraint rooted in Indian highly diverse society influences policy making, inducing politicians to continue reforms in the elite-oriented sectors while delivering to the needs of the masses through short-term oriented anti-market and welfare-based policies (Varshney 2007, Patnaik 2014). Among the possible reasons why economic reforms do not determine voting behaviour in India, Suri (2004) not finds that the mentioned tendency of the mass electorate to vote more based on emotional issues (such as caste and religion) might not be the only one. In fact, another reason might also that liberal reforms have potentially not been carried out to a significant extent, in such a way that they hardly affected the life of the common people and, thus, their preferences. It might well be, as a further reason, that common people are not even aware of reforms and, in general, they don't have enough information to develop considered views on economic policy.

3.7.2 Chinese homogeneous society

By contrast, China's more homogeneous society has provided the basis for a more purposeful and decisive leadership, which has therefore been able to effectively implement long-run economic reforms (Bardhan 2010; Desai 2005; Saith 2008). Here we can apply a specular reasoning to the one reported above on the "heterogenising" effect of India's democracy on the Indian society. In fact, although the absence of conflict-based electoral mechanisms in China's authoritarian regime is likely to contribute to maintaining Chinese society homogeneous, some have argued that, net of this, Chinese homogeneous society existed historically prior to the authoritarian PRC.

Saith (2008) argues that, indeed, China's society has been characterized by one dominant ethnic group – the Han – and by one broadly accepted language across the whole country – mandarin. These features gave birth to a significant cultural homogeneity and unitary polity that then allowed for China to always have a vision of itself as a nation (Desai 2005). Thus, the PRC state-building path towards a unitary Chinese state relied on certain historically-inherited underlying structural factors, which included also "a nationwide market, a single government […] a standardized written language, a uniform calendar and a system of weights and measures, a dominant Confucian code of conduct, a nationwide transport network, and the mechanisms for social mobility and inter-regional migration" (Deng 2006, p.6). Such a homogeneous society – reinforced in its unity by a commonality of socio-cultural orientations and interests – allowed then for the diffusion of a strong ideological commitment and broad acceptance and legitimation state authority structures (Saith 2008).

3.7.2.1 Mass-mobilizational mode of transformation

According to Saith (2008), this provided the foundations for China's strategy of economic reforms and development, which he understands to be a specific mode of transformation based on mass-mobilization – i.e.: on massive and well-coordinated inputs of human labour. Saith (2008) argues that it was thanks to this model that China's rulers were able to successfully implement growth-enhancing economic policies. The distinguishing feature within such "mass-mobilization model of transformation" is that it made institutions themselves the object of policy for the purpose of economic growth. "Institutions" is here intended by Saith (2008) in the broadest sense, so as to include features such as values and beliefs, norms of behaviour and notions about the "good" life, civil codes and penal systems, as well as social structures and organizational forms of relations and networks etc. "Institutions" are here the pillars that "underpin and stabilize socio-economic and political transactions and societal arrangements, […] the cement that binds units and provides the parameters of dynamic evolutions" (Saith 2008, p.733). In contrast with India's democratic institutional framework that could not be modified at will – but rather remained what determines the context and the constraints for policy formulation and implementation – China's institutions were themselves reformed by such mass-mobilizational model, so as to remove obstacles impeding economic growth and development. "In India, the institutional framework is realistically taken as the constant, sticky, unchanging context, a constraint, within the straitjacket of which development occurs. […] In China, in contrast, the institutional framework has formed […] a policy-amenable instrumental catalyst of the development strategy. Traditional institutional frameworks have been swept aside; new ones designed and constructed in acutely compressed time frames, and then again dumped for yet other institutional templates deemed more appropriate for the national development strategy" (Saith 2008, p.733). According to Saith, the Chinese revolution broke indeed the old feudal institutions and brought about a new institutional framework that was better suited for promoting economic growth – which was part of Mao's plan of building a socialist economy and society. Such socialist commitment is here a critical issue. In fact, it should not be forgotten that the PRC was the son of a "national liberation movement imbued with socialist goals. The liberation of the nation was to be grounded in a social and cultural revolution. the Chinese Revolution sought a social and cultural transformation towards the creation of a socialist society that stressed egalitarianism, giving a voice to the people, and the creation of a new culture consistent with these goals" (Dirlik 2012, p.281). It was this historically inherited feature that provided the initial orientation to China's development path. This socialism-oriented institutional change occurred via the early agrarian reform that saw the creation of the communes system. In fact, such reform provided for the dismissal of the inefficient and inequitable old feudal agrarian structures by substituting them with dynamic and egalitarian growth oriented collective arrangements of agricultural production. Rural commons functioned as accumulation engines, by integrating agriculture and rural industry, raising the productivity of land, broadening the market and supporting significant improvements in the level of human development, which led to a more skilled workforce. The commune-kind of mode of production – based on labour accumulation and rural industrialization – then became engines of rural development (Saith 2008).

Moreover, Saith (2008) maintains that such collectivist framework allowed the Chinese government also to resolve the problem of informational dichotomy. Informational dichotomy is a phenomenon that gives birth to policy inefficiencies due to the differences in available information for leaders and central planners, on the one hand, who retain better awareness of the overall aims of development – at the macro-level of policy elaboration –, while local executors are more knowledgeable about their applicability and appropriateness, as well as about their costs and constraints at the micro-level. According to Saith (2008), the communes system provided for a structural interaction and information sharing between the centre and the communes – which represented indeed the lowest layer of government – and then between the leader of the commune and the peasants employed there. This streamlined two simultaneous flows of information, top-down and bottom-up, which increased the rapidity, efficiency and effectiveness at which economic policies were formulated, implemented and fine-tuned. These enhanced channels of information sharing were complementary to the discussed institutional adaptability of China's regime. This is exemplified by the dismissal of the collectivist system of the communes and the consequent adoption of household responsibility system (HRS) in the early 1980s. This happened in a moment when the central government had sufficient information to realize that the former was no longer the best answer to questions of economic efficiency – "Should grain be distributed according to family size and structure, or according to the work points earned? What might be the optimal policy for the use of the household private plot allotment under socialism? […] After the dissolution of the people's commune, what kind of tenurial and contractual system might be optimal? […] How should different units relate to the process of labour accumulation, viz., rural infrastructure development, and what incentives or rules should guide the behaviour and decision of peasant households, production teams and other units?" (Saith 2008, p.742). By 1981 there was an almost spontaneous and massive dismantling of collective ownership in agriculture; then, by 1983 the central government formally eliminated the People's Commons. As a result, in those years, an enormous flow of displaced workers (almost ¾ of the total number of Chinese workers) into new sectors of the growing economy, which then received a boost – especially in the non-state sector (Sachs and Woo, 1994). Then, Saith (2008) notes, China's institutional framework was not only an instrument "for the design and implementation of national policies […] but also for experimentation and redesigning of the institutional framework itself. Such institutional flexibility assured the functionality of the structures with respect to the needs of rapid growth within a socialist framework." (Saith 2008, p.742).

3.8 Summary

In this chapter it has been emphasized that China has outgrown India. This is particularly significant given that the two countries had started from a comparable initial economic level. This seems to suggest that the Chinese authoritarianism has been better able to foster economic development compared to Indian democracy. Indeed, respecting the predictions of the literature according to which authoritarianism promotes growth via higher levels of physical investment compared to democracies, China has outperformed India in terms of investment in physical capital. In addition, though, China behaved unexpectedly – if we base our expectations on the literature regarding the positive indirect effects of democracy on economic growth – as for those growth-enhancing aspects where democracy is assumed to have a clear advantage over authoritarianism. These aspects are economic freedom, where China's performance is generally comparable to India's (if not even slightly better), and human development, where China's achievements are higher than India's. China's higher level of human development seems to be explained by higher investment in human capital (as opposed to the mentioned physical capital). Reportedly, in general, the fact that China has outrun India in terms of growth is explained to some extent by China's better liberalizing economic reforms compared to those implemented in India. Higher investments – both in physical and human capital – and more effective liberalizing economic reforms are consistent with the literature on authoritarianisms' higher capacity to mobilize resources with respect to democracies. Indeed, as is was shown, in the Indian democratic environment it was hard to build the consensus necessary to proceed with effective economic policy which, often, has also been politically biased (as it was the case, for example, of pro-business reforms vis-à-vis pro-market reforms). To be sure, China's and India's relative experiences of economic growth can be better accounted for based on specific and unique country/regime characteristics, that go beyond the simple kind of political regime – authoritarianism vs. democracy. This gives credit to the "sceptical" perspective. This is exemplified by China's Regional Decentralized Authoritarianism (RDA), that strikes a balance between centralized political governance and decentralized economic governance, and by India's specific federal model, that fails to respect the conditions necessary to enhance growth. The analysis of the RDA model and of the Indian federal model offered the opportunity to qualify the general argument that authoritarianisms are better at implementing economic policy, by clarifying the specific way in which this is done in the PRC compared to the Republic of India. Another example is provided by China's and India's differential performance in exploiting their respective growth potentials. In fact, the analysis of the fact that China has exploited its growth potential to a higher degree offered to opportunity to qualify the general argument that to qualify the general argument that authoritarianisms are better at promoting investment than democracies, by clarifying what this specifically meant in the case of PRC. Furthermore, there appear certain structural differences that explain the patterns of growth of these two countries and that seem to be rooted in their different societies: Chinese homogeneous society – via a mass mobilizational mode of transformation – has provided a more favourable basis for growth compared to the Indian heterogeneous and conflict-ridden society.

3.9 What next?

Keefer (2007) has emphasized that, thanks to the entrenchment of the CCP, the Chinese government has succeeded in balancing popular and cadre demands. This has been done by promoting economic growth on the one hand, and by providing rewards to local cadres coming in the form of "the satisfaction of serving the public, from the promise of promotion, and from their direct exploitation of economic opportunities" (Keefer 2007, p.214). China's RDA regime and the CCP legitimacy are rooted in this equilibrium, which will have to be protected by the government if the Chinese political and economic model is to survive in the future. On the on hand, this will require to continue providing the incentives necessary for committed cadres – incentives that need always be "above and beyond what they can achieve outside of the Party" (Keefer 2007, p.214). On the other hand, the government needs to avoid social unrest and popularity shocks against the party and the regime. To this purpose, it is then fundamental to improve economic development by also addressing critical challenges posed by high inequality, poverty, rapid urbanization, environmental sustainability and demographic pressures (Naseem, 2017). Another critical challenge for China's political leaders regards the issue of public morality. According to Wang (2002), it consists in addressing the mismatches and inconsistencies between the historically-inherited communist and market values emerged throughout years of development. In fact, "when there is a serious lack of fit between a society's official moral code and its prevailing socio-economic reality, public morality loses its very point and relevance" (Wang 2002, p.4). This is detrimental to society's predictability and hampers the CCP control over the people, thus risking destabilizing the overall regime.

Well-endowed with credible institutions and institutional checks and balances, India's key challenge in the future consists in overcoming clientelist policies and short-term oriented subsides in order to improve general economic and political governance needed to sustain growth (Keefer, 2002; Naseem 2017). In this sense, it is critical to lower the poverty rate, to eradicate violence against children and to promote the emancipation of women, improve infrastructure and transport and to provide higher quality and more accessible education (Naseem 2017). Reforming the system of governance should also involve increasing economic freedom, competitiveness and transparency, in order to make India an easier place where to do business. All this would require deeper and more structural reforms than those carried out so far (Patnaik 2014), even if doubts remain on their electoral feasibility in the Indian highly divided democracy.

Conclusion

This work sought to explore the relationship between political regime and economic growth by comparing two case-studies: the Republic of India (RoI) and the People's Republic of China (PRC). The research question was formulated as whether or not democracy promotes growth more than a non-democracy – i.e.: an authoritarian regime. India and China were chosen based on their remarkable experiences of economic growth – as shown in the introduction by the relative data – and opposite political regimes. In fact, by defining a democratic regime based on the presence of free and fair elections and an authoritarian regime based on their absence, India is identified as a democracy, whereas China as an autocracy. Their comparison seems particularly adequate also considered their comparable initial level of economic development.

The first chapter analysed China's and India's institutional regime and economic development in a historical perspective. The chapter identified the subsequent phases that both countries went through since their birth at the end of the 1940s. In this way, the chapter described, on the one hand, the process of institutional formation and consolidation of authoritarian China and democratic India, while, on the other, the process of economic reform and development. In this way, the chapter revealed the crucial role of liberalizing reforms for both countries' growth. Relevant figures have been provided to quantify the economic acceleration that both countries experienced in the various phases. Overall, the chapter showed that institutions and economic policy are historically intertwined in China as well as in India. Due historical perspective, though, the chapter did not offer a systematic understanding of the relationship between economic performance and political regime, which was rather the aim of the third chapter.

The second chapter reviewed the existing literature on the relationship between democracy/authoritarianism and economic growth. The chapter highlighted the three main theoretical perspectives on the topic – the “conflict” perspective, the “sceptical” perspective and the “compatibility” perspective – and related empirics have been shown. Empirical studies reported contrasting findings on the direct effect of democracy on economic growth, and thus the issue remained rather unclear. In the second part, the chapter discussed – both at the theoretical and empirical level – the specific mechanisms in which political regime might affect economic growth, which have to do with property rights, investment, inflation and political instability. In this case, interestingly, empirical studies revealed that such specific mechanisms capture – partially or in toto – an indirect positive effect of democracy on economic growth, thus validating the “compatibility” perspective.

The third chapter begun with the acknowledgement that China has outrun India in terms of economic growth. The chapter discussed the countries’ performance in relation to the growth-enhancing factors of physical capital, human capital and economic freedom. It appears that China has had the upper hand in all of them. Then, China’s economic advantage over India was discussed with reference to the former’s better liberalizing economic reforms compared to those implemented in the later. In the discussion, economic policies were analysed in light of the absence (in China) and the presence (in India) of electoral mechanisms. As is was shown, in the Indian democratic environment it was hard to build the consensus necessary to proceed with effective economic policy which, often, has also been politically biased (as it was the case, for example, of pro-business reforms vis-à-vis pro-market reforms). On the other hand, in China, the absence of electoral mechanism allowed a more purposeful leadership and a better implementation of economic policies. Then, the analysis moved further than the impact of electoral politics on economic policy. In fact, as it was shown, China’s and India’s relative experiences of economic growth can be better accounted for based on specific and unique characteristics, that go beyond the simple kind of political regime – authoritarianism vs. democracy. This is exemplified by China’s Regional Decentralized Authoritarianism (RDA), that strikes a balance between centralized political governance and decentralized economic governance and by India’s specific federal model, that fails to respect the conditions necessary to enhance growth. The analysis of the RDA model and of the Indian federal model offered the opportunity to qualify the general argument that authoritarianisms are better at implementing economic policy, by clarifying the specific way in which this is done in the PRC. Another example is provided by China’s and India’s differential performance in exploiting their respective growth potentials. In fact, the analysis of the fact that China has exploited its growth potential to a higher degree offered to opportunity to qualify the general argument that to qualify the general argument that authoritarianisms are better at promoting investment than democracies, by clarifying what this specifically meant for the PRC. Furthermore, certain structural differences that explain the patterns of growth of these two countries and that seem to be rooted in their different societies: Chinese homogeneous society – via a mass mobilizational mode of transformation – has provided a more favourable basis for growth compared to the Indian heterogeneous and conflict-ridden society.

The cases of the Republic of India and the People's Republic of China seem to suggest that authoritarianism is better than democracy in fostering economic growth. It appears, indeed, that China has been, overall, a more favourable environment for economic growth, given a comparable (if not slightly higher) level of economic freedom, higher investments in human and physical capital and, more broadly, more effective liberalizing economic reforms. As it was reported, the latter is considered a particularly crucial factor in explaining China's higher economic achievements compared to India's. These two case-studies have an ambivalent relationship with the existing literature. On the one hand, some of the predictions of the empirical literature on the positive indirect effect of democracy on economic growth, specifically those occurring via higher economic freedom and higher human, are disregarded. On the other hand, though, another prediction of the empirical literature is respected, namely that authoritarianisms promote growth via higher levels of investment in physical capital. In addition, these case-studies seem to validate the broader theoretical argument – found within the "conflict" perspective – that, given absence of electoral mechanisms that reduce rulers' autonomy, authoritarian regimes carry out more effective economic policies than democracies. However, the analysis of the impact of electoral mechanisms on the formulation and implementation of economic policies only allows to account for the countries' growth experiences to a partial, although significant, extent. This gives credit to the "sceptical" perspective. In fact, as this work has shown, the economic growth gap between China and India can be better explained through an analysis that extends beyond the difference in regime type as we have understood it, namely based on the presence/absence of sound elections. Surely, the case-studies of India and China do not allow us to establish in general and definite terms that authoritarianisms promote growth more than democracies do. Rather, they seem to reveal that the relationship between political regimes and economic growth is a nuanced matter, involving crucial country-specific factors related, as we discussed, to governance and society. In this context, the literature is not able to provide ultimate answers, but, at best, general guidelines that can be followed when conducting a more specific investigation of the single cases.

Riassunto

Questo lavoro si sviluppa nell’ambito di ricerca che riguarda il rapporto tra regime politico e sviluppo economico. In particolare, la domanda di ricerca di riferimento è se la democrazia promuova lo sviluppo economico più di un regime autoritario – o viceversa. La definizione di democrazia adottata è quella cosiddetta minimalista, basata cioè sulla presenza di elezioni libere. Di conseguenza, regime autoritario è qui da intendersi in senso residuale in quanto “non-democrazia”.

Come dimostrato dalle posizioni contrastanti nella letteratura – sia al livello teorico, sia al livello empirico – il dibattito su quale di questi due regimi sia più adatto per la crescita economica non si è ancora concluso. Questo lavoro intende contribuire alla ricerca su questo tema offrendo l’analisi ed il confronto di due casi studio: la Repubblica dell’India e la Repubblica popolare cinese.

Il confronto del caso indiano e del caso cinese appare particolarmente adeguato in questo contesto dato che entrambi i paesi hanno attraversato una rapidissima crescita economica sin dal momento della loro nascita, avvenuta alla fine degli anni ’40, e dato che i loro regimi politici si differenziano l’uno dall’altro nel senso della dicotomia “democrazia/autoritarismo” proposta nella domanda di ricerca. Infatti, la Repubblica dell’India è definibile solida democrazia costituzionale – la democrazia più popolosa del mondo – mentre invece la Repubblica popolare cinese è da considerarsi un regime autoritario, dove il potere è accentrato in un singolo partito, il Partito Comunista Cinese (PCC).

Per avere un’idea più chiara della portata della crescita economica della Cina e dell’India, sono qui riportati dei significativi dati economici in termini di prodotto interno lordo (PIL), reddito nazionale lordo (RNL) e di produttività totale dei fattori (TFP). Questi sono brevemente riportati qui di seguito. Sulla base di quanto riportato dalla Banca Mondiale, il PIL della Cina è cresciuto da cica \$50 miliardi nei primi anni ’60, ad oltre \$11 triliardi (\$20 triliardi a parità di potere d’acquisto) nel 2015, con una crescita in cifre simili anche per quanto riguarda il RNL. Nello stesso periodo di tempo, il PIL della Repubblica dell’India è cresciuto da circa \$40 miliardi a circa \$2.9 triliardi (più di \$8 triliardi a parità di potere d’acquisto) nel 2015. Nel 2015, le economie dei due paesi coprivano circa un quarto dell’economia mondiale. La crescita in termini di TFP in Cina è accelerata significativamente nel periodo 1978 – 2012, durante il quale ha raggiunto un tasso annuo di circa il 4%. Per quanto riguarda l’India, la crescita in TPF è accelerata significativamente dal 1973, stabilizzandosi poi a circa il 2,5% dal 1989.

Come si può evincere da queste cifre, inizialmente, i rispettivi livelli economici dei due paesi erano piuttosto simili, il che rende ancora più significativo il confronto delle loro esperienze di crescita alla luce di regimi politici opposti.

Per comprendere in che modo il regime autoritario cinese si distingua dal regime democratico indiano, gli stessi sono brevemente descritti di seguito.

Nata nel 1949 a seguito della rivoluzione comunista, la Repubblica popolare cinese si è consolidata come un regime autoritario centralizzato, in cui nessun partito politico organizzato al di fuori del PCC è tollerato, e in cui mancano (quasi) del tutto meccanismi elettorali. Nella Repubblica Popolare Cinese si individuano due linee del potere che spesso si intersecano. Una è quella del PCC con la sua gerarchia, alla cui vetta si trova il Politburo e, ancor più, il suo Comitato permanente; l'altra è quella dello stato, il cui organo più alto è il Consiglio di Stato con il proprio Consiglio permanente, e a cui appartengono i vari ministeri. Come accennato, spesso le stesse persone svolgono contemporaneamente dei ruoli nei rispettivi organi delle due diverse linee di potere e, per questo, si può affermare che il PCC sia penetrato anche nell'apparato statale.

Dopo l'indipendenza dal Regno Unito ottenuto nel 1947, la Repubblica dell'India si costituisce come democrazia parlamentare basata su una costituzione nel 1950. Fondata sul multipartitismo e con più di 830 milioni di elettori, l'India è la democrazia più popolosa del modo. L'India è anche uno stato federale composto da 29 stati e 7 cosiddette "unioni territoriali". Sulla base della classica separazione dei poteri, l'India possiede un governo nazionale che detiene il potere esecutivo, un parlamento nazionale composto da due camere che detiene il potere legislativo, e un sistema giudiziario indipendente e integrato tra i livelli nazionale e sub-nazionale che detiene il potere giudiziario.

Analizzando in prospettiva storica sia lo sviluppo economico sia lo sviluppo del regime politico di entrambi i paesi, è possibile identificare le varie fasi che la Cina e l'India hanno attraversato in termini economici e politico/istituzionali a partire dalla loro nascita, avvenuta alla fine degli anni '40.

Di seguito sono brevemente riportate le fasi che hanno caratterizzato la Repubblica Popolare Cinese.

Consolidamento (1949 – 1962). In questa fase si sviluppano gli sforzi del PCC e del suo leader Mao Zedong di consolidare e di legittimare il proprio potere a seguito della rivoluzione comunista. Si delinea l'architettura dello stato, che si mescola progressivamente a quella del partito. La fallimentare collettivizzazione dell'agricoltura provoca una grave carestia tra il 1959 ed il 1961.

Tardo Maoismo (1963 – 1978). In questa fase, si sviluppa la cosiddetta “Rivoluzione culturale” con la mobilizzazione di organizzazioni extra-partito contro i modelli tradizionali. Ciò avviene nel tentativo di Mao Zedong di ricostituire la propria legittimità davanti al popolo cinese e di difendere la propria autorità dagli avversari politici all’interno del partito.

Socialismo di mercato (1978 – 1996). Dopo la morte di Mao, la leadership politica passa nelle mani di Deng Xiaoping, il cui pragmatismo permette l’inizio di una progressiva liberalizzazione dell’economia.

Capitalismo (1996 – 2008 e oltre). Dopo la morte di Deng Xiaoping, la cosiddetta “terza generazione” di leader del PCC completa il progetto di liberalizzazione economica con la riorganizzazione dell’apparato finanziario, la privatizzazione e la definitiva apertura al commercio internazionale.

Di seguito sono brevemente riportate le fasi attraversate dalla Repubblica dell’India.

Consolidamento (1947 – 1965). Sotto la guida del Primo Ministro Nehru, la Repubblica dell’India si costituisce come democrazia parlamentare orientata al socialismo.

L’era di Indira Gandhi (1965 – 1981). Sotto la leadership personalistica di Indira Gandhi, il Partito del Congresso compie ulteriori passi avanti nel progetto di un’economia socialista.

L’inizio della liberalizzazione (1981 – 1988). Con la fine del monopolio del potere politico del Partito del Congresso, si avvia una fase di progressiva liberalizzazione.

Trionfo della liberalizzazione (anni ’90 e oltre). Sotto la guida economica e politica di Manmohan Singh, viene completato il progetto di liberalizzazione economica.

L’analisi di queste fasi rivela che la liberalizzazione ha avuto un ruolo fondamentale per la crescita economica della Cina e dell’India. Inoltre, queste mostrato il legame storico tra i risultati economici da una parte, e le istituzioni e le dinamiche politiche dall’altra, in entrambi i paesi.

Tre sono le prospettive teoriche sul rapporto tra democrazia/autoritarismo e sviluppo economico individuabili nella letteratura esistente.

La prima – cosiddetta “sceptical perspective” – sostiene che non vi sia rapporto sistematico tra regime politico e sviluppo economico. L’argomentazione principale è che non sia il regime in sé a influenzare la crescita economica, ma piuttosto la somma di tante variabili all’interno di esso, come, ad esempio, il sistema di partiti, la strategia di industrializzazione, l’ambiente culturale ecc. Gli studi empirici a sostegno di questa prospettiva sono quelli condotti da Przeworski & Limongi (1993), Brunetti (1997) e Przeworki & Limongi (2000).

La seconda – cosiddetta "conflict perspective" – sostiene che la democrazia danneggi la crescita economica, che è infatti promossa più efficacemente dai regimi autoritari. Le argomentazioni principali in questo senso riguardano la capacità delle autorità politiche autoritarie di canalizzare più efficacemente le risorse per lo sviluppo economico grazie all'assenza di pressioni per la redistribuzione, dovuta a sua volta alla mancanza di meccanismi elettorali. Gli studi empirici che sembrano confermare un effetto diretto negativo della democrazia sullo sviluppo economico sono quelli condotti da Sirowy and Inkeles (1990) and Barro (1996).

La terza – cosiddetta "compatibility perspective" – sostiene che i regimi democratici siano più adatti di quelli autoritari a sostenere la crescita economica. Le argomentazioni principali in questo senso gravitano attorno all'inaffidabilità delle autorità politiche autoritarie che, in mancanza di meccanismi elettorali di controllo, sono incentivate ad appropriarsi di risorse produttive per perseguire i propri interessi economici a scapito di quelli della società e della crescita economica del paese. Un vasto studio empirico che sembra confermare un effetto diretto positivo della democrazia sullo sviluppo economico è la meta-analisi condotta da Doucouliagos & Ulubasoglu (2008).

Tuttavia, il maggior contributo empirico a questa prospettiva che vede la democrazia come promotrice della crescita sembrerebbe provenire dagli studi sull'effetto *indiretto* della democrazia sullo sviluppo economico. Per effetto indiretto si intende l'influenza della democrazia su alcune variabili che hanno a loro volta un effetto sullo sviluppo economico. Diversi studi empirici confermano che questo effetto indiretto risulta positivo (e.g.: Doucouliagos & Ulubasoglu 2008, Acemoglu et al. 2014). In particolare, dalla letteratura empirica risulta che la democrazia promuove indirettamente lo sviluppo economico tramite il suo effetto positivo sui seguenti fattori di crescita: le libertà economiche, il capitale umano, lo sviluppo tecnologico, la stabilità dei prezzi e la stabilità politica.

Come emerge dai dati, e come sostenuto da diversi autori (Bosworth and Collins 2008, Saith 2008, Bardhan 2006 and 2010, Felipe, Lavina and Fan 2008, Zhou 2014), lo sviluppo economico della Cina è stato maggiore di quello dell'India, i che appare particolarmente significativo dato che, come detto, i due paesi partivano da un livello economico molto simile al momento della loro nascita.

Questa differenza tra la Repubblica Popolare Cinese e la Repubblica dell'India sembrerebbe suggerire che un regime autoritario sia più adatto a stimolare la crescita economica rispetto ad una democrazia. Infatti, nel rispetto delle previsioni della letteratura secondo cui i regimi autoritari promuovono la crescita tramite livelli maggiori di investimento in capitale fisico in confronto alle democrazie, la Cina è caratterizzata da un livello di sviluppo in termini di capitale fisico più alto di quello trovato in India. Inoltre, però, se si basano le aspettative sulla letteratura che tratta gli effetti indiretti positivi della democrazia sullo sviluppo economico, la Cina ha ottenuto dei risultati imprevisti nell'ambito di quei fattori di crescita dove, in teoria, i regimi democratici dovrebbero avere un chiaro vantaggio su quelli democratici, e cioè le libertà economiche e il capitale umano. Infatti, i dati rivelano che, nel caso del primo, risultati dell'autoritaria Cina sono del tutto paragonabili, se non addirittura maggiori, di quelli della democratica India; nel caso del secondo, invece, i risultati della Cina sono decisamente migliori di quelli dell'India. Dunque, in un rapporto ambivalente con la letteratura, appare, che la Cina sia stata un ambiente economico più favorevole per la crescita rispetto all'India.

Inoltre, il vantaggio economico della Cina sembra motivato in una certa misura anche da una politica economica di liberalizzazione attuata in modo molto più efficace che in India. Questo punto è di particolare rilevanza. Infatti, risulta che le riforme di liberalizzazione portate avanti nell'autoritaria Repubblica Popolare Cinese abbiano giovato dell'assenza di meccanismi elettorali che, in India, hanno invece avuto un effetto negativo sull'implementazione di riforme simili. Infatti, nel contesto politico democratico della Repubblica dell'India è stato difficile organizzare e conservare il consenso necessario perché le élite politiche potessero porre in atto efficaci riforme economiche. Inoltre, in India, quest'ultime hanno spesso risentito negativamente delle inefficienze generate dal legame tra gli interessi della classe dirigente e delle élite economiche, a scapito della crescita. Al contrario, in Cina, l'assenza di meccanismi elettorali ha permesso una leadership più decisa e risoluta nell'attuazione delle riforme economiche. Quanto appena discusso è coerente con la letteratura che afferma che un regime autoritario gode di una maggiore capacità di mobilizzare le risorse necessarie alla crescita rispetto ad una democrazia.

Tutto ciò, però, sembrerebbe non bastare. Infatti, le relative esperienze di crescita della Repubblica Popolare Cinese e della Repubblica dell'India possono essere comprese molto più a fondo prendendo in considerazione delle caratteristiche specifiche dei due paesi, le quali vanno quindi al di là del semplice regime politico classificato in modo "minimalistico" – ovvero sulla base della presenza o assenza di elezioni libere.

Un esempio riguarda i modelli di governance economica dei due paesi. Da un lato, la Cina presenta ciò che è stato definito come un regime autoritario decentralizzato al livello regionale (RDA). Questo federalismo *de facto* crea un equilibrio tra una governance politica centralizzata nelle autorità nazionali e una governance economica decentralizzata al livello delle autorità sub-nazionali. In questo modello, la crescita economica è promossa da politiche economiche regionali modellate sulla base delle condizioni locali e mirate al raggiungimento degli obbiettivi economici generali stabiliti dalle autorità nazionali. In particolare, in un regime autoritario dominato da un singolo partito, il successo economico di questo modello deve molto alla presenza di incentivi in termini di avanzamento di carriera offerti dal partito ai funzionari che, al livello sub-nazionale, ottengono risultati positivi in termini di crescita economica. Dall'altro lato, l'India presenta un federalismo *de jure* nel quale mancano delle condizioni necessarie per il sostegno della crescita economica. In particolare, ciò dipende dal largo controllo dell'economica detenuto dal governo centrale, che provoca inefficienze nell'attuazione delle politiche economiche al livello sub-nazionale.

Un altro esempio riguarda il grado di sfruttamento del potenziale di crescita, inteso come il tasso di reinvestimento dei profitti. Ciò che emerge è che la Cina ha sfruttato il proprio potenziale di crescita più di quanto l'India abbia sfruttato il proprio. Ciò le ha permesso alla Cina di accelerare la propria crescita economica più di quanto abbia potuto fare l'India, nonostante la prima sia stata caratterizzata da un livello di rendimento degli investimenti minore rispetto a quello registrato nella seconda. Determinanti per nel reinvestimento dei profitti (e quindi per il maggiore sfruttamento del potenziale di crescita cinese) sono stati la presenza e la gestione efficace delle imprese di stato (SOEs) della Repubblica Popolare. In particolare, poiché la maggior parte delle SOEs erano controllate al livello sub-nazionale, il loro management efficace orientato alla crescita è ben spiegato dal discusso equilibrio tra governance politica centralizzata e governance economica decentralizzata all'interno del RDA cinese.

Un altro esempio riguarda le società. Infatti, la società cinese è contraddistinta da un alto grado di omogeneità, mentre invece quella indiana è notoriamente eterogenea. Al di là dell'impatto positivo che i regimi autoritario e democratico hanno sul mantenimento rispettivamente di una società omogenea ed eterogenea, le società cinese ed indiana sono così caratterizzate proprio storicamente. L'omogeneità della società cinese e della sua sfera culturale ha permesso il costituirsi di un efficace modello di crescita basato sulla mobilizzazione di massa. Al contrario, le storiche divisioni etnico-linguistiche e religiose all'intero della sfera socio-culturale Indiana ed i conflitti ad esse legati hanno causato la prevaricazione delle prospettive di breve termine su quelle di lungo termine a scapito di un'efficace politica economica e della crescita in generale.

In conclusione, si può affermare che, se da una parte i singoli casi della Repubblica Popolare Cinese e della Repubblica dell'India non permettano certamente di stabilire in modo assoluto quale regime tra democratico e autoritario sia più adatto per la crescita economica, dall'altra parte però, la loro analisi suggerisce quanto il rapporto tra regime politico e sviluppo economico sia in effetti una dimensione ricca di sfumature, che coinvolge fattori specifici degli specifici paesi, legati, per esempio, alla governance politico/economica ed alla società. Dunque, in questo contesto, come emerge da questi due casi studio, la letteratura sul tema non è in grado di fornire riposte definitive bensì, al meglio, delle linee guida generali che possono dare orientamento ad un'analisi più specifica dei singoli casi, a cui va riconosciuto un maggiore potere esplicativo.

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