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Daily Policy Digest

International Issues

February 3, 2010

SOCIALISM KILLS: THE COST OF DELAYED ECONOMIC REFORM IN INDIA

As the world approaches the 20th anniversary of the fall of communism, it is worth investigating the costs borne by countries like India that did not become communist but drew heavily on the Soviet model, says Swaminathan Aiyar, a research fellow with the Cato Institute.

For three decades after its independence in 1947, India strove for self-sufficiency instead of the gains of international trade, and gave the state an ever-increasing role in controlling the means of production, says Aiyar:

- These policies yielded economic growth of 3.5 percent per year, which was half that of export-oriented Asian countries, and yielded slow progress in social indicators, too.
- Growth per capita in India was even slower, at 1.49 percent per year.
- It accelerated after reforms started tentatively in 1981, and shot up to 6.78 percent per year after reforms deepened in the current decade.

What would the impact on social indicators have been had India commenced economic reform one decade earlier, and enjoyed correspondingly faster economic growth and improvements in human development indicators? In "Socialism Kills: The Cost of Delayed Economic Reform In India," Aiyar seeks to estimate the number of "missing children," "missing literates" and "missing non-poor" resulting from delayed reform, slower economic growth, and hence, slower improvement of social indicators.

He finds that with earlier reform:

- 14.5 million more children would have survived.
- 261 million more Indians would have become literate.
- 109 million more people would have risen above the poverty line.

The delay in economic reform represents an enormous social tragedy, says Aiyar. It drives home the point that India's socialist era, which claimed it would deliver growth with social justice, delivered neither.

Source: Swaminathan Aiyar, "Socialism Kills: The Cost of Delayed Economic Reform in India," Cato Institute, October 21, 2009.

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