

The Emergence of China and India in the Global Economy

Policy Panel Discussion

The Chair will ask the participants to consider some of the following questions and speak for NOT more than **3 minutes** per question in response. After this the floor will be open for further questions.

Chair: John Van Reenen

"In 2000 as a result of the collapse of communism, India's turn from autarky and China's shift to market capitalism, the global economy encompassed 6 billion people. Had China, India and the former Soviet empire stayed outside, the global economy would have had 3.3 billion people." (Presentation by Richard Freeman, "Doubling the Global Workforce", Peterson Institute for International Economics, Washington DC)

Many writers have argued that the emergence of China and India in the global economy is unprecedented. In this panel debate, we would like to explore the policy implications of China and India's emergence for both developed and developing countries. Some themes of particular interest are:

1. Globalisation and Growth

Since 1978 China has experienced rates of economic growth of around three times the global average, whereas Britain and America during their periods of industrialization typically grew at around twice the world average. Similarly, since the mid 1980s, India has experienced an acceleration in rates of economic growth. What (if anything) can be learnt about the microeconomic sources of economic growth from the experience of China and India? What has been the contribution of policy reform and globalization to such rapid economic growth?

What are the similarities and differences between the experiences of the two countries and how can these inform our understanding of the microeconomic sources of economic growth? Is there a unique model for institutions based on modern market capitalism or is there rather a menu of institutions that may be appropriate for different contexts and levels of development? Is such rapid growth sustainable, particularly given the pressure on the environment? What are the lessons for policy makers in for example Africa trying to emulate the rapid rates of economic growth of China and India?

2. Globalisation and Inequality

Has globalisation contributed to the increase in inequality experienced in many developed countries like the US and UK over the last three decades? The consensus among economists until recently was no. But is this still true? What are the future pressure points likely to be?

If globalisation is increasing inequality what, if anything, should policy makers do? Is the answer simply increasing the skill supply – if so, what is the best way to do this? If we need more than this, what other policy measures are needed?

And what about the future of inequality in emerging countries like China and India? Will rapid economic growth necessarily be associated with a rise in inequality? What (if any) are the implications for public policy in these countries?

3. Politics and the future of Globalisation

Related to the last point perhaps, there is much political hostility to further trade integration in the US and Europe. Has the political coalition in favour of globalisation been broken? What could fix it again?