Rural transformations imply dramatic social changes, and often radical changes in social as well as economic policies. This paper focuses on a comparison of the policies of inclusion of China and India (with limited discussion of Brazil), with particular reference to the way social group differences have been addressed, in both market and non-market spheres, and how this has impacted on group’s ability to participate in growth processes and rural transformation. It will speculate about the impact of group inequalities on the different economic growth path of China and India.

While income inequality in China has grown rapidly during its thirty years of transformation, and its Gini coefficient is now higher than India’s, the nature of inequalities is radically different. China’s policies after 1949 led to a radical equalisation of opportunities, in terms of health, education, and access to land. The post-1978 reforms unleashed the potentials of a relatively well-educated population, but also to the rise of new market and non-market inequalities, which have started to be addressed particularly since the launch of the ‘harmonious society’ model.

Income inequalities in India appear low, but the nature of inequalities is very different from that of China. Despite economic growth and steady urbanisation, and the recent ‘Inclusive Growth’ and rights-based emphasis, deep-rooted disparities between social groups have not disappeared. Despite political mobilisation and a wide range of measures of special provisions and reservation, social and market-based discrimination and unequal access to land and other resources continue to limit the opportunities of millions. Despite the hope of modernisers, neither the political democracy nor urbanisation by themselves have been able to break through deep-rooted inequalities.

These forms of inequalities have been well documented, including by the two present authors, and after a short review of the different manifestations of these in the two countries, the paper will focus on the policies of inclusion in the two countries. In particular, the paper will compare the Chinese policies regarding minorities since 1949 and India’s policies vis-à-vis Scheduled Castes and Scheduled Tribes, their different histories and political motivations, and
the varied impacts in terms of the creation of equal opportunities and inclusive institutions. By way of hypothesis, we argue that alongside political systems, social mobilisation is one of the critical factors that differentiate the two countries in the extent to which equal economic opportunities have been created.

Finally, the paper will argue that the different forms of social inequalities and the ways in which policies have addressed these have had an impact on the growth patterns of the two countries. Building on growing evidence of the impact of inequalities on economic growth (and pro-poor growth and poverty reduction), we argue that the social mobilisation and radical social churning pre-1978, may have had a beneficial on the potentials for rapid economic growth and transformation in China, and its integration into the global economy. By comparison, India’s deep-rooted group inequalities and the inherent limitations of its policies to support deprived groups, continue to form a barrier for not only faster poverty reduction and improvement of human development indicators, but indeed also the potentials for economic modernisation and growth.

1. Group inequalities in emerging economies

The economic transformations of the three main emerging economies are at very different stages and levels.¹ China of course has had by far the fastest growth, followed by India and Brazil – while the last remains the richest country among the three measured in GDP. All three countries have experienced urbanisation, but it is important to highlight that this has been relatively slow in India. Fertility transitions have been very rapid, with so far beneficial economic impacts, but with a looming ageing crisis in China.

Table 1: Basic indicators of the 3 countries

<table>
<thead>
<tr>
<th></th>
<th>GDP per capita (PPP US$)</th>
<th>Annual growth</th>
<th>Urbanization</th>
<th>Demographic shift</th>
<th>2000-05</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005</td>
<td>1975-2005</td>
<td>% urban population</td>
<td>Total fertility rate</td>
<td>1970-75</td>
</tr>
<tr>
<td>Brazil</td>
<td>8,402</td>
<td>0.7</td>
<td>62</td>
<td>84</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>6,757</td>
<td>8.4</td>
<td>17</td>
<td>4.9</td>
<td>1.7</td>
</tr>
<tr>
<td>India</td>
<td>3,452</td>
<td>3.4</td>
<td>21</td>
<td>5.4</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Source: GDP and urbanization figures are World Bank data; demographic data World Population Prospects.

¹ Comparisons between India and China’s growth paths has been a growing academic field; see for example Chandra (2009), and Gulati and Fan, eds. (2007) which focuses on rural development (two chapters deal with poverty programmes, but contain no analysis of group disparities and policies; Zhang et al. 2007, Parikh et al. 2007).
The three countries’ records in poverty reduction, human development and inequality has been extensively studied by Martin Ravallion, and is summarised in the following Table. All three countries have made progress in poverty reduction over the last three decades, but none more than China. The three countries also made substantial progress in human development indicators, with Brazil topping the list.

The inequality figures are remarkable, and most important for the purpose of this paper: Brazil’s inequalities have been extremely high for many decades (and only recently shown some decline, including because of its cash transfer program). China’s Gini index has shot up from very low levels as a result of its economic transformation, while the Gini index for India has remained low but as we will argue below these may not sufficiently reflect the country’s deep-rooted inequalities. The inequality data for the three countries might suggest a Kuznets-type of relationship; however plotting a larger set of developing and emerging economies (Graph 1) does not bear this out, suggesting that any relationship between GDP and Gini will be context specific. As Ravallion stresses, Brazil and India’s ‘initial inequalities’ were more severe than China’s (in 1978), and as described below this is reflected in the disparities of social groups.

Table 2: Socio-economic indicators Brazil, China and India

<table>
<thead>
<tr>
<th></th>
<th>Poverty $1.25</th>
<th>Inequality Gini</th>
<th>Infant Mortality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>17.1</td>
<td>7.8</td>
<td>57.5</td>
</tr>
<tr>
<td>China</td>
<td>84.0</td>
<td>16.3</td>
<td>29.1</td>
</tr>
<tr>
<td>India</td>
<td>59.8</td>
<td>41.6</td>
<td>35.1</td>
</tr>
</tbody>
</table>

Source: Ravallion 2009

The nature of inequalities in the three countries is radically different. Brazil traditionally has had very high inequalities, including in land distribution, rural-urban (which with urbanisation become a less important contributory factor to overall inequality), regional and between groups. Health and education also are very unequally distributed, though less so than income inequality (Justino et al. 2004). China’s inequality patterns are radically different: it started its economic reforms with very low inequalities, including that of land, and we have since seen a rapid rise in all forms of inequalities, including in terms of access to health care and education, with since a number of years social policies that try to address those inequalities, under the slogan of a ‘harmonious society’. In contrast, India has not seen such a rise of overall income inequality, but has been marked by very large inequalities in land, growing regional disparities, and large pockets of chronic poverty, which have regained attention under the ‘inclusive growth’ model of the Congress coalition government after the 2004 General Election.

See Fan and Thorat (2007) for a comparative analysis of the impact of different forms of public policies/investments on poverty in China and India.

2 See Fan and Thorat (2007) for a comparative analysis of the impact of different forms of public policies/investments on poverty in China and India.
Group inequalities are significant in Brazil, based in its colonial experience, between the main population groups whites or *branco* (49% of the population), mixed-race or *pardo* (42%), and blacks or *preto* (ca 8%). For example 30% of *branco* men have an income in the top quintile compared to 12% of *pardo* men and 7% of *preto* men (Francis and Tannuri-Pianto 2010). Brazil’s poor tend to be concentrated regionally (North-East) and in rural areas.

China is considered ethnically a relatively homogeneous society, with 92% belonging to the Han group (though in itself also very heterogeneous, as emphasized by Gladney for example), and the rest divided over 55 ‘minority nationalities’ (*minzu*). Two of the largest minorities – Uygurs of Xinjiang and Tibetans, inhabiting vast areas with large strategic value for China – have been involved in secessionist movements. Poverty rates are estimated to be very high among minorities, though with a large diversity amongst them: according to Bhatla and Qiu (2006) while ethnic minorities form less than 10% of China’s population, they form 50% of the extreme poor. According to the World Bank’s poverty assessment (2003 data), while on average 7% of the population, lived in (income) poverty, 24% of the minority population below that

---


4 It seems that this estimate is based on income data from regions (minority regions) rather than social groups – as far as we are aware China does not collect or analyze data per social group as is the case in India. Rural Household Survey data refers to population in minority villages, defined as at least one-third of the population comprising of minority groups (source: World Bank Poverty Assessment). Social inequalities does not feature strongly in the literature of inequality in China (eg Wan, ed., 2008, Fan et al. 2009).
poverty line (and 28% of minorities in mountainous areas). While large shares of the minority population lives in mountainous areas, a substantial number also lives outside those areas.

India has a uniquely large social diversity, with at least three large social folds, which are often linked to differences in well-being. Hinduism is the largest religion, but there are large groups of Muslims (13% of the population; often relatively poor), Christians, Buddhists, etc. A large proportion of the population belongs to various groups of *adivasis*, or ‘scheduled tribes’ (8%), they tend to live in remote rural areas, have much higher incidences of poverty (Xaxa 2001), and lower rates of labor migration,\(^5\) vulnerability to forced displacement, etc.\(^6\) Finally, the country is marked by a caste system, which divided the Hindu population into five groups, and *dalits* or ‘scheduled castes’ (15% of the population) suffer from high levels of socio-economic deprivations, combined with severe social discrimination in all spheres of life, which changes but does not disappear with rural transformation and urbanization, as case distinctions find new forms of articulation in new economic sectors.\(^7\) The following Graph illustrates these disparities (based on calculations by Amaresh Dubey), and how these have not been reduced since the mid 1990s.

![Graph: Mean per capita consumption social groups in India](image)

The three economies thus are all marked by large social disparities, suggesting at least a delayed participation in growth and rural transformation, and often disadvantageous terms of ‘participation’. The three countries are further marked by very different types of group inequalities, resulting from its diverse histories of course, and thus creating specific path-dependencies for its public policies: Brazil’s is the result of its colonial history, while India’s have a much longer history, and China undertook massive social transformation under its communist revolution. We now turn to the social policies in the three countries, and how these address group identities and disparities.

---

\(^5\) Migration data are analysed in de Haan and Dubey 2006; however it is important to point out also that the poorest also migrate, but under the most exploitative conditions. Similar data for China are not available though casual observation do suggest that minority groups may have faced barriers to migration #, because of distance and language.

\(^6\) MRGI concludes that “while 85 per cent of Adivasis live in poverty, they receive little or none of the wealth extracted from their land” (http://www.minorityrights.org/4047/reports/the-adivasis-of-india.html).

\(^7\) See further for example Thorat and Newman 2010, Thorat and Umakant 2004, Jodhka 2010 on dalit businesses
2. Policies for inclusion: minorities in China and affirmative action in India

The social policies of the three countries are embedded in very different histories and ideologies, which can be captured under an amended version of Esping-Andersen’s (1990) notion of welfare regimes. This describes different ways of welfare provisions, and how these relate to historical patterns of political mobilization. Brazilian social policies have been characterized as state corporatist, in which pressure group have dominated the policy-making process. As the rest of Latin America, Brazil moved towards neo-liberal approaches during the 1970s/1980s, though more recently more inclusive and poverty-focused policies particularly under Lula’s government have become central, with an important role of targeted cash transfers. China after 1978 let much of the welfare system of the earlier period collapse in its emphasis on economic growth and privatisation, while more recently the state has again assumed larger responsibility for social services and addressing inequalities, most visibly under the project of ‘harmonious society’ of the Hu-Wen administration. China’s social policy model shows many aspects of the East Asian model of productivism (Holliday 2000). By contrast, India’s social policy approaches can arguably be characterised as welfarist, under the pressure of political democracy, in which social spending is seen as residual and with a strong emphasis on targeting, which received new impetus under the inclusive growth model of the Congress government since 2004 (Hasan 2009). Social spending in both China and India have remained low (though international comparisons are difficult), with both showing an upward trend recently.

Group disparities have played very different roles within the social policies of the three countries. In Brazil, by and large, group disparities have not been central to public policies or even public debate, and the severe racial inequalities particularly relating to Afro-descendants were not officially recognized – Brazilians were made to believe there were no black or white Brazilians. But this has changed recently, a long time after slavery was abolished, and possibly as part of a Latin American regional move towards stronger identity policies. For example, a high-level secretariat has been created with a mandate to prepare all forms of public administration for racial equality, without programs for economic empowerment. Addressing group disparities is also implicit in policies vis-à-vis regional inequalities, like Brazil’s National Policy for Regional Development.

Mao’s policies included a radical revolution among minorities, destroying most of the feudal elements of the socio-economic system. This was followed by identification of ethnic groups and assigning a status of autonomy to some of the regions, and subsequently the religious persecution and cultural destruction during the Cultural Revolution. There has been a distinct

---

8 This has been used and extended by Gough and Wood (2004), Abu Sharkh and Gough (2008), de Haan (2007), de Haan (forthcoming), and de Haan and Sabharwal (2009).
9 Presentation by the Vice Minister at a UNDESA session of the UNESCO conference in Buenos Aires, February 2006. Experience in Latin America with new forms of affirmative policies is limited (Buvinic and Mazza 2008).
revival of minority concerns after 1978. Current official policy emphasizes equality, regional autonomy, common development,’ and preservation of cultures. Minorities are represented (proportionally over-represented) in the National People’s Congress, and special efforts are made to train ethnic minority cadres. Policy includes the freedom to use own languages (and decisions to set language of education), and more lenient child-birth policies. Development, infrastructure, industrialization, agriculture and poverty alleviation plans include large transfers to ethnic minority areas. International organizations have continued to emphasize exclusion and rising tensions particularly in Tibet, Xinjiang and Inner Mongolia, and analysts like Dru Gladney conclude that China’s economic transformation has the “potential to fuel ethnic and linguistic division, rather than further integrating the country”, with uneven distribution of wealth leading to deep resentment.

Group identities have played a critical role for India’s Independence and formulation of the Constitution. Support for deprived groups is enshrined in the Indian Constitution, and is delivered through elaborate administrative and financial mechanisms, using the 1931 Census classifications as basis (subsequently revised at various times, and disputed). Policies focus on three spheres: legal safeguards against discrimination, education and empowerment of deprived groups, and affirmative action, the controversial area of ‘reservation’ in government services, admission in public educational institutions, and seats in central, state and local legislature and bodies. Since the late 1980s, alongside liberalisation, there has been a significant rise in identity politics, particularly alongside caste and religion.

Of course, these policies evolve in very different political and administrative systems, which we now discuss for China and India only. In the case of China, the centralised political control has a direct impact on the way policies vis-à-vis minorities have evolved, with a strong emphasis on national integration alongside the emphases on autonomy and respect for culture, and its forceful market-led development and poverty programmes reaching out to remote areas, rapidly transforming socio-economic structures. The growing gaps in its social policies since 1978 and growing disparities in health and education probably have had a disproportional effect on minorities, as they have been concentrated in regions that have fallen behind. These gaps are

---

10 By the end of 1998, five autonomous regions, 30 autonomous prefectures and 120 autonomous counties (banners) had been established, as well as 1,256 ethnic townships.
14 Differences between Gandhi and Ambedkar, the untouchables’ leader, and the secular ideals of Nehru, pervaded and have continued to influence the political sphere.
15 Whether China’s model of decentralised policy piloting and implementation has provided space for different models in ethnic minority areas needs further investigation.
likely to have a long-lasting impact on the chances of the next generation, but are now being addressed. The new health insurance scheme is an example of recent progressive social policies, as part of the broader Harmonious Society project. The Western Development Plan is an earlier example of response to concerns to growing inequalities (particularly regional), and one that is ‘deeply entwined’ with minority policy as it included justification to address ‘subversive’ and ‘splitist’ movements, and included Provinces and Prefectures not geographically located in the West (Naughton 2004: 265). The promotion of migration, despite the continuation of the hukou registration system, also has had a profound impact on the way China’s rural transformation has taken place. Significantly, for understanding of different social policy approaches opening up the economy of and market reforms in the West are key characteristics of the reforms alongside social advancement.

In India, the federal political democracy gives a particular shape to the evolvement of policies vis-à-vis deprived minority groups. The ‘vote bank’ politics have given a particular shape to the implementation and extension of benefits to deprived groups, notably the ‘democratic incarnation of caste’ (Shah 2002: 28) which has given political agency – often with a strong regional character – to Dalits and ‘Other Backward Castes’, while entry of Adivasi communities into the political field has remained more limited (also Alam 1999). The inclusive growth model since 2004 not only have a larger commitment to poverty reduction, but also a range of renewed policies for social groups, such as a high level committee to inquire into the socio-economic status of Muslims followed by new policies, and a ‘15 Point Programme’ with a range of programmes for deprived groups, including for entrepreneurship, scholarships, services and a (flagship) multi-sectoral development programme for minority districts.

Social mobilisation is playing a critical and different role in the development paths of China and India (Saith 2008). China’s top-down political model has involved broad social mobilisation, and changing ways of but continued emphasis on democratisation at local levels, under the guidance of the Communist Party. This model contributed to the excesses of the Cultural revolution, but since then also has enabled the potential of rapid policy implementation, facilitated by strong incentives for local leaders to meet development targets. Social mobilisation in India happens under its political democracy and federalism, which has helped to avoid the major development mistakes of China’s Great Leap Forward and Cultural Revolution, and makes economic reforms less dramatic than China’s (and regionally more diverse, with important implications for states like Orissa, and regional development programmes like ‘KBK’). Social mobilisation has been key, for example, to resistance to large development projects particularly in Adivasi areas, and for the reversal of public policies resulting for example in the rights-based National Rural Employment Guarantee Act. As referred to earlier, minority groups have

---

16 We are not aware of studies that look at the impact of development policies on minorities. The impression of the 1st author based on experience with DFID and World Bank programmes in southern China suggests that while many programmes are targeted to deprived areas/groups, there is little in the design of these programmes that address socio-cultural barriers to access.

17 The United Progressive Alliance proposed a “national dialogue with all political parties, industry and other organizations to see how best the private sector can fulfill the aspirations of scheduled caste and scheduled tribe youth” (http://www.pmindia.nic.in/cmp.pdf).
mobilised around targeted schemes for group advancement, others have tried to extend these, thus re-forcing their identity as group. The public advocacy around social welfare also have contributed to an increasing number of schemes, often overlapping in objectives.

As argued in Dani and de Haan (2008), the evolution of social policies cannot be seen in isolation from institutional development, and inclusive policies also imply inclusive institutions. In both China and India important institutional change has taken place, in both cases enhancing the representation of deprived groups on governance structures. But in both cases these changes are limited, in the case of China primarily by the political control which tends to become more severe when greater autonomy is demanded, and in the case of India by the limited social transformation and informal hierarchy that continues to exert disproportionate influence on policy making, and the severe social churning that follows where this hierarchy is contested.

While the intentions of the policies in China and India appear very similar, the way they have evolved has thus been very different, and the outcomes too are likely to have been different. Further research is planned to provide in-depth information of these approaches and how they compare to China’s, but as hypothesis we suggest that China’s policies vis-à-vis deprived groups are much more shaped by central leaders’ concern for national unity and the broader economic reform programme, thus giving these a distinctive ‘productivist’ character, while India’s policies are of course embedded in its parliamentary democracy, and its particular form of public advocacy has given its social policies a distinctive welfarist emphasis.

Do inequalities matter for the transformation of emerging economies?

In all three countries very large inequalities now exist, but it is critically important to understand the differences between the traditionally high inequalities in Brazil, the growing Gini coefficient in China, and the continued low Gini coefficient in India which masks very large social disparities and ability to access India’s growth opportunities. In the last part of this paper we explore – very tentatively - whether the different forms of social inequalities and the ways in which policies have addressed these have had an impact on the growth patterns of the two countries.

While inequality was by and large absent from the international development debate in the 1980s/90s (outside Latin America, perhaps), it has made some form of a return at the end of the 1990s, even though the dominant paradigm has continued to take a form that ‘growth is good for the poor’. The 2006 World Development Report, alongside showing that countries inequalities in the world’s poorer countries were higher than often assumed, made a convincing argument for an instrumental case for addressing inequalities, while Ravallion has convincingly show how much inequality matters for the impact of growth on poverty reduction. In various sectors, they showed that enhancing equality of opportunities and access (e.g., micro-finance, land) can be good for economic growth. There is also a literature that has argued that inequalities have the potential to affect political stability, and increase pressure for increasing spending on
welfare. Addressing regional inequalities now is a common part of all three large emerging economies, and there may be an argument to make analysis of group inequalities a more explicit part of these policies.

All three countries demonstrate why addressing group inequalities is critical for economic transformation, including when it opens to global markets. Political stability has been a key concern for the Chinese government in the way it has addressed inequalities in various forms. As mentioned, approaches to Western Development (under Jiang Zemin) – including vis-à-vis minorities – and of course the Harmonious Society project (under Hu-Wen) have been directly informed by concerns about national unity, and emerging fiscal space has been carefully used for this purpose. Both the Indian (Congress) and Brazil’s (Lula) governments are dependent on support from deprived groups, often based on social identity, and need to show the progressive impact of the policies like cash transfers and employment guarantee schemes.

Inequalities in access to markets reduce potentials for growth. Discrimination against minority groups exist in China, and has the potential to come to the fore with its dramatic population movements: the violence in Xinjiang in 2009 followed ethnic tension and violence at a Guangdong factory (related to job losses). Thorat and Newman (2010) explores the consequences of economic discrimination in India, much research now exists that shows how caste discrimination limits the development potentials of a large part of the population, and like in China opportunities for migration – apart from in its most exploitative forms – are hampered by language ability and attitudes of discrimination.

Addressing disparities in access to social services also has the potential to contribute to economic growth, including in its integration into global markets. While China’s universal social policies under Mao created one of the preconditions for the post-1978 economic take-off, 25 years later SARS showed to China that it needed universal access to health care (and since it has discussed the form of organisation), and my own casual observation suggest that much need to enhance access in the poorest and ethnic minority areas. The failure to address nutrition and health in India at a universal scale (see recent IDS Bulletin), which has very significant social group dimensions, has well-know implication for growth potentials, as well as for social or private transfers to address the failures of providing adequate health care.

Alongside some possible technical solutions for groups disparities, it needs to be emphasised that these policies are contested, deeply political, and often ‘messy’. In China, the social mobilisation and radical social churning pre-1978, as suggested, may have had a beneficial impact on the potentials for rapid economic growth and transformation in China, and its integration into the global economy, but they were not designed to do this, and as indicated also have been associated with large excesses. By comparison, India’s deep-rooted group inequalities and the inherent limitations of its policies to support deprived groups, continue to form a barrier for not only faster poverty reduction and improvement of human development indicators, but also for the potentials for economic modernisation and growth, while addressing these inequalities in itself can lead to new inefficiencies (such as Laloo Prasad Yadav’s open acknowledgement of corruption, justifying this with reference to historical injustice). The messiness of these processes are reason for further analysis, not neglect.
In conclusion

This draft paper has been an attempt to draw attention to the role of group inequalities in the processes of rural transformation and emerging economies. It is based on a conviction that it is critically important to understand the inequalities as they exist, emerge and evolve under these transformations, and the realities beneath summary measures like Gini coefficients. Apart from limited fiscal opportunities for income redistribution, public policies are almost inevitably challenged by the deeply political nature of group inequalities, often fuelled by perceptions of historical injustice, and often with international dimensions.

The public policies in the three countries referred to here all have been challenged by these inequalities, and responses are being developed as we speak. There is nothing unique to these three countries in their need to respond to emerging (and old) social differences, as the European struggles with integration currently demonstrate, but the size and speed of development of the emerging economies make these questions particularly pertinent, and globalization put these increasingly in the public domain. We hope this paper might help promote the learning across countries about the formulation and implementation of progressive policies.

References


Minority Rights Group International, India,


---

**Graph 1: Kuznets ?**

![Graph showing the relationship between GDP/cap and Gini coefficient.](image-url)