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Gravity Shift: How Asia's New Economic Powerhouses Will Shape the 21st Century by Wendy Dobson: A Book Review

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ABSTRACT

Gravity in general context is a normal process in which all objects with mass or energy, including worlds, stars, galaxies, and also light, is taken to each other. But in economic terms it explains the nature of centre of gravity of the world economy, the typical place of economic operation around geographies on the surface of the planet. This book mainly focuses on rapid growth, diversity and strategic importance of the rising Chinese and Indian economies for the future. The book starts with few questions. Can India and China sustain their current growth rate? What impact will their rapid growth have on the world economy? Will these two economies produce everything? Will the effects of their industrialization on pollution and greenhouse gas emission overwhelm the global commons? Will the economic dynamism of China and India shift the patterns of power and bring in a new world economic order, as is often popularly assumed?

1. Introduction

Dr. Wendy Dobson is the Co-Director of Rotman School of Management at the Center for International Business at the University of Toronto. Wendy Dobson's Gravity Shift: How Asia's New Economic Powerhouses Will Shape the Twenty-first Century was one of five books selected for the 2010 National Business Book Award for Canada.

The book started with estimation of population and production these all were in quantitative data which was very important to tell us about how Chinese and Indian economies work. The author also focused on institution. According to him institutions are the place where people are educated, and trained for future. Author also says that institution has a major role in comparison countries standards with other.

Author highlights china's central planning model which is today described as 'bureaucratic capitalism'. The first chapter mainly focuses on the demographic aspects of the countries. As by 2030, both China and India will have population of one and a half billion, but in size their labor forces will be moving in opposite directions, with china's shrinking and India's continuing to grow. Even though the two giants have deeply different societies, they share the experience of a common economic transformation – from relatively stagnant, centrally planned, inward-looking, and self- sufficient to a market-based economy rapidly integrating with world markets. In each country, the turning point came during a crisis, when the government changed the rules of the game, kick- starting a sea change in their economic behavior.

In the second chapter the author predicts about future growth in those countries. In china, hundreds of millions have been pulled out of absolute poverty and into jobs in modern economy. In India too absolute poverty has declined, and the country is becoming renowned for its highly skilled professionals in the information technology industries. But 90 percent of India's growing labor force is still casually employed.

But one factor that will differentiate China's economic future from that of India is the characteristics of their human assets.

By 2030, each country will have a billion and a half people, but China's population will be shrinking while India's continues to grow. More than that, however, the relative quality of their respective labor forces will be key to their ability to sustain economic growth. Changes to China's institutions have freed up productive jobs and raised incomes, first in agriculture and then in manufacturing. These institutions are unabashedly capitalistic, so much so that they are being adjusted to give labor more. According to Dobson mobilizing and channeling savings into more productive sectors that create good jobs can help offset the demographic challenges.

The third chapter focuses on jobs and employment, both countries could provide tomorrow's jobs and new products by financing small and medium-sized private enterprises. China, with the world highest savings rate, is brimming with financial capital, but these savings are being used, not to fund small entrepreneurs, but to deliver rapid industrial growth. The government stabilizes the exchange rate, administers interest rates, and owns the banks, and capital is priced cheaply and directed largely to private sector. Although this strategy served its growth objectives, it built up large stocks of foreign exchange reserves, nearly half of which are now invested in U.S. government bonds.

Indeed, china's unique monetary and financial framework means that the interdependence of the Chinese and U.S. economies has become a central feature of the gravity shift. India's financial system is more developed and market driven its stock markets are models for emerging markets. But the Indian government has also co-opted the country's financial system by requiring financial institutions to hold the bonds it issues to finance its deficit spending.

The financial systems of China and India are no match for the depth, sophistication, and diversity of the U.S. system. They are relatively conservative, in both their structure and oversight, and the world financial crisis that began in 2008 served to strengthen the confidence of Mrs. Sonia Gandhi and Chinese financial officials of the wisdom of that conservatism. Yet their government-owned, bank-dominated systems leave much to be desired. While small savers may have been protected by the government ownership Mrs. Gandhi extolled, government intervention in both countries' financial systems diverts national savings to social and political goals.

The forth chapter enlightens science, technology and innovation, which could help offset the two countries demographic challenges and financial weakness. Both countries still depend on the technologies of one another, despite their recent exploits in space. The process innovations of India's experienced IT services entrepreneurs have created world famous companies and brand, and its auto parts and pharmaceuticals sectors are not far behind. Yet this well-earned innovatory fame merely dramatizes the yawning gap between India's export success and a domestic economy in which even existing knowledge has not diffused to the myriad tiny enterprises that create most of its jobs[2]. In china, research and development is more state driven, meant to achieve ambitious nationalist goals to reduce dependency on foreigners. But such targets ignore the realities of china's dynamic nonstate enterprises, which in the face of intense market competition, drive innovation in labor intensive activities that are more in line with the country's comparative advantage.

The impressive strengths of china and India, which are shifting the world economy's centre of gravity, are offset by constant weakness. China's pragmatic combination of cheap capital and labor, economic openness, and unique mix of state and market institutions has delivered rapid growth, but also a lopsided, investment driven economy featuring rising income inequality and environmental degradation. India has chosen equity over growth but has achieved neither very successfully, and large swathes of its population are still excluded from the modern sector[3].

At times over the past two millennia, China and India have led the world in science and technology. The opening ceremonies of the 2008 Beijing Olympics boldly illustrated China's inventions of gunpowder, the compass, paper, and moveable types, and its understanding of hydraulics, iron smelting, and ship building long exceeded Europe's. As long ago as the fifth century, India's mathematicians devised the decimal system, realized the unique significance of zero, and calculated π to multiple decimal places.

As the two countries reemerge into global prominence, science and technology again will influence their growth prospects. So far, each has reached its.

Chapter five elaborates about the governments of these two emerging giants will do what is necessary to remove these

[2] https://www.asiapacific.ca/

[3] https://www.asiapacific.ca/

impediments to sustainable, long term growth.

China's and India's strengths and weakness, in fact, present both opportunities and risks. Their rapid growth promises to expand the size of global markets and raise global productivity, from which everyone can benefit. They also provide new opportunities in areas where neither country has a comparative advantage. In such areas, global multinationals with an edge over domestically focused Chinese and Indian rivals can target the two countries vast local markets, while leveraging each country's comparative advantages particularly in the form of low cost labor to serve their global customers.
At the same time, the advanced industrial countries face the challenge of adjusting to the gravity shift in order to stay ahead. Their imperative will be to exploit their technological advantages in the knowledge based manufacturing and services industries.

Their ability to meet this challenge however will depend on the success of their educational institutions and social safety nets to help workers make the transition to new skills occupations. Attempting to obstruct the gravity shift by resorting to protectism will not work, since they would simply fall behind if they closed themselves off from the competition. The united states, faces a particular daunting challenge an expanding world economy has made it convenient for the united states, which spends more than it saves, to borrow from china, which saves more than it spends. Indeed china is now the world's largest creditor and United States is the largest debtor. In recessionary times, however china worries about the long term costs of finding itself in the same boat as the United States. The way in which the two countries manage their relationship will be key for their future economic growth.

Rapid growth is not an end in itself but the means to raise living standards and pursue societal goals such as education, skills training, and the reduction of inequality. In China, the Communist Party, facing the failure of central planning, unambiguously chose to dash for growth by freeing market forces in large swathes of the economy. But some regions have advanced faster than others and polluting industries are degrading the environment. The central government aims to address these market failures in its Eleventh Plan (2006–10), but success is not assured: if growth is to be sustained the autocratic government.

Nothing has quite matched the global financial crisis in highlighting the possibility that the gravity shift might accelerate. The International Monetary Fund's frequently revised forecasts beyond September 2008 showed global growth slowing, stopping, and then contracting. In the fourth quarter of 2008, U.S. GDP dropped by 6 percent, as that country entered a deep and possibly prolonged recession. But China and India continued to grow, although at slower rates than a year earlier. Geopolitical analysts look at these trends and see a zero sum game: they win, we lose.

In the final chapter Dobson provides the global implications of the gravity shift, by 2030.by then even under conservative assumptions about growth, the Chinese and Indian economies combined could be nearly twice the size of the slower growing U.S. economy[4]. Many observers look at these numbers and predict that the rising economic prominence of the two Asian giants will reshape the world's political order. Such predictions eventually may prove correct, but they are unlike to be borne out in the next decade, or even two.

Both china and India will have to address their domestic stumbling blocks if they are to maintain their rapid growth trajectories. Both countries realize they cannot continue with business as usual. The Chinese must keep their economy from moving to a markedly slower growth path, while Indian voters will push their government to adopt policies that will sustain a high growth rate.

Moreover ,translating economic clout into political power will depend on a number of factors, including the ability of china and India to weather the current global recession, their willingness to cooperate, rather than compete, with each other and with their Asian neighbors and to take on a more active role in global governance institutions. It seems clear that the world order of 2030 will be multi polar unlike the period after the collapse of communism in Europe, when the United States was dominant. While the United States is likely to continue to lead, global economic progress will depend on the willingness and

[4] https://www.asiapacific.ca/

ability of the major countries to forge a common vision and to work together. The G20 leaders' summits are a first move in this direction by reorganizing the gravity shift caused by the emergence of Asia's new economic powerhouses. In a matter of two decades or so, Asia will dominate the world economy. By 2030, the Chinese and Indian economies combined will be nearly twice the size of the U.S. economy, with China itself larger than the United States and India fast closing the gap[5]. Some projections have this happening as soon as 2020; others see China overtaking the United States by as late as 2035, with India following by 2040. Many observers look at the new Asian powerhouses and predict that their rising economic prominence will reshape the world order.

2. Suggestions

I would like to specifically focus on the author's take of India and the way forward. Having lived in India for 25 years of my life, I can relate to several of her insights on the India story and must admit that this is one of the most comprehensive view points that I have come across. But first, a clarification is in order. This book is really not about how Asia's powerhouses will shape the 21st century. That topic is covered in only 1-2 chapters. Instead, much of the book analyzes the key criteria for a country's success, and outlines where China and India stand. Obviously, we conclude, India has to go a long way.

The book shatters several myths that are bandied about the India story. The often quoted opinions such as "India has the world's youngest population", "Its large talent pool can drive growth" and "Its world-class IT services industry can lift the country into the global league." are not so simplistic, argues Dobson. She exposes the scale of India's challenges by presenting several facts throughout the book. Some of them are as follows:-

a) 90% of India's labor force is still casually employed.

b) 60% of labor force is still in agriculture, but provides only 18% of the country's output.

c) At the turn of the century, India had 75% of China's labor force, but total employment was only 55% of China. The key reason: not as many women in India work as do the Chinese. Mao's 'women hold up half the sky' seems to have propelled China far ahead.

d) India's literacy rate is 61% while it is 91% in China.

Dobson's conclusion: *India has chosen equity over growth but has achieved neither very successfully*.

Then what according are the factors that can drive India's growth? The author argues that the key is in making the Second India (the not so well educated and casually employed labor force) employable. This means a renewed focus on Manufacturing. A holistic land reform and farmer protection policy that increases land productivity and frees up labor is another. India must no longer tout its advanced college education when its primary education structure is in disaster.

Corruption must be taken head on while law reform that reduces legal delays is critical. A better financial system that finances the small and medium enterprises is required. Research and development spending as a percentage of the GDP (referred to as R&D intensity) must rise (it is 1% for India while Japan is 3.2%). Large investments are needed in energy & water infrastructure (did you know that India has harnessed only 20% of its hydro power while this figure is close to 80% in developed countries?). Affordable health care must be meaningful (the poorest 20% in India receive only 10% of health subsidies; the richest 20% receive 30%).

Lastly, states must address their fiscal deficits and reduce the growing income inequality. If all this sounds like a lot - well - it is. Nobody said getting to be an economic superpower was easy. India most definitely cannot assume that its IT sector and growing population alone will guarantee success. Those are just the basic raw materials. How these are harnessed is what will help us get there.

3. Conclusion

The exponential development, globalization, and geopolitical value of the new Chinese and Indian economies has sparked the imagination of the world with both potential expectations and fears. The perceptive study of shifting economies,

[5] https://www.theglobeandmail.com/

populations, and politics by Wendy Dobson paints a insightful and unexpected image of India and China as 2030 economic powerhouses.
Reviewing historical events and emerging patterns, Gravity Shift provides optimistic forecasts of the improvements we should anticipate in China and India's main economic and political structures, improvements that will guide and mold business decisions tomorrow.

Dobson 's research anticipates that by 2030, China's economy would be bigger than the US, India , and Japan's, while its population would mature and limit its development. India would also make huge strides in the modernization of its large rural population,

Vanishing explore the importance, and growing as an creative force of manufacturing. A free trade deal between China and India may well become the base of an Asian economic co-operative society. While the world re-evaluates market activities in the midst of the global economic downturn, Gravity Shift offers a simple view of how India and China can reshape the Asian nation, educate and change global economic institutions.

Reference

[1] Dobson, W. (2009). *Gravity Shift: How Asia's New Economic Powerhouses Will Shape the 21st Century*. Toronto; Buffalo; London: University of Toronto Press.