Economics examiners must love China and India. What a perfect pair of rising economic Asian giants to use for a compare-and-contrast question for their students. A thousand years ago, both countries were civilised and technologically advanced while Europeans huddled in draughty castles and gnawed meat off bones. Both countries missed out on the Industrial Revolution, and seemed bewildered by the rise of the barbarian West. But they succumbed to its domination, shook it off in the 1940s, then embraced socialism, before reforming their economies along market lines to power ahead in the 1990s and the new millennium.

So far, so similar. But as Sanjeev Sanyal explains in ‘The Indian Renaissance: India’s Rise After A Thousand Years Of Decline’ -- which has just been published in paperback -- has so far followed a very different, and slower, growth path compared to China and the ‘tiger economies’ of North and South East Asia such as South Korea or Singapore. Much of India’s development in the 1990s came from arbitraging the educated professionals -- it was cheaper for a Western company to use an Indian software designer, for example, than in-house programmers in their home countries. But with Indian wages rising, the country will need to change tack economically.

Authoritarians may sniff at Indian democracy. Infrastructure is a mess, and even the author admits that the squalor of Indian villages is worse than in other countries with similar levels of poverty. But demographics will mean that India’s future development will look more like the East Asian economic miracle.

The middle class led much of India’s development since the reforms of 1991 -- which Sanyal thinks future historians will consider as a turning point as important as Indian independence in 1947. But the best is yet to come, he argues. In the next few decades, the literacy rate will approach 100 per cent and large numbers of people will enter the workforce who will save lots of money, and that cheap capital will help to finance rapid expansion.

Of course lots could go wrong. Democracy can lead a people into a dead end --many of the economic mistakes of the first few decades of independence were made by well-meaning experts with popular support. So who were the villains?

Everyone thought the import substitution route -- promoting domestic producers of consumer goods and food, and protecting them with tariffs -- was the right one. The debate was not about whether it was right or wrong, but whether it was being implemented properly. Two new controls were introduced to shore up every one that failed.

The brilliant statistician Mahalanobis, for example, was one of the key members of the commission that produced India’s five-year plans. Unfortunately,
Sanyal points out, he thought the economy would behave just like his favoured mathematical model.

Intellectual arrogance, it seems, trumped pragmatism too many times in socialist India.

India certainly has squandered some of its advantages. English-style common law is a big advantage for wannabe financial centres: Hong Kong and Singapore have overtaken Japan and South Korea, in part because of the legal systems inherited from the UK. Indian law, however, needs reform and updating before it could play a similar role.

Sanyal points out the example of Kolkata, where he grew up in the 1970s and 80s. As Calcutta, it was the capital of British India until a century ago, and remained the commercial capital until it had “closed itself off culturally and intellectually” by the late 1960s.

Populist left-wing politicians hounded multinationals such as IBM out of the city. Government primary schools tried to erase imperialist influences by ending teaching in English. Rajiv Gandhi, when he was prime minister, visited Calcutta/Kolkata in the late 1980s and called it a “dying city”.

But there were fortunate accidents too. Anticipating computer meltdowns caused by the Y2K bug was a welcome boost to the IT industry. In 1993, American Express set up a call centre in India that was so efficient compared to its US operations, the company transferred all its call centres to India, therefore starting a whole industry.

Overall, this is a well researched and thoughtful book. Sanyal is well connected, but he uses his personal experience to add interesting details to the story rather than showing off, such as the worry of his father disappearing during temporarily during war with Pakistan, or the problems of borrowing money to buy a car in a closed economy with strict controls on consumer credit.

‘The Indian Renaissance: India’s Rise After A Thousand Years of Decline’ is published by World Scientific.