

A Passage To Capitalism

India, China and Russia are undertaking varying, yet similar, voyages into the 21st century

Sudipto Mundle



History has a curious way of turning received theories about it on their head. Having reached socialism first, bypassing advanced capitalism, China and Russia are on their reverse passage from socialism to capitalism. India too is in the midst of a transition from a planned to a market economy. Recent visits to China and Russia gave me an opportunity to compare these transitions. These comparisons are, of course, no more than the casual observations of a passing traveller.

A striking feature of China's urban landscape is the hectic pace of construction. High-rise apartment and office blocks, factories, broad urban avenues, new metro lines, expressways, ports, airports and railroads are all being built at a dizzying pace. Not surprising for a country that has grown at double-digit rates for decades and continues to invest nearly half its GDP. Heavy construction activity is also evident in Russia, but the pace of new construction there pales in comparison with that in China. In many Russian towns you also see whole streets of abandoned houses and buildings. As old inefficient industries died with the arrival of perestroika and global competition, the workers moved on. Only ghost towns remained. I have not seen this in China.

In India, we see a bit of both. In parts of the dead textile mill belt of Mumbai or the old industrial belts of Kolkata and Howrah, you see the ugly face of urban decay. But in the Gurgaon-Manesar industrial belt, in Noida, in Bangalore, and many other parts of urban India, you see a pace of growth and new construction comparable to that of China. Unfortunately, there is no infrastructure to match, spawning nightmarish urban chaos.

Food makes another interesting comparison. The incidence of malnourishment in India is too high to allow any sensible comparison. Between

Having reached socialism first, bypassing advanced capitalism, China and Russia are on their reverse passage from socialism to capitalism

the other two, wet markets or supermarkets we visited in China were much better stocked than their Russian counterparts, and the food is cheaper. This is also reflected at the table. Comparing like for like, among fine dining restaurants, fast food restaurants etc, the cost of a sumptuous meal in China is less than that of a modest meal in Russia.

No wonder then that the restaurant diners you see at



Buying the capitalist dream with different notes

tables around you are eating much heartier and healthier meals in China than their counterparts in Russia. I may be revealing my Asian bias, but longevity and morbidity statistics should bear me out, sooner or later.

All three emerging markets are caught in a frenzy of consumerism. Luxury car showrooms have sprung up in the cities and big towns. Other luxury goods from jewellery and designer watches to perfumes, fine spirits, and expensive branded garments are on display in luxury hotel arcades as much in St Petersburg and Moscow, or Mumbai and New Delhi, as in Beijing and Shanghai. You will also find them in Gum, the famous department store in Moscow, or similar high-end malls in India and China.

The difference is the profusion of such luxury goods outlets in, say, the 12 largest Chinese cities compared to the 12 largest cities in India or Russia. Not surprising when China has by far the largest population and GDP among the three and is the fastest growing.

But these are not the stores where real people shop. For that, you have to check out lower-end malls and markets. The stores in these markets in Russia or China are quite comparable to, say, our shops in Sarojini Nagar of New Delhi or Dadar in Mumbai. However, there is a difference. The hunger for customers you see in these bustling markets in India is very similar to what you see in China, but it is conspicuously absent in Russia.

This missing eagerness to sell is symptomatic of something deeper. During the early

stages of perestroika, a Member of Gosplan, the Soviet planning body, once told me: "They (the Chinese) have an advantage over us. The entrepreneurial class that existed before their 1949 revolution is still alive. Our entrepreneurs who were alive in 1917 are all gone now." From the smallest shopkeeper to the largest oligarch, Russia of course has its new class of entrepreneurs. But relative to the size of the economy, they are nowhere comparable in scale to the vast army of entrepreneurs who are powering China's rise to global economic dominance. Russia's entrepreneurial deficit is a great disadvantage.

The deficit of entrepreneurial energy in Russia is perhaps matched by the weariness of its people. Working people struggle for their livelihood everywhere. But you can struggle with hope and optimism, or you can struggle in gloom. As I watched people on the streets and in trains and buses, or interacted with them in offices, shops and restaurants, I could not help feeling that it was the latter in Russia. In China it was quite the opposite. India probably should not be compared to either on this score because the freedoms we enjoy are quite different, and along with it all the chaos and cacophony of a noisy democracy. In the long run, is that a major liability or is it our greatest asset? That is the 64 million dollar question.

The writer is emeritus professor at the National Institute of Public Finance and Policy, New Delhi.