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Growth and Productivity in Post Socialist Regimes: An India-Russia comparison

Interest in issues of economic growth and productivity on the basis of cross country comparison remains a significant research agenda. Further, advent of the 1990s saw a dismantling of the inward looking development agenda in both India and Russia through removal of barriers that meant moving from centrally planned regime to market based "growth" as well as global integration of the economies. The period post 1995 saw the Russian economy undergoing several challenges- structural transformation, terms of trade and growth of informal economy including growth stagnation after the global economic slowdown (Voskoboynikov, 2018). For India, long-term trend growth of GDP accelerated after 2001-02 and reached its peak in 2007-08, the gradual reform of 1990s and benign global growth before financial crisis of 2008-09 helped India's march to a higher growth levels. The growth experience of 21st century had two distinct phases- In phase I (2001-02 to 2007-08) India's growth moved in sync with world growth and enjoyed buoyant Global growth impetus. In phase II (2008-09 to 2015-16), India has gone through a cycle where domestic factors influenced more to the cyclical downturn, the cycle has started to revise in last few years (Das et al 2018) . Today, we find that the structure of the Russian economy is geared more towards energy-related industries, especially the mining and oil and gas extraction, whereas services continue to be the leading contributor to observed economic growth post economic reforms in India. These economies alongside China, Brazil (BRIC) are important stakeholders for driving the engine of global growth in the immediate macroeconomic context.

The onset of globalization in the 1990s coincided with the shift in India and Russia from central planning based growth to trade-driven market economies, therefore a comparison between India and Russia after their respective integration with the world economy offers important insights in the context of comparative growth dynamics as the two economies started with closed economy regime where growth was based on socialist model of development. In India, state led development through central planning became the engine of growth. The inward import substitution trade regime in place for four decades was overhauled with removal of trade and industrial barriers as part of reforming the economy in 1991. Russia's model of development based on state ownership of enterprises and central planning was replaced by a capitalist market system- based on private property and a market system of coordination through disintegration of Soviet Union in 1991 and emergence of Russia from a largest constituent republic to an independent state. In addition, Russia (as part of Soviet Union) and India have had long standing ties in trade and economic cooperation during their respective socialist era of development notably the rupee- rouble trading system and today form part of the BRIC group of emerging nations.

The paper examines the sources of economic growth and the role of productivity in accounting for the observed growth. Using the KLEMS dataset compiled for both India and Russia, the paper examines the period of 1995-2015 – 20 years since the advent of reforms and global integration of these economies. The KLEMS productivity dataset offers a new way of analyzing the dynamics of growth including the sources of growth in both Russia and India. The 'Jorgenson et al (1987) growth accounting methodology is used to analyze the sources of growth both at the aggregate economy as well as disaggregated Industry sectors for both Russia and India. Our focus in the paper is on industry level perspective and we hope to trace the sources of growth- both real GDP and LP as well as the industry contribution to the overall growth and LP growth. An industry level perspective allows a better understanding of the growth dynamics especially to understand the drivers of growth in both India and Russia so as to offer possibilities of economic cooperation and trade between the two economies.

The paper will be structured as follows- section 1 will outline the motivation for the study. A review of literature pertaining to inter country growth comparison will be attempted in section2. The Russia and India KLEMS dataset will be outlined and compared in section 3. The sources of growth as well as industry contribution to real GPD growth will be analyzed in section4. AS comparative labor productivity perspective will be examined in section 5. The last section will conclude the study.