

# GORBACHEV, MACRO-ECONOMICS, AND GANDHI

Relevant for: International Relations | Topic: Effect of policies and politics of developed & developing countries on India's interests

'New models of cooperative governance are required to realise the promise of humanity's shared commons' | Photo Credit: AFP

"You see, Sasha, this is how it goes," a tired Mikhail Gorbachev said to his closest aide when he lay down to rest after transferring power to his successor, Boris Yeltsin, in 1991. Gorbachev, who passed away last week, has been hailed for his role in ending the ideological conflict between communism and capitalism, and also bringing down the Iron Curtain and ending the Cold War between the North Atlantic Treaty Organization (NATO) and the Soviet Union.

Sadly, Gorbachev lived to see history return with a vengeance. NATO is expanding eastwards; Russia is threatened: Ukraine is its battleground. On the economic front, Russia has not recovered from the shock it got from Boris Yeltsin's "big bang" capitalisation imposed by U.S. economists. Perversely, an unintended effect of the big bang is the return of authoritarianism under Vladimir Putin. Gorbachev had favoured a slow transition to a "mixed economy" like the Indian model and had approached Rajiv Gandhi for advice. I was a member of a small team of Indian business leaders which had travelled to Moscow and Riga in 1989 to explain the "Indian model" to economists at the Academy of Sciences of the Soviet Union. However, the "Washington economics" model prevailed. Led by a triumphant United States, and economists in U.S. think tanks, the World Bank and the International Monetary Fund, the wave of opening domestic economies to international flows of trade and finance swamped Russia; it also reached India's shores in 1991.

Overall life expectancy is a good measure of the well-being of a nation's citizens. When all citizens are well-nourished, when public health systems function well, and when violence in society is low, an average person lives longer. International comparisons reveal that GDP per capita is an insufficient contributor to longevity. Many countries with substantially lower incomes outperform the U.S. in life expectancy. Cuba is one place above the U.S. in longevity tables even though its income per capita is just 14% of U.S. incomes.

Between the big bang capitalist reforms of the Russian economy in 1991 and 1994, life expectancy fell from 64 to 57 years. Ten million Russian men (6.7% of the Russian population) 'disappeared'. Their deaths were caused by suicides, alcohol poisoning, homicides, and heart attacks brought upon by despair with joblessness and hopelessness, created by wholesale privatisation of the economy and disruption of social safety nets. "Catastrophes of this magnitude typically occur only during pandemics and wars," says George DeMartino, author of *The Tragic Science: How Economists Cause Harm (Even As They Aspire To Do Good)*. Yet, losses of this magnitude had not occurred even in the U.S. Civil War (2.1% of the U.S.'s population), or the flu pandemic of 1918-1920 (2.8% of world population). The Russian deaths were caused by the imposition of an economic ideology that claimed that everyone will be better off with the aid of some mysterious hand when the state is pushed back, the economy is deregulated, and capitalist spirits are let loose.

The 20th century was a violent period in human history: with two gory world wars, many wars for independence from colonialism, and a long Cold War which brought the world to the edge of a nuclear holocaust. Gorbachev helped to bring the world back from the nuclear precipice. The 20th century also witnessed ideological battles among economists: communism, socialism, and capitalism; the role of the state *vis-à-vis* private enterprise; the rights of nations to resist the

“Washington model” and shape their own economic models to fit their needs. While Russia was tragically overrun by global capitalism, China took its own course with remarkable results.

The capitalist model that spread around the world after the fall of the Berlin Wall is founded on two fundamental ideas. One is the ideology of “property rights” trumping human rights. In capitalism, whoever owns something has the right to determine how it will be used; and whosoever owns more shares in a property must have a greater say. Thus, one dollar owned gives one vote in governance, and a million dollars, one million votes. Whereas the democratic principle of “human rights” requires that every human being, black or white, or whether billionaire or pauper, has an equal vote in governance.

The shift in balance from democracy to capitalism in the last 30 years is made vivid by the creation of international tribunals who adjudicate disputes between foreign investors in countries and the governments of those countries. Governments of countries represent the interests of millions, even billions, of people in their countries. On the other side in the dispute are a few investors of capital. Global trade rules, and national financial and trade regulations too, have veered too much towards the needs of financial investors, making it easier for them to enter and exit countries whenever they will, while stopping human migrants from searching for better opportunities across national borders.

Ideologies of elected governments and free markets were the joint victors of the ideological war between the West and the Soviet Union. The two victors are now clashing with each other even in the West. When appliances designed to run on AC power are plugged into sockets providing DC power, there will be blow-outs. Similarly, when institutions of governance designed to run on fundamentally different principles are plugged into each other, something will blow up.

Another core idea of capitalism is Hardin’s “Tragedy of the Commons”. It says that communities cannot manage shared resources; therefore, common property must be privatised for its protection. With the operation of the mechanism of ‘cumulative causation’, wealthy people become more wealthy. When a public resource is privatised, those who already have wealth can buy it; and in bidding wars, those with more wealth will win and become even wealthier. Thus, when capitalism is unleashed, inequalities will increase, as they have in Russia and around the world since the 1990s.

Uncontrollable climate change is an existential “tragedy of the commons” for all life on Earth. Twentieth century capitalism does not have solutions: in fact, it is the problem. The time has come to reform economics. Principles of equity and ethics, and fair sharing of power and resources, must constrain unbridled drives for efficiency and productivity to increase the size of the economy that have become the thrusts of economic policies globally.

New models of cooperative governance are required to realise the promise of humanity’s shared commons. With his concepts of perestroika and glasnost, Gorbachev wanted to save common citizens from being oppressed by powerful people. His successors, ill-advised by economists, handed over the Russian economy to unbridled capitalism. Oppression by the state was replaced by exploitation by capitalists. Ten million Russian men died prematurely. And Russians lost pride in their identity and history. More men are now losing their lives on the battlefield in Ukraine in Putin’s bid to protect Russia and recover Russian pride.

“This is how it goes,” Gorbachev observed when he resigned. India’s policymakers should heed history’s lessons. Concepts of free trade, financial freedom, and privatisation, promoted by macroeconomists, are not good solutions for India’s billion citizens struggling for resilience in their lives. India’s policymakers seem obsessed with increasing the size of the economy. The shape of an economy matters more than its size for human well-being. India’s economic

governance must be guided by Mahatma Gandhi's calculus, with principles of human rights and community management, to realise the promise of our commons, and provide "poorna swaraj" to all citizens.

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