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For Beijing, Business Is an Article of Faith

By Konstantin Sonin

In a column that ran in this space last October, called "Business Attracts the Best and the Brightest," I discussed a study conducted by an international team of economists from the World Bank; the University of California, Berkeley; and the Center for Economic and Financial Research, whose Moscow office was represented by its academic director, Ekaterina Zhuravskaya. The study revealed, among other things, that in Russia entrepreneurs were smarter, harder working and more mobile than their fellow citizens.

This year, the authors of that study released the results of an analogous survey conducted in China. Now we can compare Russian businessmen not just with the average residents of this country but also with their Chinese counterparts. Both the Russian and the Chinese studies covered seven cities, including the capital.

We are accustomed to the fact that when Russia is compared with economically developed countries -- the members of the Group of Seven, for example -- the corruption of the Russian government and the weakness of our institutions for defending property rights invariably come to the fore. It is rather more disconcerting that a comparison with China highlights the very same problems.

At both the local and regional levels, Chinese entrepreneurs encounter fewer problems that have been created by the state than in Russia.

Corruption in state agencies and the courts affects business more severely in Russia than in China. Chinese businessmen are convinced that the courts afford better protection against government excesses.

It comes as no surprise that according to the studies Russian businessmen are more prepared to break the law, and in particular to pay bribes. On the bright side, Russian entrepreneurs have more faith in people, while their Chinese colleagues place greater faith in the state.

The number of entrepreneurs per capita in China is 50 percent higher than in Russia, and it's well known that entrepreneurial activity is one of the main drivers of economic growth. In Russia, the difference between the personal traits of entrepreneurs and those of people not involved in business is less marked than in China. This difference comes out in specific individual traits as well, such as entrepreneurs' attitude toward risk and their estimate of the difficulties of doing business.

The studies show that although Russian businessmen encounter more serious problems than the Chinese, people in China who are not involved in business consider it more complex and dangerous than do their Russian counterparts. Although comparing the mindset and work habits of people in different countries is no simple task, we can say that Russians on the whole are more mobile than the Chinese both professionally and geographically.

Next year, the authors will release the results of a similar study in India, followed by studies of Nigeria and Brazil. By the end, the survey will have encompassed nearly half of the earth's population.

If it emerges that Russian entrepreneurs are less inclined to trust the regional authorities than the Indians, or that they accept risk more readily than the Brazilians, the results will be discouraging but not damning.

But if we learn that businessmen in this country regard the courts as more corrupt than the Nigerians do theirs, we will have serious cause for concern.

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