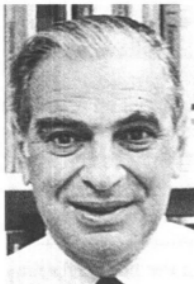


Were these Nobel laureates gagged?



■ Kenneth Arrow



■ Lawrence Klein



■ Robert Solow

RUSSIA'S economists have had a taste of how economics as a social science can fall foul of high politics in the West.

The story started with the publication in Moscow of *Reforms as seen by American and Russian Scientists* (1996). The editor was an elder statesman of the Academy of Sciences, Prof. Oleg Bogomolov. The book critically examined the early Yeltsin years and signposted some new directions for an experiment that was going painfully wrong.

The book was a hit with the governors of Russia's regions. They decided to foster public debate by launching the book in the Council of the Federation (parliament's upper house). They wanted as their guests the eminent contributors from America, including the winners of Nobel prizes whose expertise could help to formulate new policies.

The professor designated to invite the US authors was Alexandr D. Nekipelov, co-ordinator of the Russian side of the Economic Transition Group. He told *Land & Liberty*: "I contacted the most eminent members of the group, James Tobin, Kenneth Arrow, Robert Solow and Lawrence Klein.

"I explained to them the possibility of the meeting and that they were invited to come to Moscow. They all answered positively. We fixed the approximate date in March or April 1997 and we collected funds. An excellent programme was compiled.

"Then, suddenly, when everything was nearly ready, we began to receive messages from our American counterparts that the situation had changed and they couldn't participate.

Some mentioned they had obligations in universities. But then we received information, which I checked out, that when the book was issued in 1996 we published a declaration by all the authors in a newspaper which the President's team was not happy about. Some publications treated this declaration as support for the Communists, though it was not, of course".

Professor Nekipelov was informed that Boris Yeltsin's privatisation supremo, Anatoly Chubais, contacted Lawrence Summers, the US Government's Deputy Treasury Secretary with special responsibility for economic relations with Russia. He is Kenneth Arrow's son-in-law. "Mr. Summers called his father-in-law to say it was not a good thing to participate in this event. The reaction from Kenneth Arrow was strong, that he would participate, but then they were somehow told they should not. So they had to obey, as we understood it. They are not happy to admit this. They said they were called, but they declined to come to Moscow for other reasons," recalled Professor Nekipelov.

He was able to confront Dr. Klein and Dr. Tobin at a conference in Boston in December 1997. "They felt uneasy about what happened and tried to convince me that this was just a coincidence. They didn't deny that they were called and asked not to come, but they tried to convince me that this was not the only reason.

"It is interesting that we had an agreement to pay all their expenses, but they all later found reasons to cancel.

"Tobin had originally said he would like to come if his wife was also invited, because he was not a young man. We resolved this problem. And then he said it was too difficult for him to travel."

The pull-out of the Nobel laureates ruined the launch of the book and damaged the Russian economists' reputation with their sponsors in Moscow.

Chubais was relieved. The US economists did not turn up to lend their authoritative support for the dissenting Russian economists, which would have embarrassed President Yeltsin. The Kremlin team continued to control the terms of the economic debate, which favoured a monetarist strategy. That policy was bankrupting the government, enriching the Mafia and resulted in the debt default in August 1998.

▲ Chubais was the key player during the wild years of asset privatisation. Among those with whom he worked was financier George Soros, who wrote about his association with Chubais in his new book. Soros was part of a consortium bidding to buy a state enterprise. One of Moscow's financial "oligarchs", Boris Berezovsky, felt he had sweetened his way to the purchase of the enterprise at a knock-down price. Soros won. In his anger, Berezovsky threatened to spill the beans about his deals with the Kremlin. This "vicious quarrel damaged Chubais, who had acted as campaign manager for Yeltsin and had received illegal payments from the oligarchs, which were now disclosed", Soros reports.

most important contributions was to identify the net income-increasing impact of government expenditures and revenues, and how to assess the role of balanced budgets in economic development. He originally outlined this theme to the AEA in 1936. The strategy was governed by two golden principles:

1. Government must focus spending programmes on projects that increased people's private incomes.
2. Government must employ methods of raising public revenue which did not decrease people's incomes.

These twin disciplines, properly applied, would liberate the private economy by achieving two results:

□ maximising the public contribution to the

private creation of wealth, and □ minimising or neutralising the damage inflicted by taxes. The second rule would also prevent the collateral damage caused by the privatisation of rent.

Currie, in other words, wanted to take economics back to its classical roots; but to put the policies into action, he had to go into exile in Colombia (*story: p.6*).

ECONOMICS as conceived by the classical theorists was elegant to the scientist and accessible to laymen. But it suffered from one defect: it challenged the basis of private power - land monopoly - which was intertwined with public power.

By explaining that the market economy worked most efficiently if public finance was drawn from the publicly-created rents of land and natural resources, the classical economists were throwing down the gauntlet to the class that enjoyed the privileges of a leisured life.

This put economics as a social science at odds with the centres of political power. One, or the other, had to admit defeat. Economics lost. Examples of how this defeat manifest themselves in the world every day are not difficult to find: one example is the way in which the US government saw fit to interfere with the advice