

ECAAR Chair James Galbraith Visits Russia

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ECAAR's national Chair James Galbraith visited Moscow June 7-8 for a two-day seminar on problems of the Russian economy, which was held at the Russian Academy of Sciences.

Participants included ECAAR-Russia's Co- Chair Stanislav Menshikov, Academicians Dimitry Lvov, Oleg Bogomolov, and Aleksandr Nekipelov, all of whom are members of the Board of ECAARRussia, as well as other members of the Academy of Sciences. Academician Lvov, who is ECAARRussia's other co-chair, hosted the meeting.

On the first day, five Russian colleagues presented papers covering various aspects of the Russian economic crisis, including its domestic, international, political and security dimensions. On the second day, Galbraith gave a lecture on inequality and unemployment to a large audience from the Academy and other Russian academic institutions.

The tone of the Russian presentations was bleak. Russia faces a deep and prolonged economic crisis, under conditions where neither the will nor the means to achieve recovery presently exist. The legacy of communism has now been compounded by that of failed "market reforms," which created private monopolies in the resources sectors, and caused a vast upward redistribution of wealth, asset-stripping of manufacturing industries, and the pauperization of much of the population.

At the same time, the country continues to face a heavy burden of past debts, obstacles to the marketing of many of its major products (most notably steel) in Western markets, and pressure from the international funding agencies to raise taxes on the population — presently under debate in the Duma — and to maintain open channels for foreign exchange and trade, which also permit capital flight.

There was, indeed, modest progress following the crisis of August, 1998 under the government of Yevgeny Primakov: There was a reduction in arrears of salaries and pensions, imports declined sharply following the devaluation of the ruble, and industrial production recovered modestly in the import-competing non-durables sectors. But that government has now been replaced, and while the new government of Sergei Stepashin is not yet departing significantly from Primakov's policies, Russia still requires a sustained period of institutional rebuilding, including in the financial, industrial and the natural resources sectors. There seems little prospect of this for the time being.

The security concerns that are ECAAR's principal considerations can only be addressed effectively in the context of sustained progress toward economic reconstruction and conversion. Failing this, grave dangers remain over the medium and long term of violent developments within Russia and of negative global relationships.

The war in Kosovo, combined with NATO expansion and the failed role of the West in Russian economic transition — itself widely perceived in Moscow as a betrayal — make for a climate of distrust and hostility toward the United States in particular at the present time. This was reflected strongly in the meetings.

There was strong agreement that both Russians and Westerners need to understand the Russian crisis in a new, realistic and urgent light. Toward this end, the Russian participants agreed to collaborate with economists from ECAAR-US on a new effort to conceptualize Russian economic development from this point forward. This may

take the form of a book or monograph to be drafted over the course of this year. Further meetings in Moscow and the United States are anticipated.

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