

Russia: Policies to Stabilize the Economy, Stimulate Growth

[Back to Previous Page](#)

At least 250 people attended the January AEA/ECAAR Panel on Russia to hear specialist presentations on the current state of economic and political issues.

Panel participants included Wellesley and Harvard Professor Marshall Goldman, World Bank Executive David Ellerman, and Alexander Nekipelov, director of the Institute for International Economic and Political Studies at the Russian Academy of Sciences. Convened and chaired by ECAAR Vice Chair Michael D. Intriligator, with commentary by ECAAR Trustee Douglass North, this event was widely considered one of the most important sessions of the Boston meetings.

“The challenge now is to reverse the policies of the past and revitalize those who, earlier, had attempted to start up businesses,” stated Goldman. “If markets in Russia are to operate in a meaningful way, an effort must be made not only to make it easier for potential entrepreneurs to exercise their talents, but something should be done to actively facilitate, even stimulate their efforts.” Past abuses must be redressed, and crime, unfair business intimidation, and corruption curbed, he added.

The paper by Joseph Stiglitz and David Ellerman stressed both the importance of curtailing corruption and the need to have more firms competing in order to build a culture of innovation and growth. It also discussed the value of simple business dealings between Russian firms and western firms, for example to make a product sold in Russia under contract to a western firm learning from its specialized experience.

Stiglitz and Ellerman emphasized restructuring that does not require new physical or financial resources—just new initiatives and new mind-sets. In a section of the paper on how to do spinoffs, they mention the lease-buyout reforms of the Gorbachev era and suggest that it is best to start with middle managers and their production personnel to preserve organizational capital and wellfunctioning teams.

A major focus of the Stiglitz, Ellerman paper covers practical action that can be taken to build public-private networkships to develop small and medium sized enterprises and the legal and social infrastructure to support and encourage growth. The paper also identifies four “macro-strategies” or bridges to growth. These concern: avoiding such tight monetary policies that people switch to barter, careful reprivatization, enterprise and job creation, and re-establishing a social contract and social capital. The focus is on facilitating employee-owned enterprises, rejuvenated unions, new cooperatives, and people-based “third sector” associations of civil society.

The third paper was by Alexander Nekipelov, and was the basis for his article in the December 1999 ECAAR Newsletter. The paper opens with the statement, “From the very beginning Russian reformers did their best to ensure the consistency of their economic policies with the so-called Washington Consensus prescriptions.” The paper ends by noting Russia’s current needs, to end market distortions, deal with domestic and foreign debt, and meet the democratically determined preferences of society.

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