

By Sophia Kornienko

STAFF WRITER

There were few empty seats Monday at a conference of the world's most influential economists. The economists were brought to St. Petersburg by presidential economic adviser Andrei Illarionov after their meeting with Vladimir Putin at his Novo-Ogaryovo residence late Friday night. St. Petersburg's academics listened quietly, asked few questions and left quickly after the event closed.

The conference, called "A Liberal Agenda for the New Century: A Global Perspective," organized by the Cato Institute in Washington and Illarionov's Institute of Economic Analysis, was meant to deliver the notion of liberalism — "not a popular one in Russia" — in person, conveyed by "the world's great analysts and practitioners," said co-organizer, Leontief Centre director Irina Karelina. "We had a very impressive start," president of Cato Institute Edward Crane said of the conference's first two days, held in Moscow on April 8-9.

Nobel Prize winning economist Milton Friedman addressed the St. Petersburg audience in the same video recording that had been played in Moscow last week, once again making his point that the newly changing countries are committing a mistake by looking at the industrial leaders of today. "The proper model to look at is not the United States or the Great Britain of today, but of 200 years ago, when government played a smaller role [in those economies]," the recording said.

The greatest stumbling block impeding economic liberalization in Russia is rent seeking, said Sergei Vasilyev, Federation Council financial markets and monetary circulation committee chairman. Entrenched rent seekers are feeding off of the rest of the society, increasing their influence as time passes. In Russia, there is not only bureaucratic rent seeking but



The audience in the Grand Hotel Europe: rather passive in response to the enthusiasm of the plans announced by the experts.

also natural resources rent seeking, he said. Besides, Vasilyev added, the problems of underdeveloped local self-government cannot be separated from liberalism. Local authorities share 2 percent of the city budget, Vasilyev said.

Illarionov opened the St. Petersburg conference by assuring the audience that "the Russian economy is generally experiencing something different than the Soviet economy." It has been said that "liberalism is allegedly going through a crisis in Russia," Illarionov continued. The best way to check if this is true is to see whether

liberal recommendations are being fulfilled in real life, he said. When asked by Irina Yeliseyeva of the St. Petersburg State Academy of Economics and Finance whether Russia would see fair statistics to monitor the liberal economy, Illarionov said that a decision will be taken soon to make Russian statistical surveys more independent. Now, that statistics fall in the jurisdiction of the Ministry of Economic Development, Yeliseyeva noted, we get the feeling that it merely reports figures that reflect the goals set. If a growth rate of 10 percent is set, 10 percent is reported, and so on, she said.

Independence and credibility should not only be extended to Russia's statistics, but also the Central Bank and the judiciary system, said Ruth Richardson, New Zealand's former minister of finance, who was tough on fighting inflation and bureaucracy and succeeded in dragging New Zealand out of a crisis.

According to the author of "the Chilean miracle," Jose Pinera, people do not want to hear quotes from great economists. Instead, Pinera said, "you should get their attention by touching the nerve that feels strong." Putin and his team were good at attaining power,

but they have not thought much about what to do with it, Pinera said.

"I would shout out 'Alleluia!' if there was a president or a king who would be ready to take his people directly to a society with both prosperity and free courts and free press," Pinera said in an interview, "but I haven't met such a leader yet."

Things happen subtly in life, he said, and if there is extensive growth in the national economy and more and more people join the middle class, they will bring up the topic of free courts and press with more determination. It is through prosperity that you can eventually bring people to the heaven of freedom, even under "imperfect rule of law," Pinera said.

"You can do it under Putin, I have done it under Pinochet," Pinera said.

Pinera used to appear on Chilean television every night in the 1980s to bring the message of his breakthrough pension reform to every household. People had 10 percent of their incomes saved in private funds instead of cutting them as a payroll tax. The reform boosted per capita GDP.

It is purely a matter of costs and benefits, said Arnold Harberger of the University of California. Harberger has taught many of the world's renowned economists. Otherwise, he said, monopolies exploit consumers, and only a narrow group of people who bear little cost in each project get benefits. Such projects should be banned, Harberger said. The question is, whether somebody at a high level wants to do it more often than once every four years, he added.

While the prominent lecturers provoked debate and laughter among their enthusiastic western listeners, local economists sat still, listening to the interpreter in their headphones.

Russia is a speeding troika, Pinera quoted Gogol's famous saying. Only the country's 146 million residents can decide where the troika will go.

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