

## The London Trainees in The Gaidar Government

### Lord Harris of High Cross

*The late Ralph Harris (Lord Harris of High Cross, 1924-2006), director of the Institute for Economic Affairs (IEA) in London, and two of his associates on the Russia project, spoke with a freelance journalist, who made the interviews available to EIR, in the Spring of 1996.*

**Q:** You had some input into the reforms in Russia.

**Harris:** We got to know [Yegor] Gaidar and some of his friends. We've had them over here, we introduced them to [Prime Minister Margaret] Thatcher, and this kind of thing.

**Q:** You are chairman of the International Center for Research into Economic Transformation (ICRET), in Moscow.

**Harris:** It is a mixed situation. There are some very, very good bits, but it is all in the balance, with the [1996 Presidential] election coming along, and whether Yeltsin will stay; and some of our men, like Gaidar, have been sacked. The chaps that we really wanted in charge, in the early days, have had to be dropped because of sort of communist-leftist pressure.

**Q:** You did have Gaidar over to London to talk?

**Harris:** Yes.

**Q:** Is the ICRET still functioning?

**Harris:** It functions, in a manner of speaking. . . . It is all very much personal jockeying in Russia, as I understand it. It's not a clear course, like Thatcher had, with a substantial capability of seeing the thing through, so that—you need a degree of certainty, if you are going to set up enterprises and invest a lot of money from outside. I mean, you need to have more assurance of property rights and security of investment, than you probably have in Russia at the moment.

**Q:** Could you tell me a bit about the impact of your ideas in Russia? How did these ideas take hold

over there?

**Harris:** I have met people in Russia. I used to be able to rattle off their names, names like [Konstantin] Kagalovsky and [Sergei] Vasilyev, and I have met chaps who are as lively-minded, and open-minded and as liberal-minded, as the people who make up the IEA in London and elsewhere. I have met chaps there who know about [Friedrich von] Hayek. I didn't have to tell them. They have read Hayek and [Milton] Friedman and others, and are very, very bright.

**Q:** Where did they get the ideas? Mrs. Thatcher met Gorbachov just before he came to power, and said, "Here is a man I can do business with!" Did the IEA's ideas have an impact over there?

**Harris:** The control over publication was very strong, so the people I met had read [Hayek's] *The Road to Serfdom*, but underground, in much-photo-copied, tattered versions. There was no major stream of publications coming into the country. It is quite extraordinary, but, I just believe that what kiboshed the whole communist thing, really, in the end, it was Star Wars. I do think they really saw that they could not get this centralized, planned operation to face up to the Americans. I bet you that is what will emerge from all the history that will unfold.

### Dr. Ljubo Sirc

*Dr. Ljubo Sirc, Commander of the British Empire, born 1920 in Slovenia, is still honorary head of the Centre for Research into Communist Economies (CRCE, today the Centre for Research into Post-Communist Economies), which was initiated on the base of the IEA in 1983—the year President Ronald Reagan adopted Lyndon LaRouche's war-avoidance conception as the U.S. Strategic Defense Initiative. Lord Harris sat on the CRCE board*

**Q:** How did you happen to run into Vladimir Mau, originally?

**Sirc:** That is a long story. This is the story of our Centre. You see, our Centre [the CRCE] was organized in 1983. With the help of people at the IEA, we started this Centre.

Then we started going to Eastern Europe. For me, that was still impossible, because I was involved in Yugoslav politics and was afraid they would arrest me if I showed up there. But, in 1988, I was, for the first time, invited to Hungary, precisely because they read some of my writings criticizing the Soviet system, and said they wanted me at their conference for that reason. So I went, and gave a critical paper, upon which a young man came to talk to me, and it was **Anatoli Chubais**. So, within a year, I became acquainted with practically all the reformers in the Soviet Union. Gaidar, Chubais, all of them. And this contact still lasts, of course.

[The ideas of von Hayek] are the initial link, because the East Europeans are all very enthusiastic about Hayek, and I personally got involved in this IEA in London, which is one of the think-tanks sponsored by Hayek, which was linked with the Mont Pelerin Society.

**Q:** What impact did your Centre have on the reforms in Eastern Europe?

**Sirc:** We all decided that it was necessary to act as quickly as possible. The first one was [future Polish Minister of Finance Leszek] Balcerowicz. With Balcerowicz, I had long discussions.

With the Russians, we had long, lots of meetings and conferences. At some stage, we all met in 1992. *But they were already in power at that moment.* We had two sessions in Indianapolis, under the sponsorship of the Liberty Fund, with two different American teams: one on international trade, and one on the actual mechanism of reforms. So, we had constant discussions.

**Q:** You said you got started in 1983; the reforms didn't really come along until later.

**Sirc:** The reforms really started in 1989. Initially, the contacts were with what were then called "dissi-



EIRNS/Stuart Lewis

*Then and now: Yegor Gaidar, as acting prime minister in the first Yeltsin Cabinet, implemented the "shock" decontrol of prices, beginning the looting of Russia. Here he is shown at left in the early 1990s, and at right more recently, prior to his death last year.*



cents," who, it so happens, all became important persons in their own countries. Balcerowicz became the minister of finance. The Russians have all been ministers and prime ministers and deputy prime ministers, or have been linked with them, so that made life quite interesting. We had all this contact before they took over. These contacts go back, well, with Balcerowicz I had contact in 1985. With the Russians, they came a bit later.

The contact with the Russians was established by going to a meeting in Hungary where they all were. I have to say that this group of Russian reformers was quite well organized. Perhaps "organized," is too much, but they were a group of associates who, even in the mid-1980s, were all very young, between 30 and 40. In the mid-1980s, they sensed that something was going to happen, and wanted to be ready for this.

But, of course, you have very strange people involved. For instance, Gaidar, when I met him, was the economics editor of the Communist Party newspaper.

**Q:** Where did their ideas come from?

**Sirc:** I was taken aback by a) their knowledge of English, and b) their knowledge of, let's call it, Western economics. I had a discussion with **Boris Fyodorov**, who was [later] the Minister of Finance. He was my guest in Glasgow. That must have been in 1986. And I congratulated him on his English. They all studied English on their own. And he said, "If you think I learned economics at the university, you are very wrong again. I had to find the books to inform myself."

**Q:** How did this group come together, in Moscow?

**Sirc:** They seem to have known each other. And the circle then widened. There were two centers, really: One was in Moscow, and one was in St. Petersburg. Chubais is from St. Petersburg. When they established contact among themselves, they deliber-

ately sent Chubais to spend a year in Hungary, because they wanted to know what the Hungarians were doing. *It was all semi-planned, in a way.*

### **Vladimir Mau**

*In 1996, Vladimir Mau was deputy director of Gaidar's Institute for the Economy in Transition. Today, he heads the Russian government's Academy of National Economy.*

**Q:** Who were the economic thinkers you looked to? Was von Hayek important?

**Mau:** We are too pragmatic [for that]. For me, Hayek is a very respected, but very ideological economist. That is not an economic technique, but it is economic ideology. So, no one believes this, but I do know, for example, that for Gaidar the most important things were Adam Smith and [John Maynard] Keynes. Nobody believes that—Keynes, because our communists, who never read Keynes, believed that Keynes was a communist.

In terms of the philosophy of economy, it is, of course, Adam Smith. I understood not long ago, that all people, especially economists and politicians, are divided into two parts. Those who are seeking a conspiracy in everything—it could be a negative conspiracy like a Zionist plot, or positive—maybe [the State Planning Commission] Gosplan. But the world is under guardians, under management of some kind. And then there are those who believe that if something happens, it happens not because of, but in spite of these attempts to regulate something. I call it the Smithian philosophical tradition. It is very important. If you scrutinize all the political debates in Russia now, it is just based on this. Almost nobody comprehends it, but that is the case.

**Q:** Did the CRCE have input into the Russian reformers like yourself?

**Mau:** Definitely. And they formed a very good organizational structure. Frankly, Ljubo Sirc was among the first persons from the West who met with Gaidar, Chubais, etc. In 1986. They were among the first who started to work with younger people, people who were at that time in their late twenties, early thirties. And they launched this collaboration. In 1986, Gaidar was 30. I was 25. I was not at the first meetings.

**Q:** This was an exchange of ideas, back and forth,

on Adam Smith?

**Mau:** An exchange of ideas, not restricted with censorship. They met in Budapest, and in Western Europe, mostly in Britain, and in advanced Eastern and Central European countries, and in St. Petersburg. There were seminars with an exchange of ideas. The greater part of our government of 1992, met at these seminars.

**Q:** So, these seminars were quite important...

**Mau:** All of them, all of us knew each other. And it was a structure where these people had a good chance to meet and discuss, even with each other, not only foreign colleagues, though that was also very important. I think that Ljubo was doing very important—sometimes I think he didn't even understand what he was doing. It was impossible to understand at that time.

**Q:** So, you and your group had the ideas; how did you come to power?

**Mau:** That was mostly Gaidar. A new generation was coming, and Gaidar turned out to be in the proper place at the important moment.

And since our institute contributed the most to the government, when it was formed in November 1991—a good part of the government was from the institute—the institute was almost exhausted when the government was formed.

**Q:** Your institute almost collapsed, because everybody went into the government?

**Mau:** Absolutely. Gaidar was, as Deputy Prime Minister; [Andrei] Nechayev, Minister of Economics; [Vladimir] Mashchits, Minister of CIS Relations; Aven, Minister of International Economic Affairs; myself, Assistant to the Prime Minister on Economic Policy; [Leonid] Grigoryev, who is now at the World Bank, head of the Committee on Foreign Investment; Vasilyev, Sergei—head of the Center for Economic Reform under the government.

**Q:** How did your institute get started, originally?

**Mau:** Ideologically, that is really interesting. Because [Academician Abel] Aganbegyan, who was a prominent economist, is a good businessman. He decided to set up an institute for economic policy, and invited Gaidar to head it. And Gaidar called on his friends, people whom he had published in *Kommunist*.