

# Q&A: Economic Expert Mau Thrives in Crises

By [Alexander Winning](#)

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Mau measures governments on their ability to match ends and means.

Nestled between stacks of books and a pair of elaborate paperweights, something stands out on Vladimir Mau's desk: a set of old-fashioned, rotary telephones.

The government telephones, a holdover from the Soviet past, pay tribute to Mau's standing as an economist and serve as a reminder that his opinions still carry weight with the country's leadership.

Even though two decades have passed since he first rose to prominence as an economic adviser to then-Prime Minister Yegor Gaidar in 1992, Mau, 52, remains no more than a phone call away from many of the country's most senior officials.

Vladimir Mau

## **Education**

1977-81 — Moscow Plekhanov Institute of National Economy

1986 — Institute of Economics of the Academy of Sciences of the USSR, Ph.D.

1993 — Institute of National Economy, Doctorate

1996 — Institute of National Economy, Professorship

1999 — Université Pierre Mendès, Grenoble, France, Ph.D.

## **Work Experience**

1981-91 — Institute of Economics of the Academy of Sciences of the USSR, research fellow

1998-92 — Moscow State University, lecturer

1992-94 — Adviser to the prime minister, then deputy prime minister

1993-97 — Institute of Economy in Transition, deputy director

1993-99 — Higher School of Economics, lecturer

1997-2002 — Working Center for Economic Reforms of the Russian Government, head

2002-10 — Russian Academy of National Economy of the Government of Russian Federation, rector

2010-Present — Russian Academy of National Economy and Public Administration, rector

## **Current Government Positions**

Member of government commissions on administrative reform, economic development and integration, and preparing managerial staff.

Member of Presidential Economic Council.

Member of Russian Council on International Affairs.

## **Other Positions**

Gazprom, board of directors; Sberbank,

supervisory board; Skolkovo School of Management, deputy chairman of the international advisory board

Best known as an architect of the market-oriented "shock therapy" reforms that liberalized Russia's economy in the early 1990s, Mau is a controversial figure, heralded by some as a visionary reformer and heckled by others for bringing intense hardship on ordinary citizens.

The controversy over Mau's hand in the country's market reforms was in the spotlight as recently as 2008, when he made an unsuccessful bid to become a corresponding member of the Russian Academy of Sciences.

When his candidacy was put before the gathering of academicians, some spoke disapprovingly of Mau's backing of shock therapy and the Yeltsin government's rush to privatize key state assets. Others accused Mau of taking part in "dubious talk shows," according to Kommersant.

But despite the academy's ambivalent reception, Mau has long been respected in government circles. Since advising Gaidar for his brief stint in government, Mau has been invited to join at least five expert commissions that report directly to the president or government.

Mau now combines advising government figures with heading the Russian Academy of National Economy and Public Administration, or RANEPA, a leading management university based in Moscow. He also does consulting work for major state corporations on strategy and company management.

In 2011, when he joined the board of Gazprom, Mau jointly oversaw the government-sponsored Strategy 2020 project to devise a blueprint for solving the country's most pressing socio-economic problems.

The secret to juggling all these responsibilities, Mau said, is choosing to spend your time in the most interesting way possible, accepting only those challenges in which you can become totally absorbed.

Mild-mannered and reflective, Mau comes across as the quintessential academic, more than happy to share his wisdom yet determined to get his message across. He describes himself as one of the last true Marxists left in Russia.

In an interview at his RANEPA office, Mau spoke to The Moscow Times about shock therapy and the failings of the Soviet economic model, innovation and brain drain, and the authorities' drive to improve the country's much-maligned business climate.

This interview has been edited for length and clarity.

**Q: When did you first realize that it was necessary to radically overhaul the central-planning system that governed the Soviet economy?**

A: I realized this rather late compared with Yegor Gaidar, who I believe already understood this when he was a student. I understood this as the crisis of the Soviet system unfolded. The crisis started off gradually, but it developed into a complete revolution comparable to the

Bolshevik or French revolutions.

Gorbachev's perestroika was an attempt to implement the most progressive and market-oriented ideas and policies feasible under the Soviet system. And at the beginning of these reforms, almost everyone, perhaps with the exception of Gaidar, thought that these reforms would work.

But in carrying out these reforms, it became clear that this was not a viable model. The model was based on the principles of the economic reforms of 1965 and the New Economic Policy of the 1920s. It was reasonable in theory. But its practical implementation turned out to be inconsistent.

**Q: What were the fundamental elements of the Soviet economic model that inherently clashed with the "shock therapy" reforms?**

A: The problem we faced was that as soon as you stimulate economic growth through market mechanisms, it brings disequilibrium.

When you liberalize the economy in a country where the state owns the dominant share of national assets, the system loses balance because the stimuli for consumption prevail over the stimuli for investment.

The ultimate taboo, which Soviet economists were not willing to broach, was a retreat from state property ownership. The entire doctrine for the model of economic stimuli under socialism was built on the notion that the government owned all assets.

It was even possible to agree on a certain amount of price and wage liberalization, but with state ownership of property remaining intact. There was a rather broadly shared opinion, which I shared in my youth, that property ownership was only of secondary importance.

In fact, the major failing of the Soviet economy was that there were no actors with long-term interests. If you think about the Soviet economy in its classical market form — not in the form under Stalin — then you realize that everyone was interested in their salaries and not in their savings. That was a dead end.

**Q: Did you at any stage second-guess the reforms you and Gaidar oversaw?**

A: Well, we felt very positive. We knew what we were doing. Of course, there were doubts. But in general, practice confirmed that we were right.

1992 was the last point at which you could really argue that the Russian economy behaved differently from other market economies, which was a rather popular point of view up until that point.

If you liberalize prices, then goods appear. If you speed up the emission of money, then inflation picks up. If you increase the budgetary deficit, then inflation also picks up.

The next stage of reforms showed that Russia suffered from a range of difficulties but that they were not specific to the Soviet system. First there were the specifics of a rentier economy. Then we came across a problem faced by northern industrial economies, where a great deal

of the production is located in places where it is impossible to deliver fuel and goods year-round.

But on the whole, it was an excellent time for experts. Well, it was awful. There is a saying that "a crisis is a very bad time for ordinary people but a very good time for economists."

**Q: And in the years since your reforms, was this momentum of change kept up, or has Russia's development stalled?**

A: It's complicated because the '90s was a period of revolution, a period of systemic transformation without the state. In fact, there was no state during the '90s. The strength of a government is not determined by how many people it can kill or put in jail. It is about its ability to match ends and means.

The problem with the reforms of the last decade is that the farther you move forward, the more complicated the reforms become. Reforms now mainly concern the welfare state and political institutions, and it is much more difficult to pursue these reforms than to pursue macroeconomic stabilization, for which you need almost no institutions, just a committed government and an independent Central Bank. The reforms now are much more complex intellectually and politically.

On the economic front, we have progressed far since the '90s. We have a reasonably well-developed tax system, and our budget regulation is quite good. I would say our bankruptcy legislation and anti-monopoly legislation are not good, but on the whole the problems remain in the political area.

**Q: How wholeheartedly do you think the current government is committed to privatization?**

A: I wouldn't overestimate the role of privatization now because in the current situation, when you have political and macroeconomic stability, you do not have a strong need to privatize as quickly as possible. In the '90s, it was necessary to privatize to get political support, to privatize to form the interest group in support of the government and macroeconomic stabilization.

Nowadays, privatization should play either a fiscal or an economic role. You have to either sell stakes in state companies at a high cost or bring in a strategic investor. And when you have a global crisis, where will you find people to invest in your companies?

**Q: How do you assess Rosneft's recent deal to acquire 100 percent of TNK-BP?**

A: Well, it all depends on the next stage. If the next stage is the privatization of Rosneft, then the deal was simply commercial. If the next stage is the concentration of Rosneft's stock in the hands of the government, then it's a political issue.

**Q: Government officials have regularly touted Moscow as an international financial center. Which three issues would you tackle first as a means of rapidly improving Russia's business environment?**

A: I would address institutional reform and the development of human capital, particularly with respect to the pension system and health care. Not only because of the social dimension

of these areas but also because of their financial dimension. Investment in pension reform and health care is a great source of long-term investment.

Without political institutions, the whole idea of Moscow becoming an international financial center is senseless. When I say political institutions, I have in mind transparency, predictability and stability. This is what Singapore achieved, and that is what allowed it to develop into an international financial center.

Vladimir Putin and Dmitry Medvedev mention the business climate more as a benchmark. The World Bank's Doing Business ranking, for instance, provides a very clear goal, and to reach that goal you have to follow a road map with improvements in a definite number of institutions.

In fact, I would even say that Moscow already is an international financial center, just a small one. International capital is dominant in the Russian market, but the market is fragile and very volatile. Of course, an international market should be big and stable, and it should fluctuate only by about 1 percentage point, not by dozens of percentage points.

**Q: Despite the fact that the government and private companies have promised roughly \$4 billion to back the Skolkovo project, do you think its aims are realistic given the lack of predictability in the country?**

A: Skolkovo is a framework because Russia was never an innovative country. It's a myth to say that there was innovation in the Soviet Union. There were elements of replicating what there was in the West, there was some innovation in the military, but it was not a naturally innovative economy. In any case, I don't know many economies in the world that are naturally innovative.

Of course, the main obstacle to innovation is money. When you have so much money, it's senseless to innovate. That is why the government is trying to push for innovation. I'm not sure it can fully work, but at least the government is trying. We live in a world where you can get by perfectly well without innovation, and this is the problem. Resource-rich countries do not provide demand for innovation, and I don't believe in supply without demand.

**Q: Does Russia have top-quality universities, and does the country still suffer from brain drain?**

A: Your question is related to the most important long-term structural problem for Russia. The problem is not that scientists or academics are leaving the country. The problem is that it's easier for people from the middle classes to leave Russia than to stay and improve the country. As I often say, "изменить стране дешевле, чем изменить страну" (it's cheaper to betray your country than to transform your country).

Twenty-five years ago, if someone wanted to live under better conditions, he or she had to fight to improve the country. Now it's much easier to leave it. This is the most dangerous thing because human capital and welfare-state institutions are crucial in post-industrial development. When the demand for education and health is overseas, you will never have good universities or clinics here.

The problem is that scientists, businessmen and the middle classes go to other universities and clinics. There is no demand for high-quality education and medical services. This is the key challenge.

**Q: And how does RANEPA fit into what you have just said about the demand for education in Russia?**

A: Our main purpose is to shift from importing education to exporting education. In the '90s, it was very popular to offer joint programs leading to degrees from foreign universities, but now we are trying to develop programs in English that lead to Russian degrees.

We are interested in international students, not only because we are interested in the money — they don't bring much and Russians bring far more — but because it's a question of quality. We want to demonstrate that we have professors and students of international standing. We compete in the international market, and that is the only way to improve standards.

**Q: To what extent are your recommendations taken into account by the president and other senior officials when new laws and state projects are being formulated?**

A: Of course, they listen. But in regard to the practical implementation of these recommendations, I believe that the skills and responsibilities of a policymaker and an expert are different. An expert must say honestly what he or she thinks about government policy, and what he or she recommends. But politicians are accountable to the people and have an even higher responsibility. They have to make decisions for which they are responsible politically.

**Q: Do you have any role models who have influenced you or historical events that have inspired you?**

A: There are several people who influenced me. From my generation, I would say Yegor Gaidar. We worked together for many years, and his intellectual strength and courage were very important in showing me how things needed to be done.

Methodologically, after the death of Gaidar, I am perhaps the only Marxist in the country because, in fact, our left-wing parties and Communists know nothing about Marxism. As Lenin wrote about Bukharin, they never understood dialectics; they have no knowledge of history.

Marxism is not about violence, nor about primitive microeconomics. Marxism is an outstanding theory of history that reflects the spirit of history and allows us to understand trends of long-term development. It's not surprising that Gaidar's best book was called "The Long View." In this book, he deals with the logic behind the development of societies.

I was also strongly influenced by the economic debate of the 1920s. It was the most interesting period in Russian economic history, with macroeconomic issues, revolutionary issues, stabilization issues, structural reform, modernization, monetary reform. This was all concentrated in the policy debate between 1922 and 1928.

**Q: How do you manage to juggle all your different responsibilities?**

A: Actually, it's quite simple: I try to do only what I find interesting.

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