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The Global Economic Crisis

**Second Gorbachev Conference
October 23-25, 1998**

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The Global Economic Crisis Second Gorbachev Conference

Founded in Russia in 1991 but sabotaged since its inception by President Yeltsin, the Gorbachev Foundation was revived in the United States as the Gorbachev Foundation of North America, founded in 1997 and chaired by Mikhail Gorbachev himself. The foundation's mission is to convene small groups of distinguished intellectuals from around the world to study in-depth the great problems raised for the 21st century, and to formulate recommendations to increase the welfare of humanity both now and in the future. The most important topics currently being discussed by the Foundation are economic globalization, the environment, the dangers of nuclear, chemical and biological weapons, inter-cultural dialogues (for example, between Islam and the West), and Russia's place in the future of the world.

While in Madrid in July 1997 I received a fax from Gorbachev inviting me to participate in the group on globalization. Our first meeting (described on pages 29-41 of my recent book on Europe) took place in December of 1997. The group includes several Nobel Laureates in economics, other economists and individuals of renown, and one "flyweight" (me).

From Friday the 22nd through Sunday the 25th, 1998, I have been sequestered with the Gorbachev Foundation in Massachusetts; we divided our time between Henderson Castle (in Weston) and Waltham. The topics on the agenda for this, our second meeting, were the origins of and solutions to (a) the **global financial crisis** that is threatening to unleash a worldwide recession or depression; (b) the **Asian crisis**, which began in Thailand on July 2, 1997 and spread to Malaysia, Indonesia, the Philippines, and South Korea, and which is aggravated by the recession in Japan; and (c) the terrible catastrophe – no longer a mere crisis -- in **Russia**, whose economic and human costs are becoming so staggering as to almost defy description.

This experience, for me, has been at once exciting, entertaining, satisfying, and unsettling. **Exciting** because I met one-on-one (though never totally one- on-one since I do not speak Russian and needed an interpreter) with Mikhail Sergeivich Gorbachev, and spent seventy two hours in face-to-face communication with the most

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prestigious group of economists, intellectuals and forward-thinking politicians that could possibly be assembled. **Entertaining** because I left with many stories to tell. **Satisfying** because, even though I still feel like a dwarf among giants, my companions have treated me with affection and respect, several of them even publicly praising my books, opinions, and contributions to the debate. And finally, **unsettling**, because there were almost as many opinions on the causes of the crisis, and particularly on how to resolve them, as there were participants in the conference.

We did not arrive at a clear consensus on solutions to the global financial crisis or the crisis in Asia; there was even less agreement about the disaster that is devastating Russia. Certainly many proposals were submitted, and there was a passionate exchange of ideas, suggestions, and solutions, both medium- and long-term. Some of these are internally inconsistent, while others are perhaps naive or impossible to apply. The Foundation will recommend a viable program of action. One of our more difficult tasks will be identifying our audience and thereby assessing our credibility and impact--in other words, the likelihood that our recommendations will be put into practice or at least considered.

Several names must be added to the participant roster from the December 1997 Gorbachev Conference (this roster can be found on page 122 of my book on Europe in Spanish and at footnote 9, page 17, of its English version), all of them of the highest reputation: **Kim Campbell**, who was Prime Minister of Canada in 1994 and then a Fellow at the Kennedy School when I was also a Fellow at Harvard's Center for International Affairs, on whose Visiting Committee we both seat; **Sylvia Ostry**, considered by many to be one of the greatest economists in the world, Director of the Economic Council of Canada and former Economist-Director of the OECD; **Dwight Perkins**, a talented specialist on Asia from Harvard; **Franco Modigliani**, the elderly Nobel Laureate in economics who just had a pacemaker put in; Professor **Zhaohong** of Beijing and Oxford; **Andrew Graham**, economic adviser to England's Labor Party; my "idol" among futurologists, **Paul Kennedy**; and **David Ellerman**, top adviser to Stieglitz, the chief economist at the World Bank.

I will divide this memo into six topics:

- my conversation with Gorbachev
- the global crisis
- the Asian crisis
- the catastrophe in Russia

- my conclusions
- anecdotes from the three days of the conference

I do not recommend the sections on the global and Asian crises, as they are very dry. Those sections and the ones that follow them are only briefly touched upon in this memo, and will be expanded sometime later, once the Foundation publishes the conclusions from the Conference.

1. Conversation with Gorbachev

Knowing about my connections with *El Pais* Gorbachev wanted to give me his point of view on the Russian situation and to solicit my support for Primakov, the new Prime Minister.

Primakov has quite a history: a former Director of the KGB, he has taken stances pro-Sadam Hussein and pro-Milosevic, and is considered an uncompromising communist, all of which make him a persona non grata in the United States. Gorbachev told me that, for various reasons, Primakov nonetheless has his total support. First, it was Primakov who liberated him from his abductors in 1991. Second, despite his reputation as a communist, Primakov believes in the market system. Third, Zhiuganov's communists consider him bourgeois, while the radical reformers who have held power in recent years denounce him as a communist: therefore, Gorbachev believes, Primakov is a centrist, far removed from either of the extremes. Fourth, Primakov accepted his position for love of his country--few politicians would have run the risk of destroying their political futures by taking on such a chaotic inheritance. Fifth, he is an intelligent and pragmatic person, and has chosen wisely among the few options the disastrous situation has presented. And finally, he has included in his team Oleg Bogomolov, one of the leaders of the Foundation as well as Gorbachev's economic adviser and staunch supporter.

The fundamental reason for Gorbachev's support of Primakov, however, is that he represents the only unobjectionable means (remote though it may be) for Russia to pull herself out of the mire. If Russia does not escape this truly disastrous situation, not only will a terrible punishment be inflicted upon the Russian people, but there could be grave implications for the rest of the world as well.

Gorbachev explained three possibilities for Russia's immediate future:

1) Primakov, with the support of the rest of the world (read the U.S. and the European Union), adopts emergency measures that keep the country afloat and gradually manages to improve his country's situation and to hold onto his position as Prime Minister. The political process proceeds as dictated by the constitution. The elections slated for the year 2000 are moved forward to 1999 as Yeltsin resigns in exchange for amnesty/immunity for his "crimes."¹ The four major presidential candidates are Primakov, Lushkov (the popular Mayor of Moscow), Zhiuganov and Lebed; perhaps Primakov and Lushkov form a winning alliance.

2) A coup or extra-constitutional seizure of power by Lebed. This is the more benign of the coup scenarios.

3) In a more sobering scenario, another individual from the government or the military seizes power and establishes an anti-western dictatorship. The economic strategy would consist of printing rubles to refloat the existing military equipment and to jump-start the economy by arming Russia to the teeth.

2. The Global Crisis

According to Sylvia Ostry, there are two global crises to consider. The first is the financial/banking crisis which has caused stock markets to plunge and has left the international financial system reeling. The other, the "real crisis," is the one that has plunged millions into suffering, the one that causes unemployment and poverty; the one that is devastating Russia where, if nothing is done, millions of people may die of cold or hunger this winter; the one that forces millions of children -- especially girls -- in such countries as Indonesia to stop going to school, with dire consequences, including rising birth rates and poverty, that may play themselves out over the next several generations.

(a) The first is the **financial/banking crisis**. What is the reality of the current situation? Three weeks ago, there was widespread panic, and forecasts were bleak. The period in which I am writing these lines corresponds rather nicely with the anniversaries of "Black Thursday" which took place in late October 1929 and "Black Monday" of 1987. Nevertheless, optimism has returned, and the stock

¹ His three alleged crimes for which he could be tried by the Constitutional Court are the dissolution of the USSR at the end of 1991, the military attack on the Duma, and the decision, not submitted to the Legislative power, to go to war in Chechnya.

markets have regained half of their losses. What has happened during these three weeks? Not very much. Greenspan merely lowered U.S. interest rates 0.25%. He did this same thing a month ago, but at that time the reduction was expected and the stock markets did not react; this time, on the other hand, the decrease took the markets by surprise and spurred a rapid recovery. Panic has receded and confidence has returned. Since there is no real-world event that justifies such a drastic change of heart, either there was no reason for panic before, or there is no reason for confidence now.²

My colleagues at the Conference believe that there are objective reasons for the apprehension that reigned three weeks ago. The immediate future depends largely on the outcome of the situation in Brazil; if Brazil manages to avoid default, the situation is remediable. On the other hand, the collapse of Brazil represents an enormous risk to the American banking industry: it may leave many banks reeling, thus weakening the world's only remaining growth engine.

In the medium term, the situation appears unsustainable. This crisis has its origins in the disintegration of the international financial system established in 1944 at Bretton Woods following arduous negotiations by the British economist John Maynard Keynes and the American representative, Harry Dexter White. This system has been destined to crumble since restrictions on international capital movements were lifted in the 70's and 80's.

International trade has increased substantially in recent years, and has been an important driving force behind economic growth and rising living standards. There has been an even greater increase in productive investment in foreign countries, known as Foreign Direct Investment (FDI). But short term, speculative movements of capital between currencies have truly skyrocketed. Since 1995, these transactions have averaged \$1.5 trillion daily! These capital flows, which may enter a country one day and be gone the next, completely beyond government control, were the main factor that set off the global financial crisis that began in Asia in July 1997 and spread to the rest of the world.

² While it is true that the triggering upward-takeoff of stock markets was Greenspan's action, there have been other some hopeful events in October that may explain it: the Japanese government plan to recue and nationalize Japanese banks; the US Congress agreement to contribute limited funds to the IMF; the agreement to a plan to rescue Brazil, signs of awareness of European leaders about the crisis, a G-7 plan – announced after our Conference--, and a perceived strengthening of Clinton's influence, mediating in the Middle East, seemingly winning the struggle over the budget and the possibility that the elections will not increase the chances of impeachment.

Keynes' "trilemma" was that the optimal international financial system required three desirable but incompatible conditions (fixed exchange rates, government control over the domestic economy, and the free movement of capital), one of which had to be sacrificed. In 1944, at Bretton Woods, it was decided to sacrifice the free movement of capital; the International Monetary Fund was created to manage a system of fixed exchange rates, and capital controls were established everywhere. The present crisis was unavoidable once the movements of capital became unregulated in the 70s and 80s. The Keynes trilemma still exists, and therefore unrestricted capital movements have led to a loss of governments' control over their domestic economies.

Moreover, some participants pointed out that the IMF lost its *raison d'etre* when Nixon abolished the gold standard in 1971 and currencies started to float. It found a new mission in the Latin American debt crisis in the early 1980s for which its prescription of stabilization, structural adjustment, balanced budgets, and tight money was successful. Nevertheless, the IMF's attempts to apply this formula in the face of radically different circumstances (as in Asia and Russia, where what was needed in the short-term was precisely the opposite -- an injection of liquidity into the system) have failed miserably. Today, the IMF is an outmoded institution, ill-suited to the task of directing the global economy and useless for regulating capital flows.

A new institutional framework is clearly needed, whether this is achieved by reorganizing the IMF, merging it with the World Bank, or creating a totally new institution (or series of institutions). The conference participants made suggestions and recommendations that will be included in a more detailed memo. However, as Sylvia Ostry said, "the worst time to discuss architecture is when you're watching the building burn." Crises of unprecedented proportions -- the Great Depression of the 30's, the Second World War -- were needed to impel the creation of the Bretton Woods financial structure that is still in force today. It is unlikely that that structure will change without a cataclysmic upheaval. Our leaders are for the most part loathe to take a stand, and the Presidents and Prime Ministers of the powerful nations (with the exception of Tony Blair in a speech early in October that went unnoticed) speak only of small changes, such as the ones that were proposed by the G-7 in the week following our Conference..

The Tobin Tax is a small levy applied to any movement of money from one currency to another. Miniscule in percentage terms,

it becomes significant when multiplied by a large number of transactions. Revenue from the Tobin tax could be channeled into a fund managed by the IMF, the World Bank, or the WTO to aid impoverished countries. This tax, which was advocated by various economists, represents an attempt to reign in capital flows. It was passionately defended by Muckhund Dubey, but other economists pointed out that its implementation would be complicated.

Another interesting measure was the one adopted by the government of Chile, which provides financial incentives for keeping capital in the country for at least a year, while penalizing short-term capital flows. On the other hand, the conference participants were unanimous in criticizing Mahathir and the government of Malaysia for re-establishing exchange controls, and felt that they would probably regret this decision in the long term³. My own reaction is that, given the instability imbedded in the present system other governments will watch carefully the Malaysian experience (now clouded by the trial of Anwar) and may follow his lead.

(b) The second crisis is the **real crisis of the economy**, the crisis of hunger and cold, increasing inequality and poverty, where countless millions are forced to subsist on incomes below one dollar per day without any safety net. I described this crisis in ***El Futuro de Espana*** in the section on Darwinian capitalism with its winners and losers; Ostry has equated it with a volcano that is about to erupt.

Two factors could further aggravate these crises:

The first is the lack of world leadership. We still live in a unipolar world, where the United States is the hegemonic power. Nevertheless, the U.S. is incapable of exercising leadership. Clinton is an able politician, but he is at the mercy of the Republican majority in Congress, a group of revanchist, isolationist, myopic individuals completely lacking in long-term, global vision. Europe, clannish, endogamic, and totally absorbed by the issue of monetary union, is incapable of taking initiatives. Nor can Japan, which is in a state of collapse, be looked to for perspectives or ideas.

The second is the danger of a resurgence of protectionism (similar to that of the 30's), which, if it takes hold, could accelerate a general economic decline. With the trade deficits in the U.S. come increasing pressure to set quotas or to enact anti-dumping legislation, which could give rise to ill-fated trade wars.

³ See Bagwatti's point about Mr. Gambino in the last section on anecdotes.

Several times during the Conference Gorbachev talked about a conference on intercultural dialogue sponsored by his Foundation and held in Amman, Jordan, this summer. He reported his surprise by how least developed countries viewed globalization as Americanization, and complained about the extremely unequal sharing in the benefits of globalization. Globalization is perceived as benefitting advanced countries and worsening the plight of the others. In the last morning of the Conference, I reminded the Conference participants that the majority of the victims of this crisis blame the United States, the IMF, the "Washington consensus," and the West. This anti-American sentiment is growing more and more rapidly. When the smoke clears, the level of animosity will be unprecedented.

3. The Crisis in Asia.

It is important to determine the cause of this crisis, which began with Thailand's devaluation of the baht on July 2, 1997 and spread to Malaysia, Indonesia, the Philippines, and later South Korea. The importance of determining the origin stems from the fact that the appropriateness of solutions depend on the determination of the origin

Two theories have been advanced, each of which, according to Dwight Perkins, explains half of the story:

(a) The sole cause of the crisis was panic, the herd mentality of speculators who had inundated these countries with short-term capital and then withdrew it en masse (just as, when someone shouts "Fire!" in a crowded theater, only the first to get out survive). The IMF ended up "killing the patient" by imposing restrictive fiscal and monetary measures at a time when the countries in crisis needed precisely the opposite--a massive increase in liquidity;

(b) The economies of these countries had already gone sour: their banks were failing or burdened by excessive debt, and they had made imprudent loans to their friends in industry (crony capitalism). Financial collapse was inevitable, since preventing it would have required sweeping economic reform. Diego Pizano and I find it difficult to accept that these countries, who based their growth strategies on the Asian model of austerity, hard work, savings, investment, education, technological research and development and export promotion, and one of whom (South Korea) has achieved a 10% annual rate of growth since 1980, were systemically defective. I find the alternate explanation -- panic + the ineptitude of the IMF + the

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recession in Japan, the main importer of these countries' products + the criminal U.S. veto of the US\$100 billion aid package offered by Japan in 1997 ⁴ -- to be more convincing. The only significant problem with the system is that leverage levels at banks and corporations were too high.

The key to Asia's recovery is Japan, and things do not look promising at the moment. Mexico recovered rapidly from the January 1995 crisis due to the dynamism of its neighbor and main trade partner, the United States. In contrast, the troubled Asian countries have a depressed Japan as their neighbor and main trade partner. Because Japan is in decline, the medium-term forecasts for Asia are bleak.

4. The Catastrophe in Russia

Alexandr Nekipelov, Oleg Bogomolov and Ruslan Grinberg gave hair-raising accounts of the situation in Russia. Although their presentations were tinged with rancor toward the "radical reformist" governments of Gaidar, Chernomyrdin and Kirienko, who have kept them on the margins and ignored their advice, they do not appear to have exaggerated the severity of the situation.

Russia went into default, suspending payments on its external debt on August 17, 1998. Since then, the ruble has lost more than 50% of its value. The percentage drop in Russia's GDP has been double that suffered by the U.S. economy between October 1929 and 1933. The value of the stock market has plunged 97% since 1996. Everyone in the country has stopped making payments. The economy is not merely illiquid, but has actually been demonetized: barter accounts for fully 85% of the economic exchanges that take place. Whenever possible, the mafiosi and the wealthy elite have taken their capital out of the country. Personal bank accounts have been frozen. Businesses cannot pay taxes; the few firms that have earned a profit have done so on paper only, since they are unable to collect from their customers. No one sells anything to anyone who cannot pay, but no one can pay. Government workers have not been paid in months. Pensioners do not receive their pensions. Importers cannot import due to the lack of liquidity.

⁴ The explanation given by most analysts is that the refusal by the US to accept the Japanese initiative was that US officials did not want any structure in place that would bypass them and the IMF and they would not be able to control.

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It appears that the only possible solution to this financial problem would be an injection of liquidity into the system, but the IMF instead imposed a tight monetary and fiscal regimen that ended up paralyzing the country. To make matters worse, the \$4.8 billion in funds that were lent to Russia last summer have disappeared, and many Russians believe that the money has quickly returned to America.

The budget for essential government expenditures for the last quarter of 1998 totals 109 billion rubles, which would have to jump another 41 billion rubles to enable Russia to pay the interest on her external debt. The expenses are obviously needed, but unfortunately the sources of income that would allow the country to pay them are not there.

How to resolve this crisis? An appreciation of the possible solutions requires us first to understand the causes and origins of the crisis. Much of Saturday's and Sunday's discussion was devoted to this topic. Time will limit me to covering the errors made by the Russian government and its advisers and the reasons behind Russia's mistaken course toward a market economy which she embarked upon without experience, appropriate institutions and legal systems, a business class, or any means of reigning in corruption and the proliferation of mafia activity. But it is necessary to make a distinction between long-term solutions and the short-term measures that are urgently necessary to mitigate the effects on the Russian people.

The human tragedy behind this crisis was revealed by Karol in an article that appeared in *El Pais* last week. The vast majority of the population is already faced with hardship, and the winter, which looks to be severe, will only make things worse. One shudders to think that Russia imports over 50% of its food; just the other day a ship that arrived in Siberia carrying food turned around when it became clear that its cargo could not be paid for. Importers cannot import and store shelves are already bare. The harvest has been exceedingly poor. How are the Russian people to manage in the face of suspicion against their government and the general indifference of Europe and the United States which, concentrating solely on Brazil and considering Russia already lost (and apparently also oblivious to the human repercussions and the danger to world security posed by her situation) aren't even giving a second thought to their plight? As Gorbachev suggested in his remarks to me, the consequences could be terrible.

The media account of Gorbachev's remarks is encapsulated in the following quote: "Russia can find its own way out of the crisis but

it should not be abandoned; the West should overcome its hostility towards the current government, give it real and firm financial support, and reach with it a cooperative agreement."

Michael Intriligator proposed a program of 10 steps, some of them urgent and some of them medium-term. Several of them are not feasible -- i.e., a Marshall Plan that, taking a lesson from the program implemented half a century ago in Europe, incorporates rigorous monitoring of the aid moneys (which would come from the funds earmarked for the expansion of NATO) to avoid their being channeled to mafia groups and to ensure that it benefits the majority of the population. Others, however, are both interesting and practicable. For example:

- A food aid program utilizing NGO's and other intermediary groups recommended by V. Kuvaldin that are above suspicion;
- A moratorium on the external debt which would be difficult, but possible to negotiate with the country's creditors;
- the disbursement of the \$8 billion in funds for the destruction of chemical weapons (which both Russia and the U.S. want to destroy and whose storage containers have begun to leak);
- an expansion of the "sister cities" program to include smaller towns, so that each town or city in Russia has one prosperous "sister" in Europe and another in America that can provide humanitarian, financial, and food aid;
- the development of SSE's at the regional level, etc..

Another, longer-term plan of action designed to restore economic growth was proposed by Paul Welfens. Some of us recommended that the Foundation establish a pro-Russia lobby in Washington to generate support among Russian Americans and friends of Russia scattered throughout the U.S., and to try to gain Congress's cooperation. I couldn't stop myself from launching into a diatribe on the isolationist attitude of the United States over the past four years, that has coincided not by chance with the Republican majority in the House and Senate. While it is true that Clinton has some important achievements to his credit (such as bringing an end to the war in Bosnia and getting the Middle East peace process back on track), the US government sabotage of international institutions, veto of the 1997 Japan initiative, and its reaction to the global crisis have been short-sighted, not to mention weak.

While our recommendations on the global or Asian situations will

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Russia has lost her status as world superpower. It would be surprising for people in Spain to learn that the Russian economy is currently a little less than half the size of ours. But even though it is true that the collapse of Russia represents scarcely more than 1% of the global economy, it is equally true that the socio-political disintegration of this nation would be a serious threat to world security.

5. Conclusions

Before I venture to present my own conclusions, I want to review the final draft of the Conference summary, on which I am collaborating. The following is merely a brief listing of general impressions, and does not include concrete recommendations:

- 1) Instability will persist as long as the Keynesian trilemma is not resolved. Any global measures that are adopted in the short term will be incremental and limited for various reasons:
 - you can't discuss the architecture when the building is burning;
 - the international institutions (United Nations, IMF, World Bank, including the G-7, G-8 or G-22) have lost their prestige and usefulness; the world lacks leaders who, on their own or in collaboration with others, are capable of carrying great initiatives through to completion.

- 2) Only a very severe crisis like the Great Depression or an imminent threat to world security could propel a change in the system (Scenarios 1 and 2 in *El Futuro de Espana*) or at least in its "architecture." Nevertheless, the likelihood of such a cataclysmic crisis seems much greater today than it appeared in 1996.

- 3) Budding protectionism represents a growing threat to the global economy.

- 4) The global financial crisis could be temporarily attenuated if Brazil, through a combination of outside assistance and domestic action, stages a comeback, and if China is spared the effects of the crisis and maintains annual GDP growth over 6-7%; nevertheless, investment in "emerging markets" will be depressed for a long time.

5) Consequently, entire continents like Africa, and many countries in Latin America and Asia, will be pushed to the margins and forced to fend for themselves.

6) This crisis has taught a lesson to economists who believe the market is infallible: markets are prone to error and are inefficient. Thus, there are BUBBLES, and they always end up popping.

7) The key to the Asian situation is Japan's recovery, which does not seem possible for several years. Corruption and favoritism or institutional deficiencies have played a minor role in the crisis, which was provoked by panic and exacerbated by the IMF. If these nations are to be blamed for anything, it would have to be for the excessive debt carried by their corporations and banks, which left them vulnerable.

8) Accompanying this global financial crisis is a real crisis of human tragedy in countries like Russia and Indonesia which calls for immediate action if its effects are to be limited to the present generation.

9) One of the urgent tasks of the Western governments should be to help Russia; Primakov might be the last chance.

10) Finally, many of the recommendations that came out of the Conference are of more general use. In my opinion, these "think tanks" are of great value. Andres Ortega and I have spent some time talking about this, and about how worthwhile it would be for Spain to form at least one highly respected think tank of its own. Of the many wonderful experiences of my intellectual life, which was almost nonexistent before I arrived at Harvard in 1994, being a member of the Gorbachev Foundation is one of the greatest.

6. Anecdotes

It is fascinating to take a look at the diverse personalities that make up the Foundation's Committee on Globalization. Gorbachev arrived at Henderson Castle on Friday afternoon, after our discussions had begun. He attended all of the Saturday sessions and left Sunday mid-morning. When he was present, almost all of the attendees, especially the new ones, were eager to "participate" in order to impress him.

Only a few of the most distinguished participants are pedantic and arrogant; most of them, on the contrary, are very friendly, humble and modest. With the exception of the octogenarians and the gentleman from China, almost all of them love to talk. Nevertheless, most are able to listen and observe as well. ⁵

No women participated in the December 1997 meetings, although Professor Sheila Puffer had the responsibility for taking the minutes, which were projected instantaneously onto a large screen. In this round of meetings, however, the most brilliant comments were made by Kim Campbell and Sylvia Ostry, who left the rest of us with our mouths agape.

Several Yeltsin anecdotes were told, including the sermon he delivered to the Governor of the Central Bank of Russia believing that he was the Director of Customs and exhorting him to watch the borders better.

Bagwatti made us all laugh when he criticized Mahathir for restricting capital flows into and out of Malaysia. "Once you have entered the global economic system, with all that implies," he said, "you can't just back out. A member of the mafia isn't going to go up to Signore Gambino and say 'I'm leaving,' because Signore Gambino will say 'Oh, yeah? Fine. In a coffin, then.'" Before defecting from the Mafia, he will be wise to have plastic surgery, enter the FBI witness protection program, and try to start his life anew. Mahathir will regret his lack of judgement."

And to close the meetings, Gorbachev let out an audible sigh and said, "Well, life goes on, the writers keep writing, and the readers keep reading."

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⁵ Carl Kaysen, a distinguished Professor Emeritus at M.I.T. and a former high official at the Kennedy Administration, spoke rarely but commanded a great deal of respect. Marshall Goldman's opinions on the Russian disaster were also followed with great attention.

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