

What might the Soviet Union learn from the OECD countries in economics and politics ? An article from 1991 with some comments from 2005

Thomas Cool & Jan Tinbergen, April 2 1991

Thomas Colignatus, June 4 2005, <http://www/dataweb.nl/~cool>

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Summary

When cleaning up my archives I came across a short article of April 1991 co-authored with Jan Tinbergen, on what the Soviet Union might learn from OECD countries in economics and politics. The article apparently never got published, partly since the Soviet Union collapsed in December 1991. Jan Tinbergen died in 1994. Reading the article again in 2005 shows that some arguments still have value. In 2005, an advice, purely my own now, would be that Russia and the other republics of the former Soviet Union apply for membership of the European Union.

Introduction

This 1991 article of me and Jan Tinbergen turned up when I was cleaning up my archives at home last month. It had been faxed to a contact person in Moscow on April 2 1991, with the intention that this person would try to get it translated into Russian and published in e.g. Pravda or Argumenti i Fakti. It is not clear whether this publication ever happened and it is safe to assume that it didn't. Events went fast in those days. Yeltsin got elected to the Russian Federation in July 1991 and the Soviet Union collapsed in December that year (see Skidelsky (1995:148-149)). The article clearly lost its main thrust – with the Soviet Union no longer existing it is a drawback that “Soviet Union” is in its title. The ideas in the article would still have been relevant, also for Yeltsin who was sending in the tanks to the Parliament building in 1993, but the article would have to be fully reworked for that. Thus, one can understand that the article was shelved.

Reading it again in 2005

Reading this article again in May-June 2005 causes some thoughts.

For the whole Eurasian continent the issue of what forms the best form of international co-operation is open on the table.

The perennial point, made by J.M. Keynes (1919), is that a region, trying to catch up with foreign levels of productivity and living standards, needs to be able to earn foreign currency, in order to buy the required investment goods and services. Russia and the EU will derive most of their wealth from their internal markets, yet, trade between them will be highly beneficial. Trade comes along with contracts and treaties. Jan Tinbergen's theory of subsidiarity, i.e. on the choice of the best level of decision making, is obviously relevant again.

It is useful to observe these points for the EU and Russia:

- On the EU side: On May 29 the French voters and on June 2 2005 the Dutch voters rejected the draft Treaty on the Constitution for the European Union, so that this draft is dead. I advised to a 'No' partly because the subsidiarity mentioned in the draft Treaty doesn't fit Tinbergen's notion of it. The draft treaty centralises power without accompanying democratic control. See my “Voting theory for democracy” (2001) for the importance of veto power.
- On the Russian side: Recently, president Putin called the dissolution of the Soviet Union a historical error. Perhaps the collapse of the SU was politically unavoidable but Putin is obviously right in that economic co-operation would benefit the region if not the continent.

On May 10 2005, Russia and the EU signed four road maps on further co-operation. In the Dutch newspaper NRC Handelsblad, Sergei Karaganov (2005), chairman of the presidium of the Council for Foreign Policy and Defence in Moscow, calls these road maps too vague and proof of actual stagnation. He observes that thinking in Russia itself on the EU has been relatively sterile and that Russia should turn its attention more on what it wants to achieve with the EU. Karaganov regrets: “The last two years the mutual relations lack content and development, while the mutual distrust has grown.” (My translation from the Dutch.) Indeed, with the developments in Georgia and the Ukrain, Russia and the EU are confronted with serious issues, and Karaganov wonders whether Russia and the EU shouldn't contemplate deeper economic and political co-operation.

The partnership dating from 1994 and ending in 2007, should, in his view, be replaced by closer co-operation, possibly with Russia even joining NATO.

I enjoyed reading this, in particular since, when Karaganov visited Holland in 1991 and stayed at the Polemological Institute at Groningen University, I visited him and we discussed the ideas of this 1991 article. It seems that we still think along some major parallel lines here, for I fully agree that closer co-operation between the EU and Russia is essential. I welcome the idea of an economic commonwealth from the Atlantic ocean to China.

One cannot discuss Russia without thinking of China indeed. I am happy to observe that the Chinese minorities in the EU and the USA provide an important link for ever closer co-operation. Our nations and cultures will definitely find ways of co-operation. Also, obviously, China still has a dictatorship, and it can benefit from the experience and lessons from the democratic nations, as also discussed in this 1991 article. Yet the focus of this discussion is on Russia and the former Soviet Union, and I would rather not complicate issues.

About the 1991 article

About the 1991 article, it is useful to know that I made the drafts, that Jan Tinbergen voiced general agreement, with some particular criticism by phone, until there was a version that he said was willing to sign, for which he sent me a note (March 29 1991). This procedure of course makes that the article uses more my style (of that time) and not the sober style of Tinbergen himself.

The idea of having this article itself agreed with him, since, when I approached him on it, he mentioned (in a note of January 17 1991) that he already had been in touch with the Soviet Academy of Sciences on some issues. One point that he had communicated was that who had won from Stalin / Brezjnejev was not 'laissez faire liberalism' but Social-Democracy. This indeed seems like an important observation, in particular for whom considers the claims of some modern ideologues. His other point was that a structure of the Soviet Union, that would partly agree with the republics that aspired at autonomy, could be found by application of his theory of the optimal levels of decision making. In effect, that decisions are only taken by bodies wherein those are represented whose interests are influenced by those decisions. "In my guess the republics would still decide upon half their national produce," he wrote.

Given that the article (probably) has not been published before, I have sent copies of Tinbergen's notes, the original of the article, and the communication with the Alfred Moser Foundation who provided the contact person in Moscow, to dr. Albert Jolink of Erasmus University, who overlooks the Tinbergen heritage, and who has graciously acknowledged receipt.

An important observation is that the 1991 article contains both economic science and a political point of view (i.e. in the last section). This approach may encounter some hesitation at the academia who want to stay clear from politics. For example, who reads Mankiw (1998) (whom I also had the good fortune to meet in 1991, now on the lawn of Cambridge university, at the meeting of the European Economic Association), encounters a world rather free from the toil and spoil of politics. I wonder how his stay as chairman of the Council of Economic Advisers to the president of the USA will affect his outlook, and what he thinks of my suggestion of an Economic Supreme Court. Personally, I tend to adopt the non-political approach as much as possible too. That is why one is a scientist. But where this 1991 article confronts the issue of the transformation from dictatorship towards freedom, the authors doubted whether they were fully

scientifically free from a political bias e.g. towards freedom. In case of doubt, a good solution is to be explicit about one's political point of view, so that there is no discussion about what the political content is. Hence, the 1991 article is aware of the political issues involved, specifies them, and only adopts a particular position in the final section.

PM. I consider the distinction between science and politics still a sensitive issue. Since August 2003, I use the label "Colignatus" for my scientific work, and my original name of birth "Cool" for legal and non-scientific, e.g. commercial or political, purposes. When in doubt, or when there is some mixing, the label "Cool / Colignatus" covers all grounds. I am not sure whether this labelling actually increases confusion but I am happy that I can employ such labelling nowadays, in particular since I am the Social Liberal Forum candidate for EU president.

About the 2005 situation

I feel closely attached to Jan Tinbergen and his scientific and political ideas. He was born in 1903 and died in 1994. He helped found the Econometric Society and was an important member of the Dutch Social-Democratic "Sociaal Democratische Arbeiders Partij" (SDAP) before the World War II and later "Partij van de Arbeid" (PvdA). He was the founding director of the Dutch Central Planning Bureau (CPB), during 1945-1955, after which he turned to development economics. I (born in 1954) studied econometrics 1974-1982 and worked at the CPB during 1982-1991, and was a member of the PvdA 1974-1991. Censorship and an abuse of science by the CPB-directorate caused my involuntary dismissal there in October 1991, and, since the PvdA in Dutch Parliament didn't ask any questions about that censorship and abuse of science, I left that party in December 1991. When I explained the situation to Tinbergen in 1992, he agreed that there might be a problem, and I enjoyed his point of view that "this problem should be solved by the younger generation".

Tinbergen died in 1994. Mankind lost a great man. A minor point of observation is that, when I published my (1994) book, I could not send it to him.

The best that I can do now is to point to my "Definition & Reality in the General Theory of Political Economy" (2001, 2005) and "Voting theory for democracy" (2001), where I try to extend on the legacy by Tinbergen en Keynes. For DRGTPE there is a Project Gutenberg version freely available at <http://www.gutenberg.org/1/5/9/3/15939>. The text of VTFD is included in my Economics Pack that can be downloaded from my site.

My suggestion becomes that the reader first reads the 1991 article and then the 2005 comments below.

What might the Soviet Union learn from the OECD countries in economics and politics ?

Thomas Cool & Jan Tinbergen, The Hague, April 2 1991^{*)}

The people in the Soviet Union have to make economic and political decisions which will determine their way of life and level of income for generations to come. In discussions on this, the experiences of other peoples get much attention, specifically of the wealthy and democratic countries in East and West, which are united in the Organisation for Economic Co-operation and Development (OECD). For example a major Western political idea is that society must solve the issues of individual freedom and social equity and efficiency. For many Western economists the most important lessons then would be: democracy itself, and a social market system which balances between equity and efficiency. Under these conditions it merely requires hard work to grow rich.

However, many in the Union may well have a wrong impression of these OECD economies. The impression can be negative or too rosy. Or one lacks any idea, and then merely thinks that everything is better than present conditions. This bad state of information can easily result in useless discussions, easy slogans and demagoguery, and finally in wrong policies which continue the present misery. Therefor this article has been written, to clarify some of the major issues.

There are three provisos. This article does not concern the Union and it does not explicitly support one group or another in economic measures. Good-willing advisers often fail to grasp the limitations of local conditions. This article therefor only concerns major lessons about OECD countries, as seen by economists living there. And it is up to the reader to decide what to do with it. The second proviso concerns a possible Western bias, of disliking the thought of instability in the Union. The modern media and ways of transportation make the world into a global village. And people are higher educated than ever before. The resulting process of integration of the Union into the world might actually have some basic stability. It would be in everybody's interest to have a stable, tolerant and democratic Union (or Federation or Commonwealth). But who is to say what is best, and what road is best to get to that result ? The third proviso is that this article often takes a Social-Democratic or Western-Socialist point of view. Together with Social-Liberalism and the Christian-Democracy, Social-Democracy has been one of the pillars for freedom and welfare in the West. During history quite some Western prime-ministers, economists and other scientists, have had intellectual roots in Marxism. In the West Social-Democracy has evolved with the growth of political and social science and this background may be stressed in order that misunderstandings are prevented, when below scientific doubts are followed by clear political choices. A major point is, that many Western Social-Democrats will tend to support M.S. Gorbachev.

In the following, though the political lessons are most important, this exposition starts with economics, since political decisions must be based upon factual knowledge.

^{*)} The authors are econometricians and members of the Dutch Social-Democratic party PvdA. Jan Tinbergen received the Nobel Prize in economics in 1969.

Some general economic facts

The following general economic (systemic) facts would be relevant:

(1) All OECD countries have a social market (mixed) economy. This means that there is no pure capitalism and no pure command economy. Social issues, like unemployment and sickness and disability, are regulated by means of democratic decision making and bargaining. Labour unions have arisen by spontaneous group organisation, also other institutions have arisen over time, and interestingly, some good laws and provisions have been enacted out of fear for communism.

(2) A consequence of a mixed economy is a continued large bureaucracy. In OECD countries the government still has a large impact in most aspects of the economy. There are high taxes, all kinds of laws and regulations, public companies, and agriculture is protected. When wages and prices grow too much, these may be fixed. The share of government in the economy may be 99 percent in the old Union but still is 50 percent in the OECD. In some respects this gradual difference is dramatic, e.g. for personal freedom. But on the other hand it should not be forgotten that this still implies government dependency. This requires legitimacy, effectiveness and efficiency, due process, and officials that can be trusted by politicians and the public.

(3) Another major consequence is a sense of uncertainty. The Union was either a command economy or stagnant, and both provided for a sense of security which no longer is possible. The uncertainty of pure capitalism can be reduced by having a social market economy, but this is still more uncertain than people in the Union are used to. Some indicative planning is useful, but is only indicative. One must accept that decisions are decentralised, so that plans may not succeed. Also, freedom allows more information, and thus more problems. The world problems of poverty, pollution and overpopulation perhaps were discussed behind closed doors in the past, now they are in the open, and one must get used to aggravating differences of opinion. (And one aggravating opinion may be the Social-Democratic one, that some old Union type of solutions were right in theory, but only badly executed.)

(4) The OECD economic success depends partly upon low wages and cheap materials from the Third World and formerly Japan. Had the West been less greedy, it would have been less wealthy. Circumstances have changed, and as a newcomer the Union may not have this choice, even if it would like to.

(5) People in the OECD work hard and save. On average they care for efficiency, take some responsibility, and want to provide customers with quality. For the Union, there are reports about a 'mentality problem'. This is not fair, since a system creates the mentality to cope with it, and thus one has to consider the whole complex. For example, work practices may force people to do nothing, and make it unpopular to demand efficiency. And note, people in the Union save too. But, again, one needs a balanced view. Saving may derive from the lack of supplies rather than from thrift; and these 'savings' incorrectly create the illusion of wealth, since actually they are a form of taxation. But anyway, whatever the case, it follows that next to changing the system, there too is a need for some accompanying change in mentality.

These five points clarify that the change to a 'Western' system comes with a price, and that there is no Land of Cockaigne. Existing problems do not disappear; there are the problems of change, which require time and study; and there are the problems after the change, of uncertainty and finding new ways of caring for the needy and coping with the new world problems.

Some economic policy facts

Next to these systemic factors, there are important particulars for policy on a day-to-day basis.

(a) The OECD countries have a bad experience with foreign lending, which has resulted into the international debt problem. It follows that there will be little willingness to engage into new risks. What little there is, will be conditioned to some internal stability. It follows that the currency must be convertible, the balance of payments basically balanced, and capital flows basically private equity investments. True, one must hope for sizeable direct aid, but there is nothing to count on. The legendary Marshall aid to Western Europe involved about 8 percent of American GNP, but there were certain conditions like democracy.

(b) The Union must do the work itself. There can be some foreign assistance, for example legal or food aid, but this is oiling a cart rather than pulling it. Yet the scope for growth is immense. The OECD countries partially provide a living example, and the knowledge and expertise is relatively cheap. So the crucial question is: can the Union organise the application of that knowledge ?

(c) A Western assessment of the Union is as follows. The weakest economic sectors would be agriculture, energy and distribution. These require priority, also in the change towards Western style, which means some protection. The most innovative sector would be (investment) banking. For the remaining sectors, there seems to be a gap between serious possibilities and people's expectations.

The Shatalin plan was rather curious. The slogan '500 days' too easily created its own illusions, such like the old idea that fundamental change can be planned and executed harmoniously, and, if need, quickly. But the systemic aspects mentioned above require time. So one must have a good mix of areas where changes are fast and areas where these are slow, and, perhaps where people are old and people are young. Incidentally, note that often a drastic change of law or price is needed to create room, which people then will use only slowly.

(d) The OECD is itself divided about macro-economic policies concerning inflation and unemployment. Here the combination of a Swedish/Japanese low unemployment policy and a German/Japanese low inflation policy would be obvious. This is possible, for example one aspect is an income tax only for the higher incomes. But OECD countries themselves have political difficulties of achieving this combination, so that the Union would have a task of succeeding in a situation of change where other and richer countries fail in a situation of stability !

The latter issue clarifies a point made earlier: the Union must decide for itself. Advices from the West must be considered with caution. In the West, economic policy itself is the result of political competition. Given that the West does not have *one* solution and *one* policy, the Union obviously cannot expect *one* advice or *one* truth. Systemic advice shows great consensus, but policy particulars warrant disagreement.

Welfare and ideology: more facts

Many in the Union discuss policy in terms of ideology, and hence, since this article aspires at clarification, some of that language can be adopted. Thus, the system of ideas concerning the mixed economy is itself an ideology again. It can be contrasted with capitalism and communism. This can be done best from a Social-Democratic point of view.

(i) In the West, the development of socialist thought has not stopped after Marx. Many researchers have been and still are motivated by the thought that more knowledge will allow some improvement in society. A tradition of critical and scientific analysis of social processes has grown. It has appeared that freedom of research is important, not only in technical science but also in social science. Marx would have underestimated both technological progress and the social ingenuity of mankind to prevent Verelendung. The economic problems in the Union are very likely caused by not participating in this Western development.

(ii) The West is not purely capitalist, and the old Union was not purely communist. These are academic categories. While an academic debate is interesting for some, such academic debate on the mixed economy turns out to concern 'mixing', and this turns out to be of practical nature. One might as well be practical, and discuss the merits of a social market economy. One cannot say e.g. that 'capitalistic methods are better since they create technological advances'. Freedom in research, with some moral restraint, is important, but this does not mean capitalism. Also, the hallmark of success of the West is not merely technological advance, accumulated for example in the hands of a few, but also that the created wealth is shared equitably among the populace.

(iii) The ideological debate between capitalism and communism is not only academic, but it is also inadequate, since many ideas have become dated and obsolete, both capitalistic and communist.

(iii-a) In old Union ideology *trade* would not be *material production*, and hence it would not be production. But trade is a major pillar of OECD wealth. It is an important area for research and improvement.

(iii-b) Capitalism is thought to breed competition at the expense of co-operation. But actually, *fair* market competition is another form of co-operation. Wealth depends upon specialisation, depends upon people willing to trust each other with the provision of quality and quantity at the right time and place. This means interdependence and mutual dependence. Market production does not purely select on competition, but also on co-operation, e.g. since many start-up companies fail when the owners cannot co-operate.

(iii-c) Old Union ideology mixes up profit income and the problems of income distribution policy. Private profit requires legal protection, and this is fair when there are certain tax rules.

(iii-d) The old capitalist concept of private property has become dated. One should not get confused by words, and one should look at actual facts. Since OECD governments have many laws on the use of property, this means that property is not so private any more. Perhaps the notion of 'stewardship' is more appropriate. Indeed, land would provide one example where collective ownership has many advantages.

(iii-e) The rule of law is of prime importance for a socialist or mixed market economy, since the law protects the common man against the arbitrary abuse by the mighty and powerful. Also science and technology, and even economic ideas, need protection, since all too often they go against vested interests.

(iii-f) In matters of organisation, keeping to dogma comes with a price. There certainly are too strong links between the Communist Party and the state bureaucracy. Political choices can be made by internal and external elections. In Western Europe many Communist Parties have evolved into the Social-Democratic direction, while many voters, who used to choose communism, have changed their minds voluntarily to other parties.

Incidentally, note that these topics are linked, especially towards the creation, without hindrance, of a large 'middle class' in trade, factories, the sciences and the like. This class provides stability to Western societies too.

Political foundation of the economic success

After this list of economic facts and related ideology, the political issues arise.

The internal political conflicts within OECD countries appear to be of secondary importance. The major lesson for the Union is what these countries have in common. That would be democracy, independent political functions (checks and balances), personal liberty, private property, tolerance, and the like. The economic success of the OECD cannot be imagined without democracy. Examples of Singapore and Chili are unconvincing.

Two aspects are important here. The first is that democracy still goes with some authority. You are free to choose your government, but, after that, you must still obey your government. The second is that it must be clear how democracy works. Political parties are like companies operating in a market place, not of money but of votes. Seen as this, democracy is far less romantic than people often think.

Many think that the political process should lead to unity; others are more liberal and want only two groups. But in truth, there can be many groups. The prime task of each group is to have some cohesion. Thus the existence of various groups or factions is not bad in itself, and can be regarded positively, in that they allow to channel popular trust towards elected leaders. Then, secondly, the leaders in parliament get the job of finding a fitting compromise. Thus, voters need not worry much about the compromise made in parliament *once they have leaders whom they can trust*. Westerners would not wait with having this kind of democracy.

Union, nationalities, nations

There is a paradox in the world, that nations grow more interdependent, like the European Community and the United Nations, while other federations seem to fall apart, like the Soviet Union. This paradox can be understood as follows. People tend to be conservative, and their preferences tend to be ordered. First comes culture, secondly income, thirdly political freedoms. And the culture determines the shape of the other categories. An example would be the difference between England and Germany. England, in the center of the free world and with a good position after the war, has been overtaken economically by Germany, and the cause can be found in cultural aspects. Another example is the unification process of the European Community. It is fueled by cultural assimilation rather than by economics. If Europeans disliked each other's goods, there would be no unity. Another example is that, at the outbreak of World War I, the socialist parties and workers of Germany and France, organised in the Socialist International, chose to be 'good patriots' rather than socialists.

It follows, that any good government (that doesn't rely upon forceful repression) derives its legitimacy from the recognition of nationalities or cultures. And at the same time it follows that violence and even war can only be prevented, if this recognition is mutual. In this situation one might apply an economic theory, that only those people need participate in decision making, who are directly affected by the decisions concerned. But there are two aspects that complicate matters.

The first concerns the underlying structure of people's interaction. A well-known case in the mathematical Theory of Games is called the *prisoners' dilemma*. There are two prisoners in two separate rooms. Each prisoner who incriminates the other is promised a reduction of punishment, ... unless the other has incriminated him too. Will they keep silence, or incriminate each other and make matters worse? This famous setting is a general recipe for trouble. And, the Union appears to be struck in a similar situation. Every political or nationalist movement likes to win, and since they all do their best to have the others lose, everybody loses; while everybody would be helped by co-operation.

In the example, the prisoners could solve their dilemma by being allowed to talk to each other. They will strike a deal and keep silence. The analogy for the Union would be to have democracy and let the leaders discuss matters in parliament. However here the second problem arises. This concerns words and the meaning of words. Not having had the experience of democracy, Union political or nationalist faction leaders have problems communicating, and voters have problems of understanding what the issues are about. Sometimes people like words better than what they actually stand for. People may like 'capitalism', without realising that this means poverty for many. Or they like 'sovereignty', without realising that this may mean utter dependency upon world markets, where one can only choose the colours of the national flag. Or people dislike the economic 'exploitation' by Gosplan, but do not take into account that prices are distorted, so that nobody really knows how much goes into a region and how much goes out. Or people complain about 'corruption' and want to restore old controls, but they forget that price controls without democracy tend to breed such corruption. These are rough and perhaps incorrect examples. But it is obvious that in a situation of change, much effort must be given to improve communication.

There is no ready solution when some have a sense of urgency. Remember, this article is only meant as a Western reflection based on Western pre-conceptions. The easy Western feeling is: why separate now? Rather have your democracy first, and take care of sovereignty later if you still would want it then. Of course, this easy Western idea arises from settings where sovereignty already exists. But there are valid reasons too. First, the choice for democracy and personal liberty has no logical link to regional borders. Secondly, European nations are slowly uniting. Thirdly, while capitalists typically think only of themselves, Social-Democrats tend to care more about their grandchildren, and thus choose accordingly.

A Social-Democratic view

Regard two incidents. In the old Union, when harvest time arrived, rural communist party leaders communicated with city comrades, and labour came to the fields. The new political movement has cut these communication links without replacing them, and thus helped cause bad harvests. Secondly, we see hardline communists debase the Shatalin price plans, then get government power and execute some of these plans; while some bad ideas get badly executed; and while Lenin himself is reported to have said that the best way to destroy a country is to destroy its currency.

There would be more humour in these examples if the situation were not so serious. These examples also suggest that much can be won from Western style and procedure. While the economy should concentrate on survival, and people should be very patient in this, politics must concentrate on democracy, quality and communication. While it has been sufficiently demonstrated that mankind can solve its material problem, the time surely has arrived for morality and the fair play of ideas. Perhaps then, the time has arrived that the Union Communists join the Socialist International. There already has been a process of convergence, but there can be no doubt as to the requirements for its completion.

Some comments in 2005

Reading the article in 1991 again, we see some constants while there also is the flux of history with its curious particulars.

A constant is that the facts mentioned above are still valid. For example:

- “The rule of law is of prime importance”
- “The modern media and ways of transportation make the world into a global village. And people are higher educated than ever before. The resulting process of integration of the Union into the world might actually have some basic stability.”
- “The OECD is itself divided about macro-economic policies concerning inflation and unemployment.”
- “The economic success of the OECD cannot be imagined without democracy.”
- “People tend to be conservative, and their preferences tend to be ordered. First comes culture, secondly income, thirdly political freedoms.”
- “politics must concentrate on democracy, quality and communication”

Historical flux shows up where the 1991 article discusses some misconceptions of communist ideology. This was relevant in 1991, but has lost its aptness, though it still might be relevant for Communist China. Historical flux is also, as said, the issue of the Soviet Union itself, that collapsed within the year.

A re-evaluation of the argument now in 2005 – though still with limited knowledge of the internal situation since this still is a Western point of view – would be that Russia and the other republics of the former SU would still be advised to concentrate on democracy, the quality of the political process, the rule of law and on communication, with a free press, education, internet and the like. Investments are required to increase productivity, but investments always depend upon choice, and voters and shareholders require quality information and democratic power to steer that choice into the right direction.

The advice of the 1991 article that the SU aspires at both economic efficiency and social justice clashes with the ‘neo-liberal’ approach of economic policy making, that has grown ever dominant since the advent of president Reagan and prime minister Thatcher. Also president Clinton and prime minister Blair have tended to continue that ‘neoliberal’ approach, while EU countries that didn’t also didn’t fare so well. By consequence, the argument of the 1991 article will seem curious to many – it may have done so in 1991 and it will surely do so in 2005. To many it seems that not ‘social democracy’ won from Stalin / Brezjnef, but ‘neoliberalism’. The question what direction economic policy should take featured strongly in the vote on the draft Treaty on the EU Constitution, in particular in France but also in Holland. In that debate, the rejection of ‘neoliberalism’ has been labelled as out-dated. The argument of the 1991 article might be seen as such too. However, as explained in my DRGTPE (2005), ‘neoliberalism’ is based upon a false economic theory. If the choices by Reagan and Thatcher were purely political, then science can only be silent. But their choices, and also the choices by Clinton and Blair, were also based upon some assumptions of economic theory that however can be shown to be erroneous. Hence, the argument of the 1991 article may seem out-dated but actually is at the frontier of science. It is very unfortunate that the directorate of the Dutch Central Planning Bureau turned to censorship and the abuse of science in 1991, and that this problem has not been solved yet in 2005.

The final comment is on the co-operation between the EU and Russia and the other republics of the former SU after 2005. First of all, the EU will recover from the misconceptions of the current draft Treaty on the EU Constitution. The evolution will be towards more integration but also with better recognition of democratic requirements and national identities and veto power. It would be wrong to see the EU only as either a traditional nation or a loose conglomerate, but, instead, the EU evolves with its own identity and characteristics. Then, secondly, the major question is what the countries of the former SU want. This is indeed the question that Karaganov posed. They have the choice to participate in this EU or go their own way. The Ukrain provides the pivotal example. It will be a tough issue for Russian politics if the Ukrain or only half of it would join the EU but Russia would not. The current state of affairs is that Russia wants to have its own independent position in the world, but, to be fair, we should recognise that also the UK, France and Germany, if not all EU countries, actually think so. The EU is only the EU. The point is that the argument of national sovereignty must only be made where it is vital, not where it is an excuse for the political leadership to maintain their own power. Once this is recognised, it can also be recognised that the republics of the former SU do not have to make up their mind in a hurry. They can take their time, go their own way, and perhaps at some later moment decide to join. I would advise, though, that they apply for membership. Such an application will help the EU to define itself. In the mean time, when the former SU republics don't apply for membership, it would be advisable that there are more possibilities for economic co-operation with continued support for the process towards democracy. It is interesting to observe that also Holland with its mature democracy still has to learn what that concept means, and that censorship of science is no good idea. It will help when all countries consider the constitutional amendment for an Economic Supreme Court, so that their citizens and political bodies are provided with adequate information.

Literature

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