

Enable Russia to help itself

World developments in the 1990s show a worrisome parallel to the 1930s with the Great Depression. Present-day Russia reminds of the pre-war Weimar republic, where a devastated economy and weak democracy allowed Hitler to take power. Western nations in the 1990s hinder trade with Russia and the Eastern nations for fear of unemployment at home, as they did in the 1930s with Germany. If trade were stimulated instead of hindered, Russia could regain economic and political stability by itself. The moral problem is not external and does not concern whether Russia would need financial aid. The moral problem is internal, and concerns whether Western political leaders are willing to face their own errors that cause the present mass unemployment at home.

Russia is shrouded in a veil of doom. A nation once proud about its achievements, is now, as so many feel, humiliated in the face of history. A loss of empire, a collapse of economic security, some coup attempts in both Kremlin and Duma, a rising reign of violence by a mafia in the main cities and by full-blown fighting at the geographical fringes, and a political arena that smells more of fear than of confidence. Like the Weimar republic in pre-war Germany, Russia has been subjected to the rules of chaos, and yet again the odds are risky - and risky for the world at large.

Something needs to be done. Something smart, something humane, something effective and efficient, and something courageous. Therefore, something which is not likely to happen quickly. However, there is one single possibility that is very much worth of our attention. It is something what we actually could do. And what - given the risks of this moment - we should do

It is *trade* that will help Russia and the Eastern nations to recapture economic security and thereby gain political stability. And, since it is our fear of unemployment that motivates us to block that trade, Western nations should tackle unemployment at home directly.

Parallel

Our comparison of present-day Russia with pre-war Germany is no coincidence. World developments in the 1990s show a worrisome parallel to the 1930s. The 1930s suffered from the Great Depression. In the 1990s the world is again plagued by mass unemployment. Again there is a major region that is economically devastated and that desperately needs access to the world market, and yet again the other wealthier nations hinder that entry, while concentrating shortsightedly on their own problems at home, and neglecting the consequences of neglect. The West might want to reduce the risk of a Russian disaster, but not at the cost of jobs at home. Trade barriers are there to keep cheap Eastern products from “flooding” its home market. Europe throws in huge subsidies for its agricultural exports. Western tariffs or quality requirements are pitted against Eastern exchange rates, in a war on trade whatever its consequences on economic and political stability.

The West is digging in and seems to repress the recognition that history is repeating itself. Again the world finds itself in a deadlock, and yet again chaos feeds on it.

But we should remember the trade war of the 1930s and the rise to power of Adolf Hitler ! In the 1930s the same mechanism of trade, unemployment and political instability applied. In this period it was Germany that was the weak nation. The Versailles Treaty of 1919 that ended World War I put Germany under a huge reparations bill. The world forgot that the war had been started by an autocratic Kaiser and that Germany now had a new, fledgling democracy. To pay that bill, this weak democracy was obliged to cut imports and to spur exports. The reparations bill worked like a foreign tariff that took away funds that could have been invested otherwise. By the end of the 1920s Germany defaulted on its international debt - and thereby indirectly caused the Wall Street Crash of 1929. Thereafter, all nations scrambled for the life-boats. Nations feared for their home markets and employment, and defended themselves by exchange rates and tariffs. In their fear they made things only worse. The German economy collapsed, and on the teutonic waves of resentment its weak democracy toppled and Hitler took power.

Let us now compare: Is the Russian democracy anything other than new and fledgling ? Have its generals not tried to seize power ? Have its tanks not roared against its very own Parliament building ? Has its economy not dropped by a third? Or conversely, have all its nuclear weapons and uranium stores been safely secured ? Have the Western nations done their utmost in opening their markets ?

Risk not chance

Of course, there is a glimmer of hope. The Russian capacity for suffering is impressive. Few nations could sustain this suffering and national disgrace without lapsing into resentment, cruelty and violence on a much larger scale than we actually see in Russia. The West has provided some funds and done something more. The world is not at war and may not be at war for some time. The probability that things go right is large, and there is only a small chance that things go wrong.

But please consider: If the only glimmer of hope is that *the world is not at war*, then the situation is quite depressing. Hope is not the point, and neither likelihood nor expectation. The point is risk. Risk comes from the arithmetic of loss multiplied by chance. Thus: $\text{risk} = \text{loss} * \text{chance}$. If things go wrong in Russia then the consequences will be huge, and a small chance *times* a huge loss gives *a risk too large*.

Internal not external

The West should open its eyes and see the economic logic. Eastern nations need to take part in the international economy and thus need modern Western equipment. To buy the latter goods they need the proper currency. Either someone *gives* them that foreign currency, the dollars, yen or marks, or they have to *earn* it themselves by exporting. To simply give them credit, on the scale required, is absurd. Therefor it is access to Western markets that is essential for those nations and for political stability. Indeed, if they had access, and if the flow of trade were to start,

then the World Bank and IMF could extend credits and thereby fuel the process towards stability.

At the same time, economic science tells us that it is not trade that has caused present Western unemployment. Marking trade down as the culprit, and using trade barriers to solve a situation that trade has not caused, only makes things worse.

The moral problem is internal and not external. The cause of present-day unemployment in Western economies is internal management and not external trade. There is a failure within the internal co-ordination of macro-economic policy, a failure by our very own governments. Western nations could tackle their unemployment problem at home - if only our political leaders were willing to take a hard look at their own internal policies.

The historic parallel also concerns the current lack of attention for the internal question. Policy makers that concentrate on an external trade war neglect the internal opportunities. There is the following sobering story about the economist John Maynard Keynes. From the early 1930s Keynes advanced his solutions to the Great Depression, and this culminated in his 1936 book that changed macro-economics. Policymakers could have reacted already in the early 1930s, ... but only did so after World War II had already begun.

Conclusion

We might ask: Do we care about the peoples of Russia and the Eastern nations ? And should we act with economic sense ? However, those questions are imprecise. The real question is whether our leaders care so much that they will reschedule their busy agenda's and really look into a problem that they cause themselves.

There is every reason to believe that political leaders are quite deaf on this. So pray that there will not be a new world war. So shout to your political leaders: Stop that trade war !

Do something about external trade tariffs and internal unemployment. Enable Russia to help itself.

Thomas Cool
Rotterdamsestraat 69
2586 GH Scheveningen
Holland

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Internet: [Http://econwpa.wustl.edu/months/mac/9508.html](http://econwpa.wustl.edu/months/mac/9508.html) and [9509.html](http://econwpa.wustl.edu/months/mac/9509.html)
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