

IN CONVERSATION WITH BY MASHA UDENSIVA-BRENNER

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THE RUSSIAN ECONOMIST ON HIS CAREER, HIS INVOLVEMENT ON THE KHODORKOVSKY PANEL, AND HIS DECISION TO LEAVE RUSSIA

In late April 2013, members of the Investigative Committee of the Russian Federation arrived unannounced at the office of the economist Sergei Guriev, then rector of the New Economic School (NES), with a search warrant, and seized the previous five years of his e-mail—45 gigabytes worth of correspondence. For two months, Guriev had cooperated with the Committee as it repeatedly contacted and interrogated him as a "witness" in the original case against Mikhail Khodorkovsky, the imprisoned chair and CEO of the now-defunct Yukos Oil Company (in a surprising turn of events, Khodorkovsky was pardoned and released by President Vladimir Putin on December 20, 2013.

three-and-a-half months after my interview with Guriev). The day his e-mail was confiscated, he understood that he was not just a "witness" but, rather, a suspect.

Guriev, a prominent public intellectual who had advised the Medvedev administration, became involved with the Khodorkovsky affair in early 2011, after President Medvedev's Human Rights Council asked him to prepare an evaluation about the validity of the second round of government charges against the oil tycoon and his partner Platon Lebedev. This request, Guriev says, was driven by public opinion. "Everybody was outraged because the second case was obviously fabricated." Guriev participated as one of nine independent experts who did not know each other's identities. They presented their findings during a press conference in December, where each expert concluded that the evidence used to charge Khodorkovsky was insubstantial. The court and the prosecutors in the case dismissed the evaluations, says Guriev, and nothing changed for Khodorkovsky. Though this was traditionally a sensitive topic for the Russian government, the experts faced no consequences, and the matter was forgotten.

However, once Vladimir Putin returned to the presidency in May 2012, the spokesman of the Investigative Committee announced plans to assess the experts' "independence and objectivity." Starting that fall, the panel members were investigated one by one. In April, Guriev realized the severity of the situation. He bought a one-way ticket to Paris, where his wife and children were already living, and left Moscow for good. In late May, he resigned from his public positions.

Though he was an open critic of the Russian government, Guriev was also its eager adviser—a man who used his influential status to better his country. He had managed to do what seemed impossible in Russia: during the nine years he was rector, NES became a private, competitive, independent, and internationally renowned institution with its own endowment during a time when such institutions did not exist.1

I spoke with Guriev over Skype on September 4, 2013, four days before the mayoral election in Moscow.

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Masha Udensiva-Brenner: Let's rewind a couple of years. How did you end up on the Khodorkovsky panel in 2011, and did you perceive any risks at the time?

Sergei Guriev: From what we now know, they had asked quite a few people to participate, and many said no. In my case, it was very simple; I got an e-mail from Tamara Morschakova [former deputy chair of the Constitutional Court of the Russian Federation] and Mikhail Fedotov [chair of the Council for Human Rights] inviting me to prepare an evaluation. And so I did. I didn't know who else was on the panel, I didn't know anything about the implications, but I was asked to prepare my opinion. I read hundreds and hundreds of pages of documents; they are still on the web, so everybody can do the same. Then I wrote an evaluation. At some point Tamara Morschakova gave me further questions, and I answered those as well. And that was it. Then, in December 2011, there was a press conference presenting nine such evaluations; I was one of these nine experts. Out of nine people three were foreigners and six were Russians.

In 2011, I had known there was a risk, but I also knew that it's very hard to say no when the president asks you to speak about something within your professional domain. It's very hard to say no because I am a professional, I am an economist who is working in the field of corporate finance, vertical integration, and the Khodorkovsky case, the second case, was within the realm of my expertise.

Udensiva-Brenner: At the time, what did you speculate the risks might be?

Guriev: I didn't have any idea. Just before President Medvedev came into office, it was very clear that speaking in favor of Khodorkovsky was unwelcome. But, I thought that since the Presidential Council on Human Rights was interested in my opinion, the situation was probably changing. It doesn't really matter that much; academics should always say what they want, what they think is right, and this is, I believe, the most important part of our profession—intellectual integrity. This is what we teach our students, I'm sure this is what students at Columbia are taught, and I think we need to practice what we preach.

Udensiva-Brenner: Can you describe your relationship with Mr. Medvedev?

Guriev: I don't know Mr. Medvedev closely. I talked to his advisers, I've been a member of several advisory bodies that advised him,

A testament to the school's success is the fact that Mr. Obama chose the school as the location for his now famous Moscow speech on July 7, 2009.







From left to right: Sergei Guriev giving a presentation at NES; the NES building; an NES classroom. (Photos courtesy of NES)

I've been to meetings with Mr. Medvedev, but we don't have a personal relationship—I only advised him through various advisory councils. And we have never met outside official meetings.

Udensiva-Brenner: How did you become a government adviser? Describe the trajectory of your career.

Guriev: Well, it's a very straightforward career. When I was growing up in the Soviet Union, the best and most exciting careers intellectually were in mathematics and physics, and I joined the Moscow Institute of Physics and Technology, which was the top institution in these fields at that time. I was a straight A student. I actually graduated a year ahead of time with straight As and then joined the Academy of Science. At that point the Soviet Union had disappeared. I finished in 1993, and it turned out the demand for mathematics and physics was very low and it was tough to have a competitive career in the natural sciences. At the same time, the economic transformation was so interesting and intellectually exciting. Looking around, young people were asking questions: how can we help Russia to meet the challenges of transformation? I became very excited about economics. I spent a year at MIT [later, Mr. Guriev also spent a year as a visiting professor at Princeton], I understood what economics was, and started to write academic papers. Then I came back to Russia and discovered that if you want to become an academic economist there, you have to contribute to building modern universities. It was very hard to be just a professor of economics in Russia and not contribute to building the New Economic School, and, at some point, I became its rector.

Udensiva-Brenner: Why was it so difficult to be just an economics professor?

Guriev: Outside the New Economic School, universities were not modern, internationally competitive organizations. There was no American style economics department, so if you wanted to be an international style academic, you had to build your own department, and that's what we did.

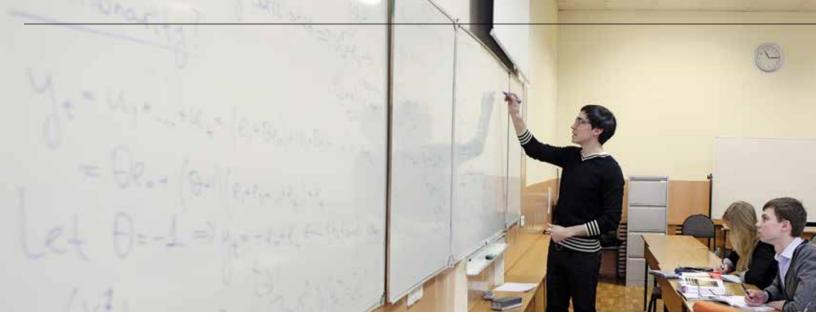
After I became rector, but probably even since I became vice rector in 2002, I realized that in order to build a university you also need to become a fundraiser, and to become a fundraiser you have to be a public intellectual; to fundraise effectively, you have to have good relations with the government, and that would work only through advising the government. One thing led to another. I was actively involved in the policy debate to raise the visibility of the school; I became involved in the media. One should also keep in mind that the Russian economics profession is actually very small, so every person spending some time in the economics debate can go a long way and become very, very well known. This is different from the United States or Europe, where there are many very good economists.

Udensiva-Brenner: How were you able to make NES an independent and transparent institution?

Guriev: The Russian legal system is such that you can do the right thing, and there are no barriers. As long as you want to admit students based on transparent exams without corruption, you can do that; it's not illegal. As long as you want to hire faculty in the international market on an open and competitive basis, no one can stop you; you just need to want to do it. At first our friends in state universities laughed at us, and then they started to follow our lead because they saw that the New Economic School's reputation was growing. It was very simple.

Udensiva-Brenner: And you also established an endowment for the school, which was something that was pretty much a foreign concept in Russia at the time.

Guriev: There are many new things that we did for Russia. There is a board to which the rector is accountable, we established an endowment, and we admitted students based on international exams; we eliminated all oral exams—a widespread Russian practice—nothing was rocket science. When you look around the world, many countries are following the same trajectory in



Class session at NES. (Photo courtesy of NES)

reforming higher education. If you want to build a good soccer team, you bring in a coach from a country that excels in soccer, and you learn from this coach. We looked at the best schools in the world and observed what they were doing.

Udensiva-Brenner: What were some of your models?

Guriev: U.S. research universities are everybody's models. You go to China, they are very different, but still they try to build schools in the way that Harvard and Columbia are doing things. You go to continental Europe—it's the same thing. You go to Korea or Israel or India—everybody has their own specific barriers, specific mentalities, specific patterns, but all believe in openness, competition, and integrity. Without that you cannot build a good university.

Udensiva-Brenner: Why have so few other schools in Russia been able to do this?

Guriev: They don't want to. It's all about whether or not you want to do the right thing.

Udensiva-Brenner: Why don't they want to?

Guriev: Reforms are always hard. And a university's reputation has a lot of inertia, so if you're a top Soviet school and you do nothing, the glow of this reputation will stay with you for twenty years. In that sense, for anybody who is thinking only about the next ten or twenty years, previous reputation is enough. But if you want to leave a legacy, then of course you need to work hard and do what's best.

Udensiva-Brenner: What do you think will happen to NES now that you and Mr. Sonin have left?

Guriev: Well, NES is not just about two people. I think NES has a great reputation; it has hired a lot of great people this year. I do think it will suffer, but it's not just about two people. There is now a search for a new rector; I quit the board and the rector search committee for reasons I will not comment on. But from what I know, there are some very strong candidates, and some of those candidates are actually much better suited for leading NES than I was; I think NES will have a great future. It would make me very happy if NES ends up going further than I could take it.

Udensiva-Brenner: Another institution that thrived during your involvement with it is Sberbank. You wrote in the New York Times that it went from "a sleepy Soviet institution to a modern, competitive international institution." Can you tell us a bit about the success of that organization?

Guriev: Sberbank is another example of the fact that if you want to do the right thing, you can do it. Of course Sberbank has the advantage of being virtually a monopoly in Russia, but, actually, that only creates the incentive to do nothing. Yet when Mr. [Herman] Gref became CEO, he thought that Sberbank should be competitive, and he introduced a lot of reforms. He had to replace a lot of people, including people at the top; he invested a lot in training people. Again, many things are different in Russia from other countries, but the basic principles, which are meritocracy, competition, openness, and, in the case of Sberbank, attention to customers—a new concept in Russian retail services—can already take you a long, long way. And Sberbank still has a lot to do, but everybody who walks into the Sberbank office today knows that it's a very different institution from what it was five years ago.

Udensiva-Brenner: You've been warning the Russian government to adopt more open and transparent economic policies for years to stimulate investment, to diversify the economy. But now Russia appears to be on the brink of recession. What's going on?

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Guriev: In our book, Russia after the Global Economic Crisis, which came out in 2010—Professor Frye wrote a chapter for it—Aleh Tsyvinski and I described the "70-80 Scenario," where we predicted that if oil reaches \$70 or \$80 per barrel, Russia will probably become Brezhnevist (like in the 1970s or '80s). There will likely be no reforms, and the economy will stagnate despite high oil prices; of course, at that time, \$70 to \$80 looked high.

Today oil prices are at \$100, and in that sense we made a mistake, but even still, Russia is back to the 1970s and '80s patterns of stagnation, and this is exactly what we warned about. When we wrote that chapter in 2009, we couldn't even dream of \$100. Today the government isn't fighting corruption; it is increasing rather than decreasing the intervention of government companies in the economy.

Just to remind you—in 2013, there was a nationalization rather than privatization of TNK-BP by Rosneft. This is larger than the entire three-year plan for privatization. We're talking about \$40 billion paid in cash for shares in a private company. And there are some other nationalization deals, so it is no wonder that investors are leaving Russia and that there is capital outflow despite high oil prices and low sovereign debt; money is leaving Russia and going to Europe.

And the other thing is the price of Russian stocks. Russian stocks are twice as cheap as, say, Brazilian or Indian stocks; this is something that suggests investors are voting with their feet. They no longer believe in the government's promises.

Udensiva-Brenner: In attempts to introduce some much-needed reforms, you participated in the Open Government Initiative. Can you tell us about that?

Guriev: It was a very important initiative for me. After Mr. Putin decided he would be elected in 2012, Mr. Medvedev had several months remaining of his presidency, and he decided to launch it. We gathered a group of experts, associations, think tanks, and government officials and discussed various initiatives. Now, I think many of them have been pushed back and shelved. I should say, for example, that I am very sorry to hear that the Amnesty for Entrepreneurs, which was established to make sure that tens of thousands of people were freed, is now about dozens of people being freed. I am also sorry to hear about the delays with other

initiatives. But I think one area where we really succeeded was making sure that the government was clear about its priorities, and that it quantified them and made them public. And today, it's very easy to check what the government promised. If you look at the decrees—the eleven decrees that Mr. Putin signed on May 7, 2012, when he came into office after the inauguration—you will see that they contain a lot of quantitative indicators: what has to be done in economic policy; social policy; education policy; demographic policy; foreign policy; and now we can compare the performance of the government and its promises. And through this mechanism, we can, at least in public debate, hold the government accountable. And Mr. Putin takes these decrees and promises very seriously, and occasionally he criticizes his government for not delivering.

Udensiva-Brenner: For instance?

Guriev: There was a meeting in May 2013, a year after Mr. Putin came into office and signed these decrees, when he asked his government to prepare a report on how they were doing, and Mr. Surkov said: "We're doing okay; we performed 70 percent of what we promised." Mr. Surkov was fired. But we are talking about many, many things that are not being implemented. For me, the most important things are of course the deregulation of the business climate—Russia promised to become number twenty in business climate rankings by 2018, number fifty by 2015, and so far it is not doing very well on this indicator. Also, Mr. Putin promised to privatize everything except defense, natural resources, and natural monopolies before 2016; this promise is already being reneged on, and the government is now preparing a different privatization plan. But in any event, I think this is going to be an important benchmark against which the public can judge the government.

Udensiva-Brenner: You've done a lot to help the government. How were you able to walk the fine line between being its critic and adviser for so long?

Guriev: Apparently, I haven't really been able to walk this fine line. But I'm not sorry about anything; at each particular moment I tried to do what I thought was right, but eventually, as it turned out, it wasn't safe. I couldn't combine doing the right thing and being safe, and so I had to leave. But in general, this is how it works—you try to do what you think is right, and then whatever happens, happens. I think the fact that I did that for many years

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meant the government was okay hearing some criticism, until last year; but last year things changed.

Udensiva-Brenner: What is it about Mr. Khodorkovsky in particular that's such a sore spot for the Putin administration?

Guriev: I think you should ask Mr. Putin. One can speculate that Khodorkovsky was a threat for the government because he had a lot of money and was thinking about interfering in politics. They decided to send a strong signal, not just to Khodorkovsky, but to everybody else in the business community: If you have a large business, don't interfere in politics, or you will follow Khodorkovsky's path. It's not only Khodorkovsky who suffered, but his partners, people who decided not to testify against him, his colleagues. This "scorched earth" tactic is meant to send a very strong signal; basically, every business leader who reads this signal knows that it's not only he/she who can follow Khodorkovsky, but also his colleagues, and his company, and his employees may become a target.

Khodorkovsky's story doesn't only test the courage of business leaders but also puts them in the position of thinking about hostages. In this sense, putting Svetlana Bakhmina, Vladimir Pereverzin, or Vasily Aleksanyan in jail is a very important part of the Khodorkovsky affair. It's not only about Khodorkovsky's personal courage, but also about making sure that Khodorkovsky feels even worse, and that the people who think about Khodorkovsky's fate also think about the hostages.

We see the same logic in the Navalny-Ofitserov affair; Pyotr Ofitserov, who's done nothing wrong, got a jail term because the government wants to tell Navalny, "Look, this person is suffering because of you." They are also sending a message to everybody who works with Navalny. "Since you're supporting Navalny, and Navalny is against the government, you will suffer even if you haven't done anything wrong."

Udensiva-Brenner: You've donated to Mr. Navalny's foundation, and you're involved in planning the economic program for his campaign. Can you tell us about that?

Guriev: In May 2012, Alexei Navalny and Vladimir Ashurkov, the head of his foundation, reached out to me and said, "How about you publicly donating a small amount of money?" And I responded, "I'm not a rich person, I can only donate a small amount, but I am not afraid to do it publicly." My wife joined me in this decision. Sixteen people did that, there was a public announcement, and I don't think there was anything wrong with it. At that point, I wasn't yet part of Navalny's team.

Around this time, I also wrote a special op-ed piece arguing that whenever a person like Navalny is fundraising, it is very good that it's done publicly, that nobody is afraid, and if Prokhorov or Medvedev or Yavlinsky come to me and ask, I will also be happy to give them the little money I have. But at that point, Prokhorov didn't need my money, Medvedev didn't want to run, and Yavlinsky was not allowed to run; the only person who asked me for money was Navalny.

After I left Russia and resigned from the leadership of the New Economic School, Navalny came back to me and asked if my wife and I would join his team and help to prepare his program. This was a person who was facing a real prison term and still fighting, working, engaging people, and not shutting up; such a brave person deserved all the support he could get. Again, I could not say no. So, we participated in writing the program, which was presented on July 1, we kept providing him with advice, and various input on other things presented as part of the program. The first steps were the six bills he would introduce to the Moscow parliament. I'm not sorry about it; I'm very happy and feel fortunate to be a part of this team.

Udensiva-Brenner: You recently wrote an article for Project Syndicate that discusses the importance of this mayoral election for Russia, regardless of whether or not Mr. Navalny wins; it's the first competitive mayoral election in Moscow. Can you elaborate?

Guriev: There are many groundbreaking elements to this campaign. It is indeed a more competitive election than Moscow has ever had. I think in an honest election, Mr. Navalny has all the chances. I would like to remind you that United Russia did not







From left to right: a group of NES students singing a comical song about their classes and professors; Sergei Guriev; an NES classroom. (Photos courtesy of NES)

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get the majority of the vote in Moscow City in 2011. Mr. Putin did not get the majority of Moscow City's votes in the presidential election—in that sense, there are reasons to believe that maybe there could be a runoff and a victory for an opposition candidate in Moscow City.

The campaign is not honest. It's much more competitive, much more open than other campaigns, but it's not honest; we expect a lot of fraud, but that is a different story.

Another thing, which is completely groundbreaking, completely unprecedented, is that this is a door-to-door grassroots campaign, and we've never seen that in Russia. Navalny brought together thousands of volunteers; he raised several million dollars—again quite transparently. And this is very important. It changes the political style completely and already now, we see that people are asking opposition candidates, "Why aren't you doing a Navalnystyle campaign in your particular city or region?" And some opposition leaders are actually doing it. It requires a lot of hard work, it requires good ideas, charisma, but this is what political leadership is.

Udensiva-Brenner: Why do you think the authorities are allowing this level of competition? Why did they release Navalny in the first place?

Guriev: This is something I can only speculate about. I think some advisers to President Putin think that a competitive election is problematic; they would like to remove Navalny from the race. Others probably want to add legitimacy to Sobyanin's election; they still believe that he can win with a landslide. They want him to be more legitimate. Why they do that I don't know; Sobyanin will immediately become a competitor to Putin. If Sobyanin wins this election with a large margin, it would mean that he is more legitimate than Putin, at least in Moscow, where Putin didn't get the majority of the vote.

Another theory is that authorities are afraid of people taking to the streets. Remember what happened on July 18, 2013, after Navalny got a prison term? There were thousands of people in the streets, and this was not a sanctioned rally. Before that, unsanctioned rallies would gather only a couple hundred people; now we are talking about thousands of people. Perhaps the authorities know that if they stifle competition, they will not have enough prison cells for the protestors. But this is something I can only speculate about.

Udensiva-Brenner: Recently, given what's happened to you, and the anti-LGBT laws, and the NGO crackdown, the Russian government has come across as increasingly repressive. Some speculate that these measures have been taken in an attempt to distract Russians from things that really matter, like the economy. What's your take?

Guriev: I think the antigay laws and anti-orphan laws are so cruel, and stupid, and counterproductive; it's very hard to find the rationale. But maybe indeed—and I can only speculate—some people think it would work out for the majority of Russians if they find an enemy, then argue that all the economic troubles are because the enemy doesn't allow Russia to prosper. This is why anti-Americanism is so high in Russia, the laws about foreign agents are very important, the anti-orphans law, what's called the Dima Yakovlev Law, is very important, and then of course, homophobia is also very convenient.

This is a dangerous path, a dead end. You cannot really rely on homophobia or xenophobia, or persecution of other minorities: young Russians are growing up, as they become richer they learn more and more, especially through the Internet, about the world around them, and homophobia cannot lead Putin to success with the majority. I think this is a short-term tactic that may work, but in the long term this is a dangerous and painful path, and I would advise strictly against these laws if I were in Russia, but this is not something I can do anymore.

Udensiva-Brenner: Yet you mentioned in an interview you gave for GQ Russia recently, that Russia's reputation is much worse than its reality. What did you mean?

Guriev: I meant that while the Russian reality is very bad—the homophobic laws are real, the anti-NGO laws are real; many things that Russians have gotten used to are actually real—the reporting on Russia is even more negative. Journalism works this way; it's easier to report bad news from Russia than good news. Its reputation is indeed worse than the reality, but the reality is pretty grim. All these things you mentioned are true. If you had asked me two years ago whether I could imagine the Dima Yakovlev Law or the antigay laws, or the freedom of speech restrictions on the Internet, I would not have really been able to imagine that; now it's a reality.

Masha Udensiva-Brenner: What are some of the things you think might be embellished by the Western press?

Guriev: No, no, no, the Western press always reports the truth; it's just that the Western press doesn't report good news.

Udensiva-Brenner: What's some good news that it has overlooked?

Guriev: Wow, well, that's not easy to come up with. But, I think that the fact Navalny is free is good news. There is a lot of good news surrounding the IT business, private equity business, venture capital business. There are many, many entrepreneurs in Russia who succeed despite all odds. There are many success stories that get underreported in the West.

Udensiva-Brenner: Many blame Mr. Putin for Russia's problems and believe that his removal would likely improve things, while others argue that his removal wouldn't really change much because the problems lie in the institutions and in the mentality of the people and the way society is structured. What do you think?

Guriev: All of this is true. The current government has done a lot to destroy institutions and instill the feelings of cynicism and mistrust in the society, which makes it very hard to recreate modern civil society, modern political organizations; this is exactly where Mr. Navalny is doing so well. By making people excited about his campaign, bringing in volunteers, getting people who never met him to donate money over the Internet—this is a great, great development, which will contribute exactly to addressing these skeptics' concerns. But generally, of course Russia needs better institutions, and I fully agree with Mr. Navalny, who says that it is much more important to build an effective and independent judiciary system than to build nanotechnologies or roads or tanks—without fighting corruption you cannot really build anything. The current government has done a lot to destroy the court system; without fixing it it's going to be really hard to see a developing Russia. But I remain an optimist; I think both of us will see a prosperous and democratic Russia.

Udensiva-Brenner: What would it take for you to return to Russia?

Guriev: I would have to feel that there is no risk of losing my freedom. So far, because the Khodorkovsky case is still open, and I'm still a witness, while there are no charges against me and I've done nothing wrong, I know for sure that this is not a safe place to be. I'm very happy that I'm in a different country from the investigators and judges who harassed me.

Udensiva-Brenner: Where do you see your career headed?

Guriev: We'll see. I'll look for a job here. I now have a visiting position at Sciences Po in Paris; it's a great institution; I'll see where I get a permanent job. But, so far I see myself as an academic. I'm happy to help Alexei Navalny in his campaign, but generally I am most likely to end up as an academic, which I think is a great profession; finally, I can concentrate on my research.

Udensiva-Brenner: You've been interviewed a lot lately; is there anything that you've wanted to say that no one's asked you yet?

Guriev: I've been asked everything. My interview for *Snob* magazine was published online today, and everybody's calling me because when I was interviewed, I was almost crying at some point, and this is all over the interview, and so I've probably talked to interviewers too much, and people are making fun of me that I'm being interviewed too much. I think it's okay.

Some people see me as a victim. Indeed, I did have to sacrifice a lot. I am also very unhappy that I could not deliver on my obligations and promises to my colleagues at the New Economic School, to partners of the New Economic School, to donors of the New Economic School, to faculty of the New Economic School, and students, but I cannot really see myself as a victim when I think about people who are now imprisoned in Russia. Especially Bolotnoe Delo [the Bolotnaya Square Affair] prisoners, normal people like myself, who are in prison based on completely made-up accusations, and of course about Mr. Navalny and Mr. Ofitserov, who face terms based on a completely fictitious case, so in that sense I just cannot complain.

Since the time of our interview, Guriev continues to live in Paris and teach at Sciences Po. Navalny lost the Moscow mayoral race on September 8, 2013, coming in second with 27.24 percent of the vote—much higher than his opponents expected. The prison sentences for Navalny and his codefendant, Ofitserov, were suspended by a court in Kirov on October 16, 2013. The conviction will not be removed from their records, and, as a result, Navalny, who had planned to run in the 2018 presidential election, will be barred from doing so.