

Tenth Annual Monetary Conference

Ex-Communist Nations Need Sound Money, It's Agreed; Currency Boards, Gold-Backed Ruble, or Free Banking?

Successful passage from socialism to capitalism. That was the consensus of the international group of market liberals who met in March at the Cato Institute's 10th Annual Monetary Conference, "Money in Transition: From Plan to Market." The two-day Washington conference, directed by James Dorn, vice president for academic affairs, featured monetary experts and policymakers from several countries, including Russia, Ukraine, and Czechoslovakia.

A high point of the conference was the luncheon speech by Vaclav Klaus, finance minister of Czechoslovakia. Klaus spoke about the difficulties of making the transition from a command to a free economy. Other speakers who

have had direct experience with economies moving away from socialism were Oleksander V. Savchenko, former senior deputy governor of the National Bank of Ukraine; Oleg Bogomolov, an adviser to Russian president Boris Yeltsin and director of the Institute of International Economic and Political Studies; and Nikolai Petrakov, director of the Market Institute at the Russian Academy of Sciences and former economic adviser to Mikhail Gorbachev.

Savchenko discussed the problems of a separate currency for Ukraine. Bogomolov and Petrakov addressed the need for privatization and monetary stabilization to avoid hyperinflation. Bogomolov said hyperinflation could be prevented by quickly privatizing housing and capital assets and by anchoring the ruble to a commodity-backed parallel currency (chervonets) that would be freely convertible into hard currencies.

Other methods of transition were proposed by several speakers. Steve Hanke of Johns Hopkins University presented his and Kurt Schuler's widely discussed proposal for a currency board, under which the ruble or new currencies in the former Soviet republics would be fully backed by a Western currency. Alan Reynolds of the Hudson Institute proposed a gold-backed ruble similar, ironically, to that introduced by Lenin in 1921. Annelise Anderson of the Hoover Institution called

for free banking and the private, competitive issue of currency.

Among the other participants were Malcolm S. Forbes, Jr., editor-in-chief of *Forbes*; Judy Shelton of the Hoover Institution; Anna J. Schwartz of the National Bureau of Economic Research; Allan H. Meltzer of Carnegie Mellon University; Pedro Schwartz of National Economic Research Associates; Paul Craig Roberts of the Center for Strategic and International Studies; Jerry L. Jordan of the Federal Reserve Bank of Cleveland; Wayne Angell of the Federal Reserve Board of Governors; Peter Boettke of New York University; George Selgin of the University of Georgia; Franklyn Holzman of Tufts University; and Cato chairman William Niskanen.



Malcolm S. Forbes, Jr., editor-in-chief of *Forbes*, opens the monetary conference with a discussion of money and the market.



Czechoslovakian finance minister Vaclav Klaus gives the luncheon address at Cato's Tenth Annual Monetary Conference.

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