

## THE NEW ECONOMIC SCHOOL

The New Economic School, an independent graduate school of economics in Moscow, was established in 1992. NES was formed as a partnership of the Central Economic Mathematical Institute (CEMI) of the Russian Academy of Sciences and the Hebrew University in Jerusalem, along with a group of Western economic professors, all with the approval of the Russian government. NES is a Russian institution, governed by a Russian administration, with the very active participation of an International Advisory Board. NES offers a two year, graduate (Master's) program in economics, similar to programs in the top Western institutions. Through its research center, it trains its students and staff in modern research methods. In this way, NES is engaged in the training of a new generation of professional economists for Russia. Such professionals are critical for Russia's transition to a market economy and for full participation in the global markets. NES has already become the model for a similar school in Ukraine, and for new institutions planned elsewhere in the former Soviet world.

### *The Missions of NES*

As it enters its second stage of development, the missions of NES in the coming years are:

- to create a full-time faculty of economists (replacing the current visiting faculty with full-time, mostly Russian faculty is a critical step to making NES a self-sustaining institution);
- to further develop our research center & research opportunities, which serve not only NES faculty but also returning NES graduates;
- to contribute to the upgrading of economics teaching and research throughout Russia via an active outreach program;
- to provide the public sector and the growing market economy in Russia with professional economists, and to offer them a long-term program of continuing education and training for their work.

It is our expectation that, as we reach each of these goals, we will be making NES the center for a network of modern economics in Russia, keeping close academic contacts with the international community of economists.

### *The Students and Graduates*

NES admits applicants with a minimum of three years of university education in any discipline but with the majority coming from economics, mathematics, computer science and natural science backgrounds. Prospective students must pass the School's stringent entrance examinations in English and mathematics, and then be selected through an interview process. Competition to gain entry has been intense with the School attracting top students from the best Russian and CIS universities.

During the first six years of NES, **nearly 80 of the 180 students that graduated from NES have pursued Ph.D. studies**, primarily at the best universities in the U.S. and Western Europe. These students represent the best and brightest of all students studying economics in Russia. The first two classes are nearing completion of their Ph.D. studies abroad. They are preparing to return to Russia to assume academic and high-level professional positions. Three of these graduates have already received their doctoral degrees, one each from Harvard, MIT and Manchester, and they are all working in Moscow. **The remaining one hundred NES graduates, have accepted positions as professional economists in the Russian government, the Central Bank of Russia, as well as foreign and Russian companies.** A few among them assumed teaching jobs at NES and in other universities.

### *Governance*

The governing bodies of the School are the International Advisory Board (IAB), the Rectorate, and the Academic Committee.

The current membership of the International Advisory Board is comprised of:

Professor Gur Ofer, Hebrew University, Coordinator  
Academician Valery Makarov, Director of CEMI and Rector of NES  
Professor Victor Polterovich, CEMI and NES  
Professor Roman Frydman, New York University  
Professor Beth Allen, University of Minnesota  
Professor Gerard Roland, Free University of Brussels  
Professor Barry W. Ickes, Pennsylvania State University  
Professor Bronwyn Hall, Berkeley, University of California  
Professor Jan Magnus, Tilburg University  
Professor Andreu Mas-Colell, University Pompeu Fabra and Harvard University  
Professor Erik Bergloef, SITE, Stockholm School of Economics  
Professor Olivier Blanchard, MIT

The Rectorate manages the day to day operations of the School. The Academic Committee is formed from IAB members, professors, lecturers, the Dean of Students and representatives of the NES principal office holders.

### *Current Funding*

During its first six years, NES was fortunate to be supported by an increasing number of Western foundations. The first grant to start operations was awarded by the then **Soros Foundation (now HESP of OSI)** with significant, subsequent support being provided by the **Eurasia Foundation, the Ford Foundation, the MacArthur Foundation, the World Bank and Citibank Foundation.**

In order to facilitate fundraising and public relations activities, NES established a tax-exempt organization in the U.S., *The American Friends of NES (AFNES)*.

### *Future Funding Needs*

Until recently, the majority of financial support for NES was on an annual basis. As we move to the second stage of development, we must secure a more stable and long-term funding base for the school. In a meeting of existing and potential supporters of NES in June 1997, an effort to establish such a base was initiated. We have since secured commitments of long or medium-term support from HESP, the MacArthur Foundation (3 years grant), the Ford Foundation (a second, two year grant) and the World Bank (verbal commitment).

Aside from the HESP grant, however, financial support has been focused on research and outreach. These are critical activities, but research and outreach cannot survive without the development and support of the enrollment and scholarship program. Therefore, an ideal form that financial support can take is by providing endowed professorship positions. Such support will directly aid the recruitment efforts. Another valuable form of support involves financing a number of two year scholarships.

### *Budget*

The budget of NES for 1999-2000 is approximately \$1.5 million.

Academic Program	\$711,267
International Advisory Board	\$130,000
Study Abroad of NES Graduates and Teachers:	\$119,500
Research Center at NES:	\$359,667
Outreach Program	\$178,667
Recruiting	\$20,000
Total	\$1,519,101

### *Loan Fund*

As NES evolves a key source of revenue will be a program of tuition combined with a *loan fund*. It is outside of western experience to operate an economics graduate school based on tuition, and so it is in Russia as well. It is possible, however, to charge tuition if this is combined with a student-loan program. Such a program would allow NES to charge a significant tuition to cover the costs of education. Students would pay back the loans once they have graduated and obtained full-time employment.

To make a student loan program feasible it is necessary to obtain a loan fund. Interest rates on student loans will have to be heavily subsidized to make this affordable. In the steady state repayments will match expenditures so that the size of the fund is constant. To

reach this state, however, will take time, as new students take out loans before repayments begin. The initial fund will thus have to be large enough to support the transition to the steady state.<sup>1</sup>

### *An Endowment*

Funding based on annual or multi-year grants was a satisfactory means of finance when most of the teaching at NES was conducted on a part-time or visitor basis. As we move to a faculty made up of full-time, tenure-track people we need to convert to a more stable means of finance. This is critical for recruiting as potential candidates may be reluctant to relocate to NES if they harbor strong doubts about our future financial position.

To move NES to a more stable financial situation it is critical to create an endowment. George Soros has recently agreed to convert his contributions to NES to an endowment as the basis for a capital campaign for NES. Along with the implementation of the tuition-loan program, success in the capital campaign will play a critical role in achieving long-run financial stability.

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<sup>1</sup>For 50 students per year (entering size) and a 2% interest rate, a fund would need to grow to around \$2.5 million before the steady state is reached.