

Overview: In this issue of showCASE, we feature an exclusive interview with CASE President Dr. Christopher Hartwell, in which he talks about the four years he has spent with CASE and his impressions on living in different countries of the former Soviet Bloc. We also analyze the recent wave of protests in Iran, trying to uncover its causes and predict the consequences.

Interview with Dr. Christopher Hartwell, President of the Management Board of CASE

Conducted by: [Klaudia Wolniewicz-Slomka](#), CASE Economist



Dr. Christopher Hartwell

What was your main motivation behind applying for the position of CASE president?

Having done my PhD at the Warsaw School of Economics, having worked with Leszek Balcerowicz as my advisor, and having been coming to Poland since 1996, I naturally knew CASE. I was working in Russia at a research institute at the time, and when the post came up, I felt like it was a natural fit. Also, my grandmother originally came from Poland (or rather, the bits of Poland that are now western Ukraine), and so it felt like a homecoming. Finally, I'm never one to shy away from a challenge, which CASE was facing at the time.

What was the biggest challenge you faced while managing CASE?

Several, actually. When I arrived, CASE had gone through a tough period, with so many of the first generation of CASE experts coming through, growing up, and moving out. Rebuilding CASE with the next generation was the key challenge. Additionally, being an independent think tank, we continually are on the search for sustainability, an issue which is perpetual. Both of these issues have been very challenging.

What was the toughest decision you had to make while being a president?

Personnel decisions are the toughest, as you are looking to create a coherent and cohesive team that can work well together but also work autonomously. Many times, we've just had personnel who did not fit, and it is very tough to let someone know that. I mean, you're dealing with someone's livelihood and their future, but my responsibility is to build CASE into the best think tank it can be. It does not make the decision any easier though.

What has been your greatest professional accomplishment?

That is a tough question – there are easy ones, like my latest book for Cambridge University Press, which I am immensely proud of, and whatever my latest research is that is published. But I think the fact that CASE is such a bastion of the policy community, that it has reached the heights of being a well-respected global think tank, one at the top of its game, is my biggest accomplishment. Of course, it's not something that I alone accomplished, and so much credit has to go to CASE staff for their tremendous efforts. I like to think that I played a small role in this success, but we are all in this together.

What did you like most about being the president of CASE? And what was your least favorite thing?

What I liked most: forging international collaboration, having our research out there and making an impact, and of course, the people I worked with. What I liked least: the fundraising takes its toll after a while, too much travel, and the constant hectic pace. I have described CASE as a lunatic asylum, which in many ways is true if you don't know what running a non-profit is like. If you are looking at us from the outside without knowing what hoops we have to jump through for donors and the gyrations we have to undertake to find funding, it would look like we're just gesticulating wildly. Those gesticulations get tiring after a while.

What was the most valuable lesson you have learned while at CASE?

It is important to have a client orientation but also know when to be able to push back. It's not something that can be taught, you have to know how to read the situation. It's amazing how so much of business and even running a non-profit comes down to psychology and interpersonal communication.

As CASE President, you get to do a lot of public speaking. Do you always prepare in advance or like to improvise? Do you have any tips on how to get better at public speaking?

When you get to a certain level of expertise, it is crucial that you can speak extemporaneously. Some events, especially where I'm commenting on other's research, need more preparation, and if I'm giving a formal presentation, I try to stay within the confines of a PowerPoint. If you want to get better at public speaking, like everything, you need to practice. And listen to yourself. If you hear the "umms" and "ahhhs" your audience will too.

What kind of skills do you think are crucial in order to effectively manage a think tank?

Humor above all. Persistence. Ability to absorb rejection (good for any academic, really). Pragmatic optimism, in the sense that things will get better but you have to make them so. And the ability to talk to anyone in a room, including people you disagree with so much that you have an objection to them breathing. A corollary to this is being able to agree with everyone in a room, even when they have mutually contradictory beliefs. If you can search for areas of agreement rather than discord, you can run a think tank. Cognitive dissonance is something that think tank presidents need to be able to suppress.

Previously, you worked in Moscow School of Management – SKOLKOVO and you also advised to governments and the private sector on economic policy issues in Armenia, Georgia, Kazakhstan, Moldova, Poland, Russia, among others. As you have been working in the region for a while, have you noticed any similarities/differences between the countries you worked in?

Post-Soviet is a state of mind, especially since many countries I've worked in are barely (or not at all) *post-Soviet*. The most common attitude encountered east of Berlin is the cultural sense of adherence to laws/regulations coupled with a disdain for customers. Americans have a "can do" attitude, that if there is a problem we roll up our sleeves and try many different ways to fix it. And Poles have that attitude for personal problems (car doesn't start, radiator is broken), but the minute people raised under communism get behind a desk and have some power over someone, that attitude disappears. It becomes a "can't do" attitude, sorry, the regulations say this, no, we can't waive that fee, no we cannot look into that, sorry we didn't provide a service, pay us the full amount of the contract anyway. There's a fatalism in Slavic countries (and Russian-occupied ones) that translates into "what can you do?" And thus the tiniest bit of assistance that could be rendered is immediately discounted, even if the marginal cost of trying something is negligible. That is the most frustrating thing in working in the transition sphere, the entrenched social attitudes.

Being an American, was it difficult to get used to working in Poland, in a different cultural reality?

No, subject to what I just said, but life is all about setting expectations correctly. Coming to Poland from Russia, Armenia, Kazakhstan, etc. makes the petty annoyances here manageable. If you come to Poland expecting Germany, well, of course, you don't get it. But if you come expecting Russia, you don't get that either.

What do you like (and hate) most about living in Poland?

I like that Warsaw is a small city, not overbearing but still with creature comforts. I dislike the language barrier, which is trying sometimes, and the absolutely terrible customer service of large companies (which I already alluded to). The telecoms companies are the worst, especially Play, but the banks are also fairly horrible.

When you are not running CASE, what do you like to do in your free time?

What's free time?

Who is, in your opinion, the greatest economists ever?

Hayek and von Mises have had the most important personal impact, but other economists can be great in their own way. Milton Friedman put economic concepts into plain terms, while Gary Becker showed how economics is a way of thinking, a set of tools to be used for analysis. Daron Acemoglu is incredibly important, along with James Robinson, for bringing institutions into the mainstream, but Douglass North predated them and has an even bigger influence. And for sheer ability to be interesting, Russ Roberts from George Mason University has no parallel.

Thank you.

The Landscape After the Protests

[Katarzyna Sidło](#), CASE Economist and [Radosław Sterna](#), University of Warsaw

As President Donald Trump was deciding whether or not to continue the suspension of key sanctions on Iran – which he eventually decided to [uphold](#) despite his harsh criticism of the 2015 nuclear deal – the country saw the mass demonstrations that swept through its many bigger and smaller cities slowly dying out.

The protests, which began in the city of Mashhad on December 28, 2017, erupted ostensibly over a sharp increase in the price of eggs. In a statement similar to many others issued by governments all over the world, the authorities did, however, blame “the other” – in this particular case “[counter-revolutionaries](#)” and “foreign powers” (including the United States of America) – for inducing demonstrations. At the same time, though, President Rouhani and his aides believed that it was his conservative opponents who were behind the outbreak of the protests.

The truth, as in most instances, lies probably somewhere in the middle. Having lost the presidential elections of 2017, the conservative wing connected to the Islamic Revolutionary Guard Corps (IRGC) is currently in disarray. However, the conflict between the IRGC and Mr. Rouhani and his fraction has only intensified: in July the National Iranian Oil Company (NIOC) [signed a huge contract](#) with TOTAL for the development of the South Pars gas field, and no companies connected to the IRGC were included in the highly lucrative deal. Later that month,



Photo: Reuters

Mr. Rouhani’s brother, Hossein Fereidun, was arrested by the country’s hardline judiciary “[on charges connected to financial crimes.](#)” Perhaps in retaliation, the IRGC was the subject of a crackdown by Mr. Rouhani on its business network, with a number of former IRGC officials arrested on suspicions of corruption. To say that the country’s hardliners would happily use any occasion to get back at the President is therefore not an exaggeration.

And occasions for vengeance have been plentiful. Despite a number of sanctions being lifted as part of the nuclear deal, Iran’s quasi-socialist economy continues to falter. With inflation at nearly 10% and unemployment at [12.7%](#), discontent among people is rising, especially as social assistance has been declining in real terms since 2014. Especially frustrated is the youth population, among whom unemployment rates are over [twice](#) as high as the general population. Better educated than their parents and older siblings (almost [three quarters](#) of those aged 18-24 are enrolled in some form of higher education), Iranian youths are increasingly [hopeless](#) and without prospects for a better future.

In our opinion it is most likely that the protests were indeed initially if not orchestrated than strongly backed by the Islamic Revolutionary Guard Corps, but simply spiraled out of their control. Tellingly, it was not the same people that

protested during the Green Revolution of 2009 that took to the streets this time. A decade younger (an average age of those arrested is [believed to be 25](#)), they come predominantly from smaller cities in more conservative part of the country.

The way that Mr. Rouhani responded to the demonstrations will definitely not make him more popular amongst those who were marching against him the past two weeks. While he did, to some extent, [acknowledge](#) their grievances over the economic situation in the country and said that they are “absolutely free to criticize the government,” thousands of people have still been arrested and a growing number died (at least three reportedly while in the police custody, although admittedly the arrests were made not only on Mr. Rouhani’s orders but also [Basij forces](#) controlled by the IRGC).

The protests, albeit presently waning down, will likely happen again in the future and the state of the economy and the strength of the conflict between Mr. Rouhani and IRGC (as well as the strength of the Guards’ fraction itself) will determine their timing. If they continue to occur, they may have an impact over not only Iran’s internal relations, but international ones as well. While the European Union remained conspicuously silent and refrained from commenting on the situation in the country, for Mr. Trump the demonstrations were a way to call attention to Iran’s [human rights abuses](#). Although this time restoring sanctions was taken off the table, the President is believed to be preparing new ones, “not technically related to the nuclear agreement.”

If Mr. Rouhani wants to save his country’s economy – and indeed his job – he needs to speed up economic reforms, fight the country’s rampant corruption, and curb the influence of the Islamic Revolutionary Guard Corps. Perhaps the most challenging task will, however, be convincing those Iranians who marched against him that he is fit for the job.



This week: Poland's GDP will increase by 4% in 2018, 3.5% in 2019 and 3.1% in 2020, the World Bank predicted in its latest forecast. The Bank also revised its estimates for growth in 2017, from 4% up to 4.5%. The stronger-than-envisioned growth is explained almost entirely by consumption, supported by a robust labor market, fiscal stimulus (child subsidies), and absorption of EU structural funds.

GDP (Q3 2017)

↑ **5.2% y/y (est.)**

Up from 4.2% in Q2

Inflation (Nov 2017)

↑ **2.5% y/y**

Up from 2.1% in Oct

Unemployment (Nov 2017)

↓ **6.5%**

Down from 6.6% in Oct

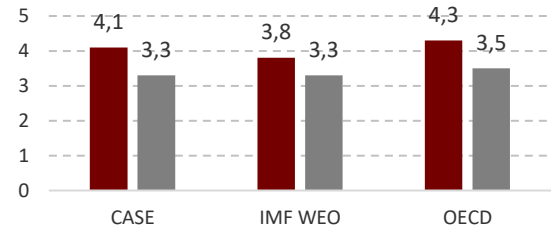
NBP Base rate

1.5%

From 2% Mar 2015

Real GDP forecast (%)

■ 2017 ■ 2018



This week: After barring Aleksei Navalny from running in the upcoming presidential elections, President Vladimir Putin made another step towards electoral victory by pledging to bring the minimum wage up to the subsistence level as of May 1, 2018. Today, the minimum wage in Russia amounts to RUB 9,489 per month (approximately EUR 139), whereas the subsistence level is at RUB 11,163 (EUR 163).

GDP (Q3 2017)

↓ **1.8% y/y**

Down from 2.5% in Q2

Inflation (Dec 2017)

■ **2.5% y/y**

Unchanged since Nov 2017

Unemployment (Nov 2017)

■ **5.1%**

Unchanged since Oct 2017

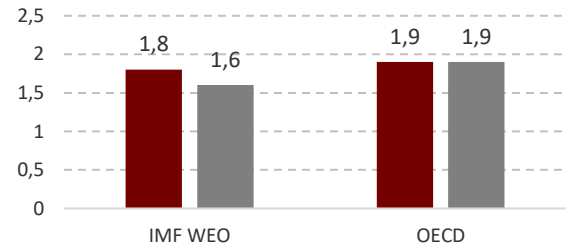
CBR Base rate

7.75 %

From 8.25% in Nov 2017

Real GDP forecast (%)

■ 2017 ■ 2018



This week: Ongoing negotiations on the formation of the new government in Germany might threaten the country's commitment to cut CO2 emissions by 40% relative to 1990 by 2020. The current government is considering postponing the 40% target to the early 2020s, keeping in place its goal of achieving a 55% cut in emissions by 2030.

GDP (Q3 2017)

↑ **2.8% y/y**

Up from 2.3% in Q2

Inflation (Dec 2017)

↓ **1.6% y/y (est.)**

Down from 1.8% in Nov

Unemployment (Nov 2017)

↓ **3.4%**

Up from 3.8% in Oct

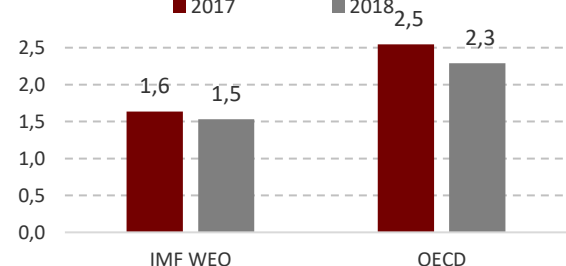
ECB Deposit rate

-0.4%

From -0.3% Dec 2015

Real GDP forecast (%)

■ 2017 ■ 2018





This week: Ukraine is going to launch its first solar plant in Chernobyl. Yevgen Varyagin, the Head of the Ukrainian-German company Solar Chernobyl, has said that the solar power plant could cover the energy needs of about 2,000 apartments. EUR 1 million was invested in around 3,800 panels, which cover the area equivalent to two football pitches. It is estimated that the investment will be recovered within the next seven years.

GDP (Q3 2017)

↓ 2.1% y/y

Down from 2.3% in Q2

Unemployment (Q2 2017)

↓ 9.1%

Down from 10.5% in Q1 2017

Inflation (Dec 2017)

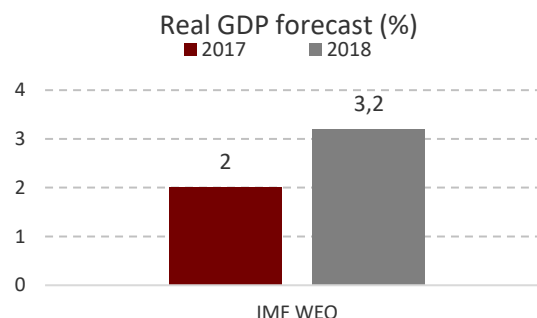
↑ 13.7% y/y

Up from 13.6% in Nov

NBU Base rate

14.5%

From 13.5% in Oct 2017



This week: A new investment strategy has been adopted by the Czech National Bank in response to the loss of 243 billion Czech korunas in 2017. The is related to an increase of reserves resulting from a termination of currency market interventions and the resulting currency appreciation. The new strategy splits reserves into two groups, one dedicated to EUR and USD currencies to ensure liquidity, and the other to longer term investments to ensure higher returns.

GDP (Q3 2017)

↑ 5.0% y/y

Up from 4.7% in Q2 2017

Unemployment (Q3 2017)

↓ 2.8% (est.)

Down from 3.0% in Q2

Inflation (Dec 2017)

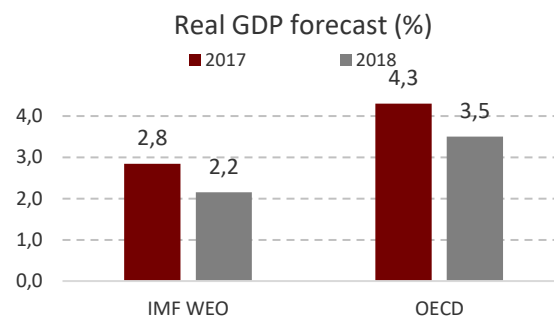
↓ 2.4% y/y

Down from 2.6% in November

CNB Base rate

0.50%

From 0.25% (3rd November 2017)



This Week: Hungarian Prime Minister Viktor Orbán gave a lecture at the economic forum of German companies “WELT Wirtschaftsgipfel 2018,” which took place on January 10, 2018 in Berlin. He said that Central European countries “have serious handicaps to overcome in terms of infrastructure,” adding that his country would approach China for financial support in case the support received from the EU proves unsatisfactory.

GDP (Q3 2017)

↑ 3.9% y/y (est.)

Up from 3.3% in Q2

Unemployment (Q3 2017)

↓ 4.0%

Down from 4.3% in Q2

Inflation (Nov 2017)

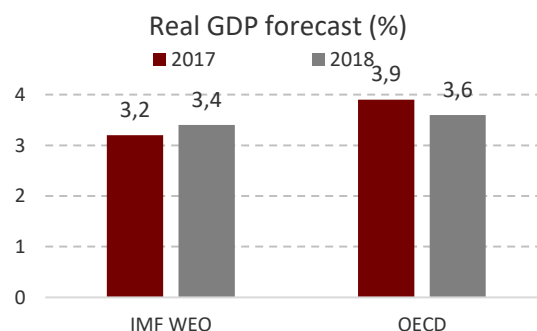
↑ 2.5% y/y

Up from 2.2% in October

MNB Base rate

0.9%

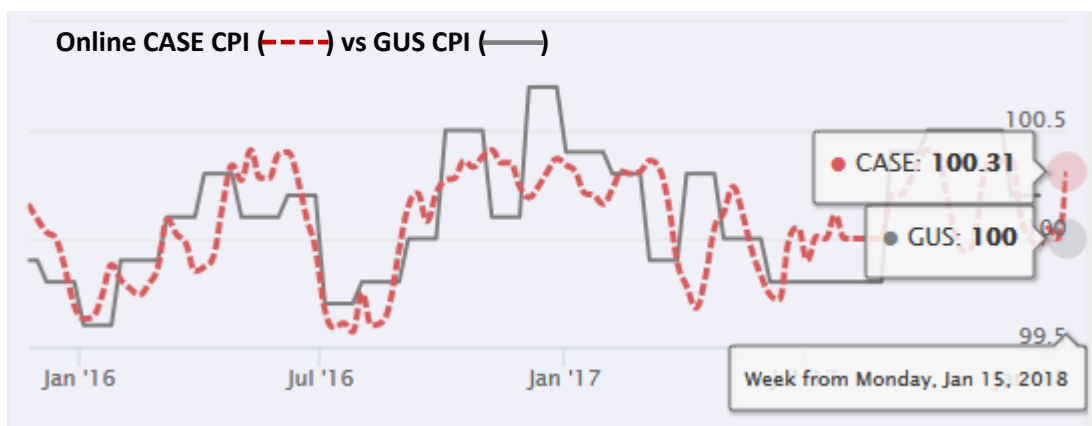
From 1.05% May 2016



The weekly online CASE CPI

The online CASE CPI is an innovative measurement of price dynamics in the Polish economy, which is entirely based on online data. The index is constructed by averaging prices of commodities from the last four weeks and comparing them to average prices of the same commodities from four weeks prior. The index is updated weekly.

Our weekly online CASE CPI



Monthly CASE forecasts for the Polish economy

Every month, CASE experts estimate a range of variables for the Polish economy, including future growth, private consumption, and foreign trade, current account balance, and the CPI.

CASE economic forecasts for the Polish economy

(average % change on previous calendar year, unless otherwise indicated)

	GDP	Private consumption	Gross fixed investment	Industrial production	Consumer prices
2017	4.1	4.6	3.0	4.7	1.9
2018	3.4	3.4	3.1	3.7	2.1
	Nominal monthly wages	Merchandise exports (USD, bn)	Merchandise imports (USD, bn)	Merchandise trade balance (USD, bn)	CA balance (USD, bn)
2017	5.1	213.4	213.6	-0.2	-2.7
2018	3.5	221.9	223.8	-1.9	-3.9

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