

PROFILE

Wharton's spook: Lawrence Klein

It may come as a shock to some of Wharton's more conservative clients in Mexico, particularly those in Monterrey, to find out that the econometric model they have worked with for 10 years is a product of the same British intelligence circles based in Cambridge, England that were deeply implicated in the most stunning KGB spy episodes of the post-World War II era.

The background of Wharton's econometrics "wizard," Lawrence Klein, is one of the shadiest in the economics profession. Klein was picked up immediately after World War II as a young trainee on the American side of a transatlantic project established to use then-fledgling computer technology for quantitative economic griddings. The headquarters of the project was the Strategic Bombing Survey, the in-depth psychological profiling operation launched by the Anglo-American intelligence personnel immediately after World War II to evaluate the effects of the massive Allied bombings of civilian targets in Germany.

The survey was directed by Cambridge economist Nicolas Kalder. His staff was an extension of the group Lord John Maynard Keynes had formed at Cambridge in the 1930s. Their task was to create an economic theory that could undermine the programs for technological and industrial development in the Soviet Union, programs seen as a mortal threat to British economic and geopolitical goals.

At the core of this Cambridge effort were the Italian economist Piero Sraffa, and Joan Robinson, working under Keynes's personal direction. Their achievement; wedding Marx to Malthus. They created a false "buy back" problem in Marx, and then "solved" it with massive welfare-state "makework" proposals. Robinson spent the next 40 years of her life promoting Malthusian Marxism to the Socialist bloc countries.

Both Sraffa and Robinson were then members of the Cambridge cell of the Communist Party of Great Britain, with ties to the Soviet KGB. It was the same cell of the Communist Party to which Kim Philby, Guy Burgess and Donald Maclean belonged—the intelligence-trained scions of British oligarchs who "defected" to the Soviet

Union in the early 1950s in scandals that shook the West. Today, Kim Philby is a general of the KGB.

Klein was first enrolled in these networks in 1946, as a member of the Communist Party USA. Later in his work he underscored his intellectual debt to Joan Robinson and Robinson's colleague, the Polish economist Michael Kalecki. Although Klein now discusses his Communist Party membership as merely an "incident," the configuration involving the KGB, Keynes's networks and the Strategic Bombing Survey project at Cambridge suggests a further-reaching significance to his recruitment.

It is notable that even now, Klein uses the tricks learned from this Keynesian-Cambridge circuit to sell his Wharton models as "socially progressive" economics of a different brand from Friedmanite "shock treatment." This ideological veneer has been important in opening doors in Mexico among pro-growth public and private sectors.

Shortly after his first econometrics work Klein was brought into the National Bureau of Economic Research by NBER's founder, Wesley Mitchell, and was subsequently given his first job working for Mitchell. Mitchell was an early collaborator of the Fabian Society in England who built up the economics faculty at the University of Chicago. In the same postwar years that Mitchell took Klein under his wing, he was training Milton Friedman and the rest of what is today the "Chicago School."

In 1950, Klein was passed along to the Survey Research Center of the University of Michigan, just formed by one of the directors of the British psychological warfare division at the Tavistock Institute, Kurt Lewin, a central figure in the Strategic Bombing Survey.

Driven out of Michigan for his Communist affiliation in 1954, Klein went directly to England for advanced training at the Oxford Institute of Statistics.

While he was out of the United States, Strategic Bombing Survey personnel arranged a series of conferences to transfer the next stage of the Cambridge econometric project to the U.S. The leading institutions represented at these conferences in 1955-1956 were U.S. Air Force Intelligence, the Rand Corporation, and the Brookings Institution.

Klein was brought back to the U.S. in 1958 and placed in charge of the most advanced of the ongoing projects, that at Brookings.

In 1963 the model was shifted to the Wharton School at the University of Pennsylvania for commercialization. The reasons for choosing Wharton are not entirely known, though the fact that Wharton was the base of operations for another of the senior British operatives of the Tavistock psychological warfare division, Eric Trist, was an important factor.

Wharton Econometric Forecasting Associates was born. And six years later, the special targeting of Mexico, Diemex, began.