

Book Review: The reform team that shocked Russia

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Yegor Gaidar, who died in December 2009 aged 54, is one of the most divisive figures in the history of modern Russia. He was the acknowledged leader of a group of young reformers who attempted to create a new economic order in Russia in the aftermath of the collapse of the Soviet Union. He held the positions of first deputy prime minister and minister for economics from November 1991 to February 1992 and then became finance minister until April that year. President Yeltsin appointed him acting prime minister from June 1992 until December 1992, during which time the president could not get support for his permanent appointment from the precursor to today's Duma. He did, however, serve once more as first deputy prime minister from September 1993 to January 1994.

The reason why he is such a divisive figure is because of the enormous impact those reforms had on the lives of ordinary Russians in the 1990s. Gaidar and his team favoured a shock therapy strategy in order to accelerate the creation of a free market economy. In particular he abolished price regulation by the state and cut military procurement and industrial subsidies. The impact of the latter was to help balance the budget and impose fiscal discipline, while the former action led to a very steep rise in prices and impoverished millions of people for many years.

Critics cite what they claim was the ruthless way that the reforms were introduced, i.e. with little or no care about the social impact. They say that hyperinflation, poverty and several currency crises all directly resulted from Gaidar's actions. It is further claimed that the privatisation programme, including the voucher system, directly led to the emergence of the oligarchs and the loss of state assets for much less than they were worth.

Gaidar's supporters say that there were simply no other choices and these harsh actions actually saved the country from bankruptcy and famine. Without the actions to create a free market, they say, Russia would have inevitably slipped back to a Soviet system and, even though there was a period of suffering, the foundations of the economic system, which facilitated the rapid growth of the past fifteen years, were laid down by Gaidar's team.

Two of that team, Petr Aven, and Alfred Kokh are the authors of *Gaidar's Revolution: the inside account of the economic transformation of Russia*. Aven served as minister for foreign economic relations from 1991-92, while Kokh served as a deputy prime minister in the early nineties and was head of the State Property Committee from September 1996 until August 1997, during which time the so-called shares for loans programme was carried out.

This is a series of interviews, actually more conversations, between the authors and many of those they worked with as part of Gaidar's team. They make clear that it was not their intention to write an apology or an attempt to whitewash the events of the period. The book is more about setting the actions into the proper context of the time and helping readers better understand what drove the decision process. Everybody interviewed in the book acknowledges that mistakes were made and the process could have been better managed. But then again, hindsight endows us with 20-20 vision while the view at the time was quite different.

The book consists of 10 conversations with those directly involved. The first is with Gennady Burbulis, a name not that well known outside of Russia but who was probably the most influential person in the early years of the Yeltsin administration. As much as anybody he constructed the Gaidar team and rode political shotgun for it for a couple of years. The conversation with Anatoly Chubais, the very public face of the privatization process, is the subject of the second chapter. The third conversation is with Alexander Shokin whose career in government outlasted most of the Gaidar group and who, since 2005, has been President of the Russian Union of Industrialists and Entrepreneurs.

There is also a relatively shorter, but nonetheless interesting, conversation with James Baker. He was US Secretary of State at the time and gave a lot of support to the reformers, albeit not enough money to make the difference. His disappointment with what has happened since is very obvious.

It is always difficult to get a real sense of underlying conditions simply by reading third-party history books. This book handles that better because of the conversational style and the fact that you are able to compare and contrast the recollections of 10 key players in sequential chapters.

There is no doubt that all thought they were doing the "right thing" and that the inevitable hardships were unavoidable collateral damage to ensure the transition from the Soviet system continued. There is also a lot of human emotion, i.e. as distinct from economic rationale, such as when several of those interviewed described their shock and envy when they saw what was available to people in Europe, e.g. meat. It contributes to the understanding of what drove their actions.

Above all, however, the participants believed their actions were necessary to save the country. Critics consistently accuse Gaidar of experimenting with reforms which led to such dire consequences for ordinary people. It is clear from these conversations that those involved did not see it that way but were doing what they thought necessary to prevent martial law and a return to the Soviet system.

It is fair to assume that Gaidar's critics will not be swayed and will describe the book as no more than an attempt to re-interpret history. For the neutrals it is part a history book, and a very important one, given it covers one of the critical transition periods in Russia's history as told by those directly involved. It is also a unique economics book in that it describes the context and impact of decisions which affected a country of more than 145 million people, which had spent 75 years living under a command economy, and which unravelled over such a very short period of time.

It also reads a lot like a thriller or political drama given the intensity of the process and the extremely volatile, and often dangerous, backdrop in the country at the time. Aven and Koch recall how (former Moscow Mayor) Luzhkov promoted the idea that Gaidar was in the pay of the US government, while the recently disenfranchised *siloviki* (ex KGB) used to send "absurd reports" to Yeltsin about the group's activities on a weekly basis.

This is a book that should be read by anybody who wants to have a better understanding of how modern Russia was created and the factors that led to the country we know today. Another in that category is Gaidar's own book, *Collapse of an Empire: Lessons for Modern Russia*, published in 2006.

Aven and Koch's book doesn't give us much guidance as to what might happen next in Russia, especially as the country is now at the third major crossroads in its 25-year history (the second being the 1998-2000 period). There are different people making the decisions and they have a different agenda. But there is plenty of evidence to support the assumption that, without the actions of Gaidar and his team, Russia would have evolved differently in the 1990s and we would have an entirely different set of conditions today.