

# Gaidar is out, but his policies remain

by Denise M. Henderson

To the surprise of many western observers, Russia's Seventh Congress of People's Deputies, which met Dec. 1-14, succeeded in unseating the Anglo-American financiers' choice for prime minister, Yegor Gaidar, who promptly was appointed by President Boris Yeltsin to the post of presidential adviser. Gaidar was replaced by the Civic Union political lobby's choice, Viktor Chernomyrdin.

The Civic Union represents three main political groups (directors of large state industrial enterprises, to whom industry is a pork barrel, not the locomotive for the regeneration of the entire economy; the military leadership concerned about industry from the standpoint of overall national interest; and the Democratic Party, a mixture of democratic and Great Russian populism and nationalism). It had hoped to see a policy favoring state industry come out of the change in leadership. Yet it seems as though for the moment Gaidar's policies—and most of the members of his cabinet—will remain.

In effect, the compromise worked out between Yeltsin and the Civic Union favors a continuation of the shock therapy economics championed by Gaidar, with minor concessions to the Civic Union. Gaidar's policies have included allowing prices for basic consumer goods such as food to rise "as the market dictates," making it difficult for Russians in certain parts of the country to even purchase bread. Gaidar has also taken a "sink or swim" approach to industries formerly run by the Soviet government. If a factory can't turn a profit or find a buyer, it is deemed bankrupt and closed down, thus causing unemployment, something previously unheard-of in Russia.

Russia's economy is already so unstable that in the consumer sector, *Izvestia* reported on Dec. 19, "The cost of basic necessities is now so high that they swallow up all the population's resources and people cannot afford anything extra." And *Rossiyskaya Gazeta* added that "prices are rising faster than wages and salaries." Internationally, Russia is not faring much better. On Dec. 23, it was reported that Russia had defaulted on its U.S. agricultural loans, a total of \$95.7 million; and overall, Russia's exports declined in 1992 by 26%.

The day the Seventh Congress opened was also the day that talks began with western bank creditors. Russia did not get what she wanted, a comprehensive debt rescheduling

agreement. Instead, Russia will merely be allowed to continue suspending all debt principal repayments for the fourth quarter of 1992, and through March 31, 1993.

## Political unrest

This feeds political instability, as even reflected by opinion polls; 38% of Russians polled by the news agency Interfax said that they were convinced the economy was headed in the wrong direction, and 37% deemed the situation "much worse" than a year ago.

The Civic Union lodged protests with Yeltsin over the fact that the core of the Gaidar team remains in the cabinet, including Aleksander Shokhin as deputy prime minister, Anatoly Chubais as deputy prime minister in charge of privatization, Andrei Nechayev as economics minister, and Andrei Kozyrev as foreign minister. The latest protest came on Dec. 26 from Aleksander Vladislavlev, a Civic Union leading figure, who complained that Yeltsin was able to exercise "too great an influence" in appointing the "new" cabinet, while Prime Minister Chernomyrdin was unable to put in place a team that could implement his economic ideas.

Moreover, the new Russian deputy prime minister for economic policy, Boris Fyodorov, has pledged to continue Gaidar's shock therapy at a slower pace. Fyodorov stated that for the near future the state will continue to subsidize industry, but not over an undefined longer term: "The state sector has not yet adapted to the new situation, and therefore needs help to pass the market economy challenges."

## 'Fascism and war stalk our nations'

One independent voice has attempted to warn Russia of the hazards of continuing to follow shock therapy. As the Seventh Congress convened on Dec. 1, the New Europe bloc, comprised of parliamentarians from eastern Europe and the republics of the former Soviet Union, wrote to the Congress: "Let the Harvard economists measure the depth of the depression into which their policy, within the framework of the International Monetary Fund, has sunk the entire world, a depression worse than that of the 1930s. Then as now, fascism and war stalk our nations. In the Balkans and the Caucasus looms the specter of a Thirty Years' War, which could spread like wildfire throughout Europe and Asia."

New Europe's statement continued, "The precondition for peace, the precondition to solve existing political conflicts rationally, is economic development for all the nations, from the Atlantic to beyond the Urals through to Asia. We call upon western Europe, particularly Germany and France, to deploy their full economic power in order to build up a modern infrastructure network, along the lines of the well-known 'Productive Triangle' program. . . . Let us . . . demand that in each nation, there be set up a National Bank, with the task of issuing credit to be applied to productive investments, and to rebuild our agriculture and industry in the domestic markets of our national economies."