

Egor Gaidar (1956-2009): Architect of capitalist restoration in Russia

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On December 16 of last year, Egor Gaidar died of a heart attack at his dacha outside of Moscow at the age of 53. He was a leading figure in the implementation of market “reform” in Russia, which had a disastrous impact on the country and resulted in an immense growth in social inequality.

Gaidar is widely hated among ordinary Russians, who view him as responsible for much of the misery they have endured since the 1990s. The dismantling of the Soviet Union and the restoration of capitalism at that time led to a decline in living standards and life expectancy on a scale that had never before been seen in history, except in times of war. Many current social statistics reveal that the country has still not recovered.

In an expression of the indifference of official society towards the hardships and sentiments of the population at large, Gaidar’s death has called forth effusive praise from different layers of the Russian ruling elite. It is hard to find a rapturous epithet that has not been used to describe the individual who directed the economic policies of the Yeltsin government for barely more than a year, from November 1991 to December 1992.

President Dmitri Medvedev called Gaidar an “outstanding scholar-economist” and a “courageous, honest and determined person.”

Prime Minister Vladimir Putin said, “Gaidar made critical decisions that determined the future of the entire country. He accomplished this difficult task honorably, displaying the best professional and personal qualities.”

In other commentaries in the Russian mass media, Gaidar has been proclaimed a “great statesman,” “national hero,” “definitive moral authority,” “person of enormous abilities,” and even “a genuinely selfless intellectual.”

Most importantly, the mantra has been endlessly repeated that at the start of the 1990s, Gaidar “saved the country from famine, collapse and civil war.”

This is a lie. It follows the infamous dictum of Goebbels that if you repeat a lie many times, it will be believed, and the bigger the lie, the better.

Under Gaidar’s leadership in 1992, Russia enacted a twin program of market liberalization and privatization. This led to the impoverishment of the population through hyperinflation and the transfer state assets into private hands, vastly enriching the country’s emerging oligarchy.

In 1991, during Gorbachev’s final year in power, prices in Russia rose 160 percent. Over the course of 1992, they increased by more than 2,500

percent. In 1993, inflation stood at 840 percent, in 1994 it was 215 percent, and in 1995 it was 131 percent.

Workers at state and private enterprises, whose accounts were wiped out by this process, did not receive wages for months and ended up destitute.

Between 1991 and 1995, Russian gross domestic product declined, according to the most conservative estimates, by 35 percent. Industrial production collapsed. For several years, a form of natural economy, based on bartering, was widespread.

The growth of suffering and despair found expression in a sharp fall in life expectancy, which by 1994 stood at 57 years.

The late 1980s and early 1990s also witnessed an explosion of regional and ethnic conflicts. According to conservative estimates, 100,000 people (excluding those in Chechnya) died in these events.

The claim that capitalist reforms were the country’s saving grace from “famine, collapse, and civil war” turns reality on its head. Only a cynical and self-satisfied elite could rejoice in the results of what happened in Russia over this period.

In working out the privatization program, Gaidar and others collaborated closely with academics from the US, in particular, the economist Jeffrey Sachs, who was a professor at Harvard University at the time. Washington was deeply involved, directly and indirectly, through figures like Sachs in promoting capitalist restoration.

In the memory of millions of people, the worst of the economic catastrophe visited upon the USSR happened as a result of Gaidar’s policies. A majority of former Soviet citizens feel that the difficulties of everyday life in the USSR—particularly during the better-off periods of the 1970s and 1980s—were considerably less onerous than those that resulted from the breakdown in the foundations of social life arising from Gaidar’s “shock therapy.”

A survey carried out recently by the Levada Center, a research institute based in Moscow, found that almost 60 percent of Russians “deeply regret” the collapse of the USSR and think that it should have been averted. While there is little love lost among ordinary people for the authoritarianism and repression of the Stalinist regime, there is widespread anger over the fact that so many of the Soviet-era gains in general welfare have been lost in the past 20 years.

As yet, popular bitterness over the consequences of the dissolution of the USSR and hostility towards Gaidar and figures like him generally fails to coincide with an understanding that the misery unleashed on the Soviet population was the legacy of Stalinism. The progenitors of this form of bureaucratic Russian nationalism—based on a repudiation of the socialist internationalism that guided the 1917 revolution—defended with violent methods the narrow interests of the ruling bureaucracy against those of the Soviet and international working class.

Indeed, Gaidar's elevation to political power and the implementation of his policies reflected the fact that in the mid to late 1980s, a decisive section of the Communist Party bureaucracy came to support a restoration of capitalism.

While the Soviet elite—having usurped political power from the working class and exterminated the Old Bolsheviks, along with socialist-minded workers and the socialist intelligentsia—was able for several decades to maintain its privileges and power on the basis of nationalized property relations and state control over the economy, by the 1980s objective pressures on the economy were increasingly undermining the viability of this parasitic arrangement.

The Soviet economy was in crisis. Labor productivity had been stagnating for nearly a decade. The production and distribution of goods and services were beset with problems because of the irrational, arbitrary and bureaucratic manner in which the economy was overseen by state authorities. This fueled the growth of the shadow economy and social differentiation.

The Stalinist program of “socialism in one country” meant that the USSR was largely cut off from the resources of the world economy, with the exception of dollars earned from sales of oil. As the world economy was becoming increasingly integrated through the globalization of production and finance, the Soviet economy remained nationally autarkic and comparatively backward. Furthermore, as the administration of US President Ronald Reagan had hoped, the country's coffers were being drained by the war in Afghanistan and efforts to compete with Washington in the Cold War.

The thinking of the Soviet ruling elite was also deeply affected by the Solidarity experience in Poland in the early 1980s. At that time, masses of workers mobilized to form an independent movement in opposition to the Communist Party bureaucracy, challenging authoritarian rule from the left. (A variety of international factors, combined with intensive intervention by the US, ultimately brought the movement under the political control of right-wing elements allied to the Catholic Church).

The Kremlin was extremely wary of the possibility that, particularly as the country's economic crisis worsened, something similar could develop in the USSR. In an interview given in 2000 to the *Public Broadcasting Service's* program “Commanding Heights,” Gaidar responded to a question about the influence of Poland on the thinking of the Soviet elite by saying, “It was understood that it had a most direct relation to what could happen in the Soviet Union.”

Under these conditions, leading sections of the Communist Party bureaucracy decided that they needed to find a new economic foundation for the defense of their privileges and power in the form of ownership of private property. While there were disagreements over the speed with which this should be pursued, the different factions were united in the overall goal of bringing back capitalism.

The alternative, which the ruling bureaucracy implacably opposed, was the re-integration of the Soviet Union into the world economy on the basis of a program of world socialist revolution. This could have occurred only through the return to power of the working class in the USSR by way of a political revolution that overturned the Communist Party bureaucracy.

The program of capitalist restoration was carried out in alliance with a privileged layer of the Soviet intelligentsia, which felt contempt towards

the working class and all those associated with socialism. The policy of *glasnost* implemented under Mikhail Gorbachev, which allowed for greater freedom in the media and public speech, was aimed at giving the intelligentsia a political stake in the reform program and endowing it with a democratic gloss.

Gaidar came from the social milieu courted by the Communist Party at this time. He grew up in a family of the Soviet elite. Both of his grandfathers, Arkadii Gaidar and Pavel Bazhov, were famous Soviet writers. His father, Timur Gaidar, held the rank of rear admiral and was the editor of the military department of the newspaper *Pravda*.

Having received an elite education in economics at Moscow State University, at the beginning of the 1980s Gaidar was among a circle of young economists whom the Soviet bureaucracy invited to participate in the behind-the-scenes working out of market reforms. Beginning in the fall of 1984, two groups of economists—one from the Engineering-Economics Institute in Leningrad headed by Anatoli Chubais, and the other from the Institute of Systemic Research in Moscow under the leadership of Stanislav Shatalin, (which Gaidar joined)—were brought together in a government commission “on the modernization of the economic mechanism.”

Gaidar was a doctoral candidate in economics at the time of *perestroika* and an employee at the Institute of Economics and Forecasting of Scientific-Technological Progress of the Soviet Academy of Sciences. In 1987, he was head of the economics department of the journal *Kommunist*, the leading official organ of the Central Committee of the Communist Party of the Soviet Union. In 1990, he led the economics department of the newspaper *Pravda*.

In 1989, in the weekly newspaper *Moskovskii Novosti*, Gaidar, writing in an official capacity, made clear that he did not believe the market reforms could be implemented without provoking mass opposition, or by democratic means.

“The idea that today one can expunge from memory 70 years of history... and secure public approval, while transferring the means of production into the hands of the nouveau riche of the shadow economy, managers and international corporations, merely demonstrates the strength of utopian traditions in our country,” he wrote.

Gaidar worked out the architecture and implementation of capitalist restoration in close collaboration with Chubais. In 1990, the latter wrote an article, “The Difficult Course,” which made clear that he and his collaborators were fully aware of the looming effects of the reforms they were preparing.

“[T]he immediate social consequences of the speeding up of market reform,” wrote Chubais, will be a “general lowering of the standard of living ... growth in the differentiation of prices and incomes of the population” and “the emergence of mass unemployment.”

Chubais warned that all of this would provoke “opposition to reform among broad masses,” “create a high likelihood of economic strikes in essential sectors of industry and political strikes in large cities,” and “possibly provoke serious national conflicts.”

In order to keep the situation under control, Chubais argued that the carrying out of anti-democratic measures—“the outlawing of strikes, control of information, and so forth”—would be “inevitable.”

Chubais' statements demonstrate the degree to which all talk about the initiation of market reforms signifying the triumph of democracy in the former Soviet Union was hypocritical and false.

Gaidar shared this anti-democratic outlook, a fact that found expression in his vociferous backing of the Yeltsin regime in its conflict with the parliament in 1993. At that time, the president ordered the shelling of the White House (the parliament building) in order to disperse opposition to his rule fueled by widening social discontent over “shock therapy.” In the shelling of the parliament and street fighting surrounding the assault, 187 people died and hundreds more were injured.

Just prior to these events, Gaidar wrote an article in the journal *EKO* defending “shock therapy” and expressing indifference towards popular suffering. “Ignorant estimates that 90 percent of our people have become poor should not be believed,” he wrote. “According to wholly serious estimates, 36-37 percent of our people have now become poor.” He admitted that this was “a very high number,” but insisted that little could be done about it.

Gaidar and all those with whom he worked bear responsibility not for “saving” the country, but for unleashing a class war that abolished the socio-economic foundations of the Soviet Union, which, despite having been vastly eroded by the bureaucracy, had continued to exist in juridical form.

Leon Trotsky and the International Left Opposition warned the Soviet working class about the danger of capitalist restoration at the hands of the Communist Party bureaucracy as early as the 1930s. At that time, Trotsky insisted that the degeneration of the revolution had placed in power an elite whose aim was not the promotion of social equality and the interests of the world proletariat, but rather the parasitic exploitation of the country’s nationalized property to secure its own wealth and power.

Trotsky maintained that the subsequent fate of the USSR would depend on whether the proletariat was able to depose the bureaucracy in the course of a political revolution. The working class, he insisted, had to repudiate the program of “socialism in one country” and the entire outlook of Russian nationalism. If this did not happen, the bureaucracy, sooner or later, would complete its counterrevolutionary coup and restore capitalism.

Trotsky worked tirelessly to build the new revolutionary leadership of the working class, the Fourth International, to educate and mobilize the Soviet and international working class, recognizing that the fate of the Russian Revolution was indissolubly bound up with the overthrow of capitalism internationally, above all, in Europe and America.

As a result of the betrayals of the Stalinist, social democratic and trade union bureaucracies, revolutionary struggles of the working class were defeated, leaving the Soviet Union isolated and enabling the Stalinist regime to maintain its grip on power. The historical correctness of Trotsky’s analysis was confirmed, tragically, in the negative.

In the new period of capitalist crisis and impending revolutionary struggles, Trotsky’s analysis and the programmatic foundations he laid down provide the essential foundation for the revival of the international socialist traditions of the Russian working class and the completion of the world historic transformation that began with the October 1917 revolution.





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