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A SHARP TURN TOWARD THE MARKET: ECONOMIC REFORM IN RUSSIA (1992–1998) AND ITS CONSEQUENCES¹

By analyzing and systematizing the literature accumulated over the past twenty years on the history of reforms, we can put in order the existing views on the processes that took place during these transformations and define a new vector in understanding the socio-economic development of Russia in the last decade of the 20th century and the first decades of the 21st century. The first step in this direction is the analysis of publications that reflect the preparation, progress and results of the contemporary economic reforms in the 1990s. The historiographic review includes the monographs written both by the advocates of the shock therapy, and their opponents and critics, first of all, Members of the Russian Academy of Sciences. The study of this literature allows to reveal the spectrum of opinions on whether the shock therapy was the preferred version of transformations, on assessing the results of reforms by the end of the 1990s and the opportunities for alternative ways to make the transition from a planned to a market economy. In particular, the advocates of the "shock therapy" refer to the threat of famine and civil war to justify decisions that led to decline in output, hyperinflation and other negative trends. Their critics point out that the lack of public support caused the market reforms to fail. By acknowledging the obvious, i. e. a significant deterioration of economic indicators, the advocates see their success in establishing the system of market institutions, and, on this basis, insist there was no alternative to implemented version of reforms. In turn, their opponents believe that the alternatives to the "shock therapy" existed, and their distinctive feature would have been the gradual cultivation and not the forced administrative introduction of market economy institutions.

Keywords: historiography, contemporary economic reform, shock therapy, price liberalization, privatization, economic recession

Introduction, or Why We Need a Problem Historiography

Strange as it may seem, the 20th anniversary marking the beginning of market reforms in the Russian economy (if we start counting from January 2, 1992, a day when the decree on liberalization of prices entered into force) went almost unnoticed at the official level. Most likely, the 25th anniversary in early 2017 will also be ignored. Meanwhile, the progress and results of contemporary economic reforms in Russia require not so much a journalistic debate on "What was that?", but a theoretical understanding, including at the level of historiographic analysis. After all, a fairly voluminous array of diverse literature — ranging from analytical articles in economic journals to topical monographs and even memoirs — has been accumulated over the past period.

The historiographic analysis represents an integral part of the conceptual understanding of the historical process in all its manifestations. The matters left unappreciated by contemporaries, usually, are acknowledged and expanded in the process of further development of historical science, and historiography allows to reveal more substantially the content of what was not noticed before. However, if we draw a parallel with a well-known quote of Yury Andropov about not knowing the society in which the Soviet people lived in the first half of the 1980s, it would be necessary to recognize that, even among the experts, there is no understanding of what was the direction of transformations in the economy of modern Russia, how to evaluate their results, whether the reforms are still going on and, if not, when they were completed. In this context, by analyzing and systematizing the literature accumulated over the past twenty years on the history of reforms, we can put in order the existing views on the processes that took place during these transformations and define a new vector in understanding the socio-economic development of Russia in the last decade of the 20th century and the first decades of 21st century.

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Prerequisites of the Analysis

Accordingly, we need to group the most significant publications by various criteria, including the ideological orientation of the authors (advocates, critics), approach to presenting the information (analytical papers, memoirs, journalism), substance of analyzed subject matter (general course of reforms, privatization, agrarian reforms, etc.), regional aspects of reforms in the Russian economy, etc. In addition, the general chronology of events (1990s–2010th) should highlight specific periods, each with a special literature. Also, we have to consider such particular aspect of historiographic analysis, like the fact that the literature on reforms includes not only and not so much the works of historians as those of economists, sociologists and political scientists.

It should be noted that by now, some attempts to prepare the historiographic reviews on this subject have been made. Unfortunately, all too often, these attempts came down to compiling the lists of authors allegedly involved in studying the history of reforms in the Russian economy at the turn of the 21st century (this approach is particularly typical of the thesis in economics). One exception is the literature presented on the website on "Criticism of Russian Reforms"², although it includes mainly the responses to individual publications, including a review by A. D. Nekipelov³ on collective monograph "The Path to the 21st Century (Strategic Challenges and Prospects of the Russian Economy)" [1], review by N. Ya. Petrakov⁴ on the monograph of N. P. Fedorenko "Russia: Lessons of the Past and the Future" [2], and others. In addition, the website presents a number of historiographic reviews of the foreign literature on economic transformations in modern Russia [3–5]. Overall, we have to admit that the historiography of contemporary economic reforms in Russia needs further elaboration.

At the same time, one should recognize that it is virtually impossible to cover all the shades of such a vast subject as the historiography of contemporary economic reforms in Russia within a single journal publication. Therefore, this article attempts to systematize the most significant monographs and articles on the most active phase of transformations starting from the early 1990s and until the default of August 17, 1998. The lower boundary of the time frame selected for the study is rather relative, since the subject itself implies to consider the processes and phenomena of perestroika (1985–1991) and their assessment in the literature, but this story deserves a separate analysis. The upper boundary is determined by the default of August 17, 1998, a symbolic event, after which the reform process has acquired somewhat different features, even while maintaining the basic orientation towards the transition to a market economy.

If we proceed from the ideological (civic) position of the authors, who write about contemporary economic reforms in Russia, the advocates of the transformations implemented in the 1990s predominantly include those, who directly implemented them (Ye. T. Gaidar, A. B. Chubais, E. G. Yasin and others) and held at that time the key positions in the federal government. The criticism comes primarily from representatives of the Russian Academy of Sciences (Academics L. I. Abalkin, N. P. Fedorenko, N. Ya. Petrakov and others), as well as various groups of researchers, who were not engaged by the liberal beau monde and tried to sum up the first results of market transition as early as the second half of the 1990s. [6, 7].

Defending the "Shock Therapy"

Undoubtedly, among the "apologetic" literature, a special place is held by the publications of Ye. T. Gaidar, the organizer of and ideological inspiration behind the transformations implemented in a way defined as the "shock therapy." In turn, in the general array of publications, we can highlight a number of monographs of various genres that present the rationale and justification both for the choice of conceptual framework of the reforms and the practical steps to achieve the established goals.

In this case, the analytical research is represented by personal monographs "A Long View: Russia in the World—Essays on Economic History" (2005) [8] and "Collapse of an Empire: Lessons for Modern Russia" (2006) [9], as well as "Crossroads of Modern Russian History," a book written together with A. B. Chubais (2011) [10]. Two other monographs of Ye. T. Gaidar "State and Evolution" (1995) and "Troubles and Institutions" (2009) published under the same cover in 2010 [11] belong rather to journalism. However, the fine line between genres in these books is rather relative, because one could also find there the elements of memoirs. The actual memoirs of Ye. T. Gaidar were first published under

² Retrieved from: <http://www.r-reforms.ru/index.htm> (date of access: March 24, 2016).

³ Retrieved from: <http://www.r-reforms.ru/indexpubnekipelov.htm> (date of access: March 24, 2016).

⁴ Retrieved from: <http://www.r-reforms.ru/indexpubpetrakov.htm> (date of access: March 24, 2016).

the title "Days of Defeat and Victory" [12] in 1996 and reading them allows to better assess the very personality of the leader of reformers, his motives and reasons of his judgments.

In particular, one gets the impression that the belief in personal righteousness can be largely explained by the inflated self-assessment of Ye.T. Gaidar. This is evident when we see in the text such slips of the tongue of as "Vitaly Koshkin asked me to come closer and said he wanted to become my academic supervisor" [12, p. 28]. At the same time, the characteristics given to rival politicians sometimes border on outright rudeness (such as the statements that G.A. Yavlinsky "secretly suffers from obvious flaws in his economic education" [12, p. 63], A.V. Rutskoy is an extremely narrow-minded individual with a "flip-flopping, insecure personality" [12, c. 160, 162], etc.) Maybe, this is where some xenophobic and even racist attitudes cultivated by Moscow and St. Petersburg "liberals" in the first decades of the 21st century originate.

The analytical papers on contemporary economic reforms in Russia, prepared with the direct participation of Ye. T. Gaidar, also include the three-volume book "The Economics of Russian Transition: Essays on the Economic Policy of Post-Communist Russia (1998–2008) [13–15]. It was published by the Institute for the Economy in Transition, the founder and director of which was Ye. T. Gaidar, and the first volume included the analysis of results brought by the reforms in 1991–1997.

The publications of Ye. T. Gaidar allow to get a more detailed view of the substance and progress of reforms, including the answers to questions addressed, as a matter of fact, to all those who write about the reforms:

1. Why the shock therapy version of transformations was selected and implemented?
2. How should be assessed the results of the reforms?
3. Was it possible to implement other versions of transformations in the Russian economy of the 1990s?

G.Kh. Popov, a well-known economist and politician, who was the dean at the Faculty of Economics of Moscow State University when Ye. T. Gaidar was studying there, in an interview with "Sovershenno Sekretno," a weekly, offered an unexpected explanation as to why the leader of young reformers was sympathetic to the "shock therapy" (see <http://www.sovsekretno.ru/articles/id/2437/>). He said that Ye. T. Gaidar, who studied at the department of foreign economy, specialized in Chile. Accordingly, since he knew Spanish, he could familiarize himself in sufficient detail with the activities of "Chicago Boys" (Sergio de Castro, Jorge Cauas, Pablo Baraona and others) who implemented the first stage of radical economic reforms in that country (1974–1981) following the establishment of a military junta headed by Augusto Pinochet. G.Kh. Popov considers that this also explains the commitment of Ye. T. Gaidar to the doctrine of monetarism developed in 1950s–1960s by "Chicago School" led by M. Friedman.

It should be noted, however, that, in 1992, the reformist part of the Russian government did not follow the recommendations of Milton Friedman. As it is known, his idea that the pace of economic growth is determined by the money supply became the basis of the 2- and 5-percent rule for the annual increase of money supply. At the same time, in "A Final Schizophrenic Note" to his major book "Optimum Quantity of Money," M. Friedman admitted his inability to determine, which rule is actually more effective [16, p. 102–103]. Moreover, the doctrine of monetarism focuses on deflation as a clear sign pointing to the classic crisis of overproduction, which obviously did not correspond to the situation prevailing in the economy of RSFSR at the turn of 1980s–1990s. It is more likely that Ye. T. Gaidar drew upon the idea actively advocated by M. Friedman on the need to minimize the role played by the state in the economy ([17, 18] and other).

Ye. T. Gaidar tried to justify his rejection of the state as an economic entity in one of the first important works of the post-Soviet period written in August and September 1994 with an evocative title "State and Evolution." In this book, the evidence illustrating the inefficiency of state ownership was based on historical material or rather on repeating the well-known propositions that make up the concept of "Asiatic mode of production."

This concept had an uneasy fate in the Soviet historical and economic science. Despite the fact that its foundations were laid down by K. Marx, in the discussions that took place at the turn of 1920s–1930s around the notion of "Asiatic mode of production," the ideologists of the Central Committee of the All-Russian Communist Party (Bolsheviks) accused those who acknowledged its existence in the countries of the Ancient East (L. Magyar and others) of establishing the grounds for "politically incorrect pro-Trotsky sentiments" [19, p. 62].

The 1960s saw a new discussion following the 7th International Congress of Anthropological and Ethnological Sciences (Moscow, 1964). This time, the proponents of the "Asiatic mode of production" did not suffer political repression, but the overall outcome of the discussion was predictable. After highlighting some logical inconsistencies in the opinions of those who supported the existence of the Asiatic mode of production, V.N. Nikiforov, an advocate of the official interpretation of the heritage of K. Marx and F. Engels on pre-capitalist socio-economic formations, concluded that "slave-owning" concept is at least more plausible than the hypothesis put forward to replace it." [20, p. 126].

A revived interest in the concept of the "Asiatic mode of production" in the years of perestroika (1985–1991) gave rise to yet another, third discussion. This time, it was openly acknowledged why the representatives of the "School of Magyar" and those who shared their ideas in the 1960s had been persecuted. The features of the Asiatic mode of production highlighted by K. Marx matched in general terms the realities of the socialist society in the USSR, including the predominance of state ownership in the economy and despotism in politics.

To illustrate the thesis that, under the socialism, the despotism is determined historically, contemporary Russian liberals like to refer to the book written by K. Wittfogel [21]. However, one should admit that they are attracted, primarily, by the anticommunist attitude of the author, a former Marxist, although in general the concept of K. Wittfogel has no fundamental differences with the concept of K. Marx and is highly vulnerable to criticism [see, for example, 22]. Most likely, this is the reason why the "hydraulic empire" of K. Wittfogel remained outside the attention span of the Russian social scientists in the 1990s–2000s.

In his book "State and Evolution", Ye. T. Gaidar also did not find the place for comments on largely artificial constructions of K. Wittfogel. When criticizing the fusion of power and ownership in the countries of the Ancient East, he simply prefers to state that:

"The best incentives to innovate and improve the efficiency of production are the firm guarantees of private property. By relying on them, the Europe started, in the 15th century, to turn with increasing confidence towards the path of intensive economic growth outpacing the increase in the population" [11, p. 200].

In fact, the end of the 15th century was marked by an event that gave rise to just the opposite trend. After the discovery of America by Columbus, Spain quickly acquired the status of a great power and, for two centuries, acted as the gendarme of Europe exclusively due to the influx of gold and silver from the New World. During this time, the country experienced the degradation even in the area of agriculture, not to mention the crafts and trade. For their part, the German lands, except for a few areas, remained in deep stagnation up to the first half of 19th century. In this period, the examples of how the private ownership relations acted as a powerful incentive to develop the national economy were provided only by England and some Italian states. Even in France, the state personified by Jean-Baptiste Colbert, Superintendent (Minister) of Finance under Louis XIV, Emperor Napoleon I and other major political figures acted from time to time as innovation drive force.

In addition, it is necessary to consider the fact that the institution of private ownership had been cultivated since the age of antiquity. The large estates of European citizens had been accumulated over several generations, which allowed to perceive the existing wealth as not contrary to the law and morality. In his attempt to justify the accelerated pace of market transformations at the start of reforms, Ye. T. Gaidar asserts that, at that point, "the nomenclature had privatized almost all the entire economy" [11, p. 293]. As a result, the adopted measures appear to be very timely:

"If before the end of 1991 the exchange of power for ownership proceeded mainly in the "Asian" way desired by the nomenclature, this exchange took a turn toward another, market-oriented way with the start of real reforms (1992).

If considered from a socio-economic point of view, the liberalization of prices, decree on free trade, convertibility of the ruble, start of the orderly privatization meant the following:

"We managed to softly change the ownership system, a catastrophic system that existed at the end of 1991, without resorting to any violent measures and without introducing the emergency state in the economy" [11, p. 294].

Of course, the new owners were not recognized by other participants in the "voucher" privatization who had no opportunity to acquire anything significant due to their poor organization skills. At least, the desire of many new owners to sell the most liquid assets of acquired enterprises and maximize their personal income and consumption not only contrasted with the tradition of "Protestant ethics"

(as described by M. Weber), but also explained why the decline in the output of goods was comparable to the losses in a large-scale war. However, Ye. T. Gaidar believed that "to loose the pace would have been an unaffordable luxury." Since no clear explanation was provided as to why the lower pace of privatization would have been "unaffordable," we can only recognize with the author that "the decision in favor of launching (the reforms) as soon as possible was far from perfect, but it allowed to start moving forward the privatization mechanism, which in many ways predetermined the further development of economic reforms in Russia" [11, p. 298]. Anyway, the literature on such difficult subject as the privatization of state and municipal property in Russia requires a separate analysis.

The "State and Evolution" ends with somewhat unexpected acknowledgment by Ye. T. Gaidar that he considers himself and his like-minded as Russian statist and patriots: "I believe so for a simple reason—I see our main task in addressing the strategic problems of the state, completing the market-oriented reforms and building of sustainable, dynamic, increasingly wealthy Western-style society in our country" [11, p. 328].

A more detailed justification of the substance and pace of transformations initiated in January 1992 can be found in later books of Ye. T. Gaidar published in the 2000s. They make even more evident the reliance on extensive historical material, a particular feature in the author's approach to analyzing the economic trends and phenomena. A. Chubais even called Ye. T. Gaidar a "profound historian" [10, p. 11], a description accepted by no means all those who research the scientific heritage of the "father of market reforms."

In particular, A. Berelovich found many insufficiently substantiated allegations and randomly selected data, as well as blatant disregard of the actual material that did not fit into the concept of the author, in the book "A Long View: Russia in the World—Essays on Economic History." Even when questioning the "Marxist" view of the "iron-clad laws of history," Ye. T. Gaidar continues to follow the rigid economic determinism and views the world history as a transition of leading countries from the "agrarian societies" to "modern (rapid) economic growth" with some remaining "anomalies," including Russia [23]. Accordingly, he sees the accelerated drive of Russia towards the liberal democracy and market economy as predetermined and having no alternative.

In this respect, "Collapse of an Empire: Lessons for Modern Russia" is even more revealing. The patronizing message embedded even in the title of the book should lead the reader to a simple logical chain: "Empires are short-lived—the Soviet Union was an empire, which ruined it—In order not to perish, Russia should abandon its imperial ambitions." The author begins with reflections on the nature of empires as a special form of statehood and immediately falls into the terminology trap. If the empire is any country which positions itself as such in its name, then the object of criticism vanishes. Not coincidentally, Ye. T. Gaidar did not even mention the infamous Central African Empire of the second half of the 1970s and its Emperor Bokassa, who used to eat (quite literally) his political opponents. He also ignored the Holy Roman Empire of the German Nation, which formally existed in Western Europe in 962–1806 and was a sort of confederation of states with the nominal authority of the emperor chosen by the electors and kings (in this respect, the modern European Union is a much more centralized political and economic phenomenon). Finally, the author does not notice that, in a "soft imperial" form, the USA is currently controlling vast regions of the world, including Europe, a fact that is not even concealed by the American establishment.

But the supertask for Ye. T. Gaidar, as a historian, is to prove the existence of imperial features in the Soviet Union and the Russian Federation in order to lead the reader to the key idea that the project named Russia is bound to inevitable collapse. This is the focus of extensive historical and economic essays in chapters 4–8 on the oil shocks of 1970s–1980s and their negative impact on the Soviet national economy, ideological and economic crisis of the perestroika era and the initial stage of contemporary economic reforms in Russia (1991–1992), which actually represents to us a particular interest.

Against this backdrop, the book "Crossroads of Modern Russian History" appears to be the least odious as it does not go beyond the traditional anticommunist discourse of liberal Sakharovites and pretends to neither refute nor prove the existence of "iron-clad laws of history."

In all these books, as well as in the memoirs of Ye. T. Gaidar, the answer to the question on reasons for selecting the shock therapy version of transformations is not reduced to the struggle against the "nomenklatura privatization," but refers to financial and food crises, two interrelated events that aggravated by the fall of 1991. To support this, the author presents a very extensive array of

documentary evidence, including from the archives, which suggests the following picture. The food shortages were evolving into a direct threat of famine and, to address this problem, the government did not have the necessary financial resources, including the foreign currency ("in the country, there was no grain and no currency to buy it" [10, p. 46]). The situation was explained by mistakes of the Soviet leadership headed by Mikhail Gorbachev, whose indecisiveness did not allow to proceed with the pricing reform at the right time (approximately in 1987–1988). Therefore, the only way out was to adopt the accelerated market transformations, including the price liberalization, privatization of state and municipal property, tight credit and fiscal policy, etc.

It should be noted that, in all these books, Ye.T. Gaidar contradicted his own statements to the media and recognized that, after all, there were grain and other agricultural products but the "peasants" did not want to sell them to "the city" at a fixed price. The same happened to other consumer goods. Therefore, the price liberalization was the first vital step at the first stage of reforms and it was adopted on January 2, 1992.

By the way, in this regard, we need to dispel one of the myths that accompanied the initial period of reforms. The general stream of criticism against the "government of reformers" included the assertion that nothing was explained to the people neither in the process of preparing the program of transformations, nor after the transition to its implementation. This is not quite true.

The materials of the second phase of the Fifth Congress of RSFSR People's Deputies (at the turn of October–November 1991) provided only the general outlines of the reforms, and this information simply could not arouse wide interest among the public. However, later, in November–December of the same year, the issues of price liberalization, privatization of state property, etc. were discussed in the media and scientific forums. In addition to official publications, collections of regulatory acts were published that constituted the legal basis of the first stage of reforms, in particular, these include the brochure "Economic Policy of the Russian Government: Documents. Comments" [24]. It had a special annex "Stabilization and Economic Recovery. Questions and Answers on Economic Policy of the Government of Russia," which described the concept and prospects of transformations. Later, there was also a publication of "The Program for Deepening the Economic Reforms in Russia" [25] with correspondent comments. Therefore, everyone could become familiar with the substance of planned transformations.

These publications already pointed out that the reformers in the government saw the main danger in the rising inflationary overhang and large imbalances in cash flows: "The shortage of goods coupled with the accelerating rise in prices, which reached 15 % per month or 650 % in annual terms—this was the essence of the crisis... The tax system was completely unfit to the inflationary situation. The share of state revenues in the gross national product fell by 2.5 times. All this contributed to complete collapse of the state budget, the guarantor of economic stability" [24, p. 58].

This was stated in the brochure "Economic Policy of the Russian Government." The brochure "The Program for Deepening the Economic Reforms in Russia" painted a similar picture: "By the end of the last year, the country found itself in a catastrophic situation. The ill-conceived steps in the economic management over the past few years resulted in the destruction of economic ties between producers, lack of incentives for productive work, loss of confidence in the national currency on the part of both enterprises and households. A typical picture of that period included the growing "barterization" of economic relations (extremely inefficient by definition), widespread use of the coupon distribution system for goods and products without any guarantee of their provision, absolutely empty shelves in the state-owned stores" [25, p. 3].

It was assumed that a tight credit and fiscal policy, as well as the maximum restriction in the effective household demand through price liberalization would ensure a sharp slowdown of inflation and allow to achieve a balanced budget. In the consumer market, with a strengthened ruble, the free prices should have become the main driver for the growth of output and improved quality of goods while eliminating the lines and shortages. The privatization of state-owned enterprises and conversion of the defense industry would have contributed, along with the reduced burden on the budget, to attracting new investments and restructuring the national economy with a focus on priority development of knowledge-intensive industries and faster growth in the production of the most popular goods. The establishment of market mechanisms for regulating the processes in the national economy (system of stock exchanges, commercial banks, etc.) would have provided a guarantee that transformations were irreversible and would have completely removed the remaining elements of the directive planning system.

First Results of the Reforms

The most expected results of the reforms included the following:

"The liberalization of the economy and foreign trade will be mostly completed during 1992. The inevitable feature of this period will be high inflation, which, however, should be arrested thereafter. Stabilization of the monetary system, lowering of monthly inflation to 3 % will strengthen the ruble and allow to introduce its convertibility for current operations. This will create the necessary incentives for production. The real ruble exchange rate will begin to rise, thus improving the opportunities for imports. At the same time, liberalization of external trade, reduction of export duties should ensure the growth of exports.

In 1992, the output was expected to decline by 15 %. This decline will be generally reversed in 1993. As early as 1994, the output will begin to stabilize, which will be followed by some growth" [25, p. 59–60].

As you know, this forecast proved to be unrealizable. Even the well-known "liberal" economist A. Illarionov summed up the first results of the transformations by saying that only the February 1992 was the honeymoon of economic reforms followed by a "quiet counter-reform," and that the "irresponsible populist policy led to the sharp fall of the ruble exchange rate, depletion of inventories, explosive rise in prices, falling living standards for the overwhelming majority of people" [26, p. 25, 26].

The representatives of academic economic science made a definitive assessment for the initial period of reforms. In February 1994, "Voprosy Ekonomiki", a journal, published the report of the Institute of Economics of RAS entitled "Socio-Economic Situation in Russia: Results, Problems, Ways for Stabilization." It stated bluntly that "the socio-economic situation in Russia following two years of the "shock therapy" is characterized by an unprecedented decline of the output, mass impoverishment of people, loss of social ideals and destruction of the moral fabric of society. All this raises grave concern for the fate of the country, and again brings us back to the question about the course of economic reforms" [27, p. 126].

Accordingly, the collective monographs published soon thereafter on the economic situation in Russia in the first half of the 1990s also acknowledged that the market reforms had led to results not expected in the reform program. Moreover, if the book "Economic Reforms in Russia: Results of the First Years (1991–1996)" assessed GDP decline as a percentage in relation to the previous year [6, p. 10], which does not allow to obtain comparable figures for the entire period of study, the monograph "State and Contradictions of Economic Reforms" indicated that, in 1996, the GDP of Russia was at 61.4 % of the 1991 level, including 51.3 % in the industry and 65.8 % in the agriculture [7, p. 54].

There were also other assessments of the economic recession, which can be explained by different methods of calculations and contradictory trends in the object of analysis (short-term rises in various years), and the choice of chronological boundaries for the study. In particular, Academician A.G. Aganbegyan claimed that, in 1998, the Gross Domestic Product of the Russian Federation fell to the level of 56 % of the similar figure in 1989 [28, p. 14–15]. Academician N.P. Fedorenko simply referred to a two-fold decline in the amount of Russia's GDP in the 1990s. [2, p. 282]. Other publications also confirm the fact that estimating the output decline in the range of 50 % compared to the pre-reform period became a generally accepted journalistic trend.

In addition to statistical indicators, there were the assessments of trends reflecting the processes in the Russian society. For example, the Russian Academy of Sciences initiated implementation of the project "Economy and Social Environment: Unconscious Mutual Influence (academic supervisor Academician O.T. Bogomolov), which resulted in a number of major publications, including "Non-Economic Facets of Economy: Unknown Mutual Influence" [29], a collection of articles by well-known social scientists and public figures.

The collection opens with a small section under the telling title "The Diagnosis of the Russian Economy." Academicians O.T. Bogomolov and R.I. Nigmatulin and Professor B.I. Nigmatulin used specific calculations to substantiate the idea, which, at the level of everyday consciousness, has long been perceived as an axiom: the contemporary economic reform was not a success, to put it mildly. This idea is shared by the authors of all subsequent sections on spiritual and moral foundations of social development, the socio-political structure of the country, its intellectual, scientific, technological and demographic capacity, as well as the Russian elite, an ephemeral and, therefore, even less known phenomenon.

When assessing the results of reforms, Ye. T. Gaidar chose to focus on institutional changes rather than on indicators of socio-economic development of Russia. While acknowledging, in his memoirs, the growing economic and social problems during the transformations, he still claims that "first and foremost, what we managed to do was to put the reforms in motion, and launch the market mechanism." It is worth to mention his reaction to the enactment of the Decree on Free Trade at the end of January 1992. The sight of a long line of people trying to sell "a few packs of cigarettes or a couple of cans of food, wool socks and mittens, a bottle of vodka or a baby sweater" near Detsky Mir store on Lubyanka Square in Moscow aroused in Ye. T. Gaidar a feeling of delight rather than sorrow: "If I had any doubts on whether the entrepreneurial spirit of Russian people survived seventy years of Communism, that day they disappeared" [12, p. 156, 221].

His books published in the 2000s include even more definite reference to institutional transformations as a symbol of success. In the "Long View," Ye. T. Gaidar reiterates that the main result of reforms is the fact that "... today, Russia is a country with a market economy. This fact is widely recognized in the world" [8, p. 413]. Accordingly, the "crisis of the industrial system and formation of socio-economic foundations for the post-industrial society" is viewed as the dominant issue for modern Russia. "This process defines the essence of today's transformation and the main challenges to be faced by the country in the coming decades" [8, p. 413].

"Collapse of an Empire" has no special section on the results of reforms implemented for 15 years by the time of the book's publication. Ye. T. Gaidar only links the success of institutional transformations with the failure to achieve his own political goals: "I and my colleagues, who started the reforms in Russia, understood that the transition to the market economy, adaptation of Russia to its new position in the world, to existence of the newly independent states will not proceed easily. But we believed that overcoming of the transformational recession, beginning of the economic growth, higher real incomes will allow to replace the unrealizable dreams of restoring the empire with prosaic concerns on people's own well-being. We were wrong" [9, p. 16]. In this case, as the context suggests, the dreams of "restoring the empire" were understood not even as the revival of the Soviet Union, but as the growing national consciousness of people in Russia, rejection of artificially imposed values, etc.

However, if the attempts to turn Russia into a "Western-style" state failed in the political sense, the institutional transformation in the economy, according to Ye. T. Gaidar and A. B. Chubais, proved their value in the emergency situation caused by the default of August 17, 1998. In the "Crossroads of Modern Russian History," the overcoming of the post-default crisis is explained as follows: "Experiment with the left at the helm of government in the fall of 1998 showed that they had been unable to turn the country back to the "bright Soviet past." The practice proved that, in Russia, the only way to come out of the crisis and ensure further development of the economy are macroeconomic stabilization and private ownership.

After coming to power in 1998, the left were unable to implement any of their slogans, whether to nationalize the industry, or abolish the circulation of US dollars or introduce state control over prices. This historic experiment showed that the earlier market reforms set a framework for adopting the general economic decisions. The left could not break out of this framework.

The mechanisms of the market economy had reached such maturity that their response to the crisis was quite adequate. The bankruptcies hit inefficient loss-making enterprises, while companies capable of growing and developing grew and developed. The long-term effects of the course taken following the default and subsequent actions of Primakov's government ensured that the economic growth, which began in Russia in 1997 and was interrupted by the crisis of 1997–1998, resumed as early as at the beginning of 1999 and proved to be sustainable over the next decade..." [10, p. 115–116].

In this context, the answer to the third question on whether Ye. T. Gaidar acknowledges that an alternative version of transformations was possible and acceptable is obvious. Nevertheless, we can note yet another episode that emphasizes the conviction of the leader of reformers in his righteousness. During the discussion in the "Troubles and Institutions" both with little-known American Professors P. Reddaway and D. Glinski [30] and with J. Stiglitz [31] (Nobel prize in Economics for 2001), he rejects the idea of slower pace of reforms, which should have begun with the establishment of market economy institutions while maintaining the social stability. Here too, the main argument is a reference to extreme situation (lack of grain, etc.), which in some cases is somewhat dramatically exaggerated ("When the state was simply unable to perform its functions") [11, p. 11–12].

In fact, the state was able to perform its functions; otherwise, the reforms simply would not have taken place. However, the key question continued to be the pace of reforms, because Ye. T. Gaidar and his supporters considered the prospects of a "communist revanche" very real. Therefore, the leaders of reformers preferred to reject the proposals that implied the change of priorities in the implementation of reforms as 'a fortiori' unacceptable.

These fears of "revanche" and subsequent repression are understandable, given the details of the situation in the 1980s before the reforms, when future reformers were communist youth and party activists earning the reputation of anti-regime campaigners and simulating underground activity. Incidentally, A. Chubais unwittingly refuted the claim of Ye. T. Gaidar, that participation in youth seminars in Zmeinaya Gorka near Leningrad in the mid-1980s could lead to undesirable consequences for those who attended them, because they discussed "the most ideologically dangerous issues" [12, p. 43–44]. Indeed, since the late 1970s, a group of young academic economists from Leningrad held the meetings, where they considered a variety of topics, including NEP, Yugoslav model of socialist economy, economic situation in the USSR, etc. However, this happened within the framework of the Council of Young Scientists of the Leningrad Engineering and Economic Institute. Accordingly, the allegedly "clandestine" workshops in the suburban boarding house with the involvement of like-minded Moscow intellectuals did not go beyond that framework [32, p. 5–8]. At the same time, it should be noted that these meetings allowed to build the team of the future reformist bloc in the Russian government, which then became the target of purposeful work by very different forces.

In particular, the Doctor of Economic Sciences, Professor Ye. G. Yasin, in his lecture course "The Russian Economy. Origins and Panorama of Market Reforms," adds a curious story not found in other publications on the subject to the history of how the future reformers were prepared to their mission [33, p. 149–152]. He noted that an important role in elaborating the plan of upcoming reforms was played by a seminar in Sopron (Hungary) held by Vienna Institute of Systems Analysis in July 1990. At that time, under the project on Economic Reform and Integration, Ye. Gaidar, A. Chubais, A. Shokhin, P. Aven and other future reformers were trained under the supervision of W. Nordhaus, R. Dornbusch, R. Laird, and other well-known Western scientists and economists.

This seminar presented a number of subsequently implemented recommendations, including the start of transformations in the form of a "Big Bang" (shock therapy) with one-time liberalization of prices, extremely tight fiscal policy, immediate corporatization of major industries, etc. It should be noted that one of the guidelines was stated as follows: "No indexation, especially automatic one. The budget allocations should be planned only in nominal amounts followed by bargaining with recipients of budget funds who suffer from rising prices. Reject cynically their just demands to the utmost capacity. When this inevitable, provide only a partial compensation for losses" [33, p. 150–151].

Ye. G. Yasin summarizes the results of transformations in the 1990s by using the same institutional approach: "A minimum was made at the first stage, including the establishment of the market economy to replace the planned economy. Now, we need the next step and to make it the efficient economy..." In turn, he sees the incompleteness of reforms in the structural problems, that is, in the need to ensure the advanced structure of the economy with a predominant role of high-tech industries, etc. This requires "strong institutional prerequisites," including further liberalization, improved tax system, more active anti-monopoly policy, etc. [33, p. 429, 430]

In general, the lecture course written by Ye. G. Yasin is quite remarkable from the factual point of view. After a brief excursion into the history of Russia before 1917, it gives a fairly detailed analysis of the Soviet economy, discloses the details of preparing the reform program (Sopron workshop comes as no more than just an episode) and thoroughly describes all areas of transformations until the financial crisis of 1998. In a sense, Ye. G. Yasin presents a more substantive liberal interpretation of how the contemporary economic reforms were prepared and implemented in Russia than Ye. T. Gaidar and A. B. Chubais.

A fairly detailed, although more concise, description of the process of transformations is presented in Chapter II "Socio-Economic Crisis of the 1990s in Russia" of the monograph "Socio-Economic Development of Russia" written by Academician A. G. Aganbegyan [28, p. 14–47]. In this case, along with a sympathy of the author to the "young reformers," one can also find there a number of critical comments. In particular, the refusal to provide the indexation for household deposits and balances of enterprises on the bank accounts is described as an error, which resulted in the loss of trust in financial institutions, etc., and lead to increased popularity of the Russian Communist Party. He also accused

the reformist bloc of the government of not having a well-considered social and agricultural policy, ignoring the problems of military-industrial and fuel and energy complexes. However, the general conclusion is quite unambiguous: "And yet, with all these terrible mistakes, the strategic course of the government for the transition to a market economy, price liberalization, tight fiscal and monetary policies, privatization was justified..." [28, p. 32]

Academic View of Transformations in the 1990s

Unlike A.G. Aganbegyan, Academician L.I. Abalkin was, from the very beginning, a consistent critic of decisions and actions of the reformist bloc in the government. The collection of his journalistic publications in the early 1990s with an image-bearing title "At the Crossroads" includes an indicative article "Russian Economic Reform: First Results and the Need to Adjust the Course" [34, p. 70–77]. Initially, it was an analytical note sent to the Chairman of the Supreme Soviet of the Russian Federation R.I. Khasbulatov on February 4, 1992, that is, it recorded the impressions from the first month of the market reforms.

L.I. Abalkin saw the internal inconsistency of the reform program, on the one hand, in the hope on automatic processes of the market following the abandonment of the state regulation of the economy and, on the other hand, in the attempts to manage the economy by purely administrative commands (first of all, on the issues of privatization), as seen in the publication of numerous decrees and orders. At the same time, in his opinion, the program did not include any measures to stimulate the output and exports.

In a number of areas, the analysis of the first steps of reform was accompanied by forecasts which would soon become a reality. For example, he made the following prediction for the agriculture: "Here, we can expect not only the reduced output but also mass slaughtering of cattle and reduction of cultivated areas, which will result in protracted crisis." He also made the accurate projection with regard to financial stabilization measures: "If, in the near future, there is an upsurge of cash income (which is quite likely), then the hyperinflation on a gigantic scale will become inevitable" [34, p. 73].

The proposals of L.I. Abalkin on the adjustment of reform program implied the change of the course, i. e. a transition to stimulating the output, and all this not "in general," but for socially important priorities. Also, the main goal of privatization should have been the growth of output, rather than the replenishment of the budget. In addition, it was necessary to combine the transformations with measures aimed at social protection of people. Finally, he questioned the optimism displayed by the authors of the program: "It is impossible to improve the economic situation by the fall of this [1992] year. All programs designed for such a result are unrealistic and doomed to failure" [34, p. 71].

In the fall of 1995, during the debate at the Moscow Polytechnic Museum, L.I. Abalkin spoke already quite clearly when answering the questions from the audience: "The failure has been programmed by the errors in the selection of strategy... If we acknowledge the failure, we must name the reasons. These are not the confluence of incidental circumstances or some individual miscalculations, when the course is not changed for as long as four years, and the collapse is only worsening. None of the goals has been achieved (whether in the fight against inflation or stabilization of output). None of the forecasts has proved right. When Gaidar declared that, in 1992, after the liberalization of prices, they would increase by 1.5–2 times, while they grew by 26 times, then, sorry, it's not a miscalculation, this is a fundamentally wrong assessment of the situation. Gaidar said later that, if the government had immediately announced that the prices would increase by 26 times, it would be dismissed and not allowed to carry out reforms. But then Gaidar must choose one of the two things: either he miscalculated as a professional economist, or he misled people in politics" [35, p. 147–148].

This statement can be found in the collection of speeches by L.I. Abalkin "The Logic of Economic Growth" published in 2002. His monograph "Russia: A Search for Self-Determination" [36] appeared in the same year. One of its essays conveyed a simple idea: "All global experience of profound, qualitative transformations reveals a general pattern: their success and – just as importantly – their irreversibility took place only when they serve the interests of the majority of people" [36, p. 55]. This is the basis that we should use when assessing the opinion of L.I. Abalkin on the version of implementation, results and possible alternatives to market transformations of the 1990s in Russia.

Like L.I. Abalkin, Academician N.P. Fedorenko assessed the contemporary economic reforms in the context of Russia's historical path. In his monograph "Russia: Lessons of the Past and Faces the Future" [2], he embeds the narrative of reforms in the analysis of secular trends that reflect the dynamics in

the national wealth, natural resources, scientific and technical, material and production capacity, as well as the population of Russia over the period from the end of the 19th century until the end of the 20th century. The transformations of the 1990s are the subject of two sections in Chapter 4 "Attempts to Reform the Russian Economy and Development of Russian Economic Thought" and one section in Chapter 8 "Economic Mechanism of Modern Market Economy."

N.P. Fedorenko explained the selection of the shock therapy option for reforming of the Russian economy as follows: "Starting from "500 days" program, all plans (and actually the actions) of today's reformers had one major flaw: they were overloaded teleologically, i. e., they were more focused on the market economy as a goal than adapted to modification of the economic system. Two points were the most important for reformers of the early 1990s—wipe everything from the board without leaving a trace, and wipe it as quickly as possible" [2, p. 256–257].

Assessing the results of shock therapy as a failure, he pointed out to three errors of "reformers" (or "radicals" in the terminology of N.P. Fedorenko): "First of all, based on the fact that the generally accepted theory describes the economy as a complex of a system of equations, our theoreticians came to conclusion that the reforms should be comprehensive and systemic, and not implemented by parts... Secondly, there was no sufficient consideration for the general theoretical provision that the functioning of a market economy requires a developed system of legal, social, financial, and regulatory institutions... Thirdly, the expectation of instant change in the economic behavior of economic entities, as the conditions for utility or profit maximization were restructured in a market-oriented manner, proved to be unjustified..." [2, p. 259]

N.P. Fedorenko considered possible alternative versions of transformations within the framework of a dichotomy: either the formation of pseudomarket relations, or the formation of the socially oriented market economy. Accordingly, he quite optimistically viewed the prospects promised by the new century: "As a result, Russia saw the formation of a quasi-market type mixed economy, which created the prerequisites for deploying the process of building a civilized and efficient market economy that preserves the principles of free competition while taking care of poor and disadvantaged... But all this will apparently happen in future" [2, p. 387, 391].

This monograph of N.P. Fedorenko appeared in a series of "Russian Academicians about the Economy." The series was opened in 1998 with the publication of the book written by Academician N.Ya. Petrakov "Russian Roulette: An Economic Experiment at the Cost of 150 Million Lives" [37]. Its narrative of reforms was embedded in the scheme of "theory plus practice" rather than into a general historical context. Therefore, the first sections of the monograph describe the cybernetic market theory and the theory of sustainable development while the transformation processes of the 1990s are examined from the standpoint of not only the analyst, but also a direct participant in the events.

The assessment made by N.Ya. Petrakov about the progress and results of transformations is unambiguous ("The achievement of Russian reformers is a market without money") and is largely consonant with the opinion of other full members of RAS, who criticized the actions of the Russian government all along the "hard 1990s." However, his position can be assessed in more detail by reading a collection of his journalistic articles "Economic "Santa Barbara": A Diary of Market Economist" [38].

For a number of years, N.Ya. Petrakov published a column in "Obshchaya Gazeta," a newspaper, where he commented on the economic situation both as a scientist and a citizen; as a result, his opinions on the reform and reformers collected under one cover are unusually polemical for the academic style.

N.Ya. Petrakov questioned the shock therapy version of transformations immediately after the keynote speech by Russian President Boris Yeltsin at the Fifth Congress of People's Deputies of RSFSR in early November 1991: "There is an opinion that economic reform shall be implemented by dashing ahead. But a reform is not made with an ax... No market economy can exist without the liberalization of prices. But it can neither exist without competition. It is very difficult to achieve both simultaneously. You can, indeed, free the prices immediately, but creating conditions for competition is a process" [38, p. 5].

The first steps of reformers were evaluated not only from scientific but also from a moral standpoint: "In my opinion, it is already obvious now that the initiated reforms were not prepared either methodologically or organizationally... Behind this kind of improvisation, alas, one can see the organizational failure and disregard for "human material" used in the experiment" [38, p. 7, 8]. It should be noted that unregulated street trading, that delighted Ye. T. Gaidar, was very differently assessed by N.Ya. Petrakov: "Flea market is the agony of the market economy and not its harbinger" [38, p. 16].

All this was said and written during the initial stage of the transformations. Five years later, when summing up the achieved results, N. Ya. Petrakov noted the following: "The first months of 1992 put an end to empty store shelves in Russia. The euphoria about this still excites young reformers when they write their memoirs... But there is one tiny annoyance—the domestic output collapsed by more than half, while for the consumer products it shrunk by two-thirds" [38, p. 62].

The belief, that there is no alternative to adopted decisions, professed by reformers, is seen by N. Ya. Petrakov as a typical feature of radical politics. Therefore, he says, no one wants to acknowledge that the case of transforming the totalitarian economy into the market economy completely and almost hopelessly failed, and "the boys are now writing their memoirs that look like letters of explanation" [38, p. 53, 54].

The assessment of the contemporary economic reforms in Russia by Academician S. Yu. Glazyev is made in no less vigorous terms. His view on the course and results of the transformations is even more remarkable, since initially he was part of the "Gaidar team" and first served as a Deputy Minister and later as the Minister of Foreign Economic Relations of the Russian Federation. After parting with the "young reformers" based on ideological differences in the days of political crisis at the turn of September and October of 1993, S. Yu. Glazyev could not avoid a special characterization on the part of Ye. T. Gaidar, who assumed that his former ally sided with the Russian Supreme Soviet for career reasons, as he later became one of the leaders of the "communist-nationalist bloc in the Duma" [12, p. 281].

For his part, S. Yu. Glazyev in his publications prefers to assess the economic events and trends, rather than personalities. In 2003, in collaboration with S. G. Kara-Murza and S. A. Batchikov, he published the "White Paper of Reforms" [39], which includes extensive statistical data on demography and wellbeing of the population in Russia, as well as the situation in the manufacturing, construction, agriculture and transport over the first decade of transformations. However, in terms of substance, the reforms were assessed in his later monograph "Lessons of Yet Another Russian Revolution: The Collapse of the Liberal Utopia and the Chance for "Economic Miracle" [40].

Although in this book S. Yu. Glazyev focuses mostly on analyzing the situation in the 2000s and the prospects of the Russian economy after the global financial crisis of 2008–2009, the book starts with section 1 that has a characteristic title "Catastrophe instead of Reforms"

When assessing the start of transformations in the form of shock therapy, S. Yu. Glazyev admits that, at the turn 1991–1992, the Russian economy was facing a difficult situation, but he immediately points out that the main error of reformers was not even the haste and ill-conceived character of decisions, but the general orientation toward the doctrine of market fundamentalism, or rather the dogma of the "Washington Consensus," i. e. a standard set of recommendations for anti-crisis economic policy in the underdeveloped countries of the Third World. Accordingly, based on the analysis of time series for a large number of indicators S. Yu. Glazyev shows that "two decades after the start of radical reforms, by virtually all indicators of the output efficiency, the Russian economy looks much worse than the Soviet model of 1990" [40, p. 68].

As for the first decade of transformations, S. Yu. Glazyev sees the changes in this period in the form of five shock waves of growing chaos, economic destruction and impoverishment of the population:

Shock 1. Liberalization of prices, depreciation of incomes and savings of people.

Shock 2. Loss of rights to previously created public property by the overwhelming majority of people, state corruption and criminalization of the economy.

Shock 3. Depreciation of savings and repeated loss of property by the people in pyramid schemes.

Shock 4. Destruction of public productive forces as a result of implemented macroeconomic policy.

Shock 5. Involvement of the state budget, people's savings and financial resources of the production sector in the government debt pyramid [40, p. 115, 119, 122, 124, 128].

S. Yu. Glazyev sees the alternative to market fundamentalism in the Chinese version of gradual transition "from plan to market" under the state control: "While the Russian economy was shrinking in convulsions of shock therapy, the Chinese leadership, based on the principles unsuccessfully proposed by academic science to Russian leaders, implemented a successful modernization of the economy on the basis of the gradual cultivation of market institutions" [40, p. 69].

The reference to the authority of academic economic science is not incidental. The representatives from economic institutes of RAS did not just criticize for many years the reformist course of the Russian government, but offered from the very beginning their version of transformations without hasty and

ill-conceived decisions. When asserting that "reformers invented the myth of inevitable economic catastrophe" S.Yu. Glazyev provides the following counterargument. According to the calculations of the Institute of Economic Forecasting of the Russian Academy of Sciences, without any change (i.e. reforms), in 1991–1993, the Russian economy would have experienced a downturn with the output decline of no more than 2 %. In the case of science-based and planned transition to the market, the economy could have achieved the growth at the pace of no less than 3 % per year [40, p. 60].

Instead of Conclusion

Even a brief historiographic review of the literature on contemporary economic reforms in Russia offers a contradictory set of answers to the questions posed at the center of analysis. The advocates of the "shock therapy" refer to the threat of famine and civil war to justify decisions adopted in 1991–1992 that led to decline in output, hyperinflation and other negative trends. Their critics on this issue rather stress the inhumanity of chosen path and point out that the lack of public support caused the failure of market transformations. By acknowledging the obvious, i. e. a significant deterioration of economic indicators, the advocates see their success in establishing the system of market institutions, and, on this basis, insist there was no alternative to implemented version of reforms. In turn, their opponents believe that there were the alternatives to shock therapy, and their distinctive feature would have been the desire to gradually cultivate, rather than introduce in the administrative way, the market economy institutions in Russia, while preserving the social achievements of the Soviet era.

Of course, a large amount of literature on the subject has been left out of this review. However, we see the continuation of historiographic analysis not in repeating the conclusions by providing the examples of other publications, but in the detailed description of views on a number of most remarkable issues, in particular, the privatization of state and municipal property, default of August 17, 1998, and the change of government policy in the 2000s, agricultural component of contemporary economic reforms in Russia, etc. In this case, the overall picture of transformations will be complemented by new analysis and conclusions.

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