

Yegor Gaidar is an economist and was Russia's acting prime minister on whose watch the first reforms—most notably price liberalization—were introduced.

In this interview, Gaidar recalls his path as an economist toward embracing markets, his tenure as Russia's first prime minister, and assesses the outcomes of a decade of economic and political reform in Russia.

What the Future Holds: The Clandestine Meetings of Soviet Economists

INTERVIEWER: Set the stage for what things were like in the late '80s, when you and your colleagues got together at the retreat outside of St. Petersburg. What was the economic situation in your country and what were you as economists thinking might be happening the Soviet Union? And what were you discussing at that weekend?

YEGOR GAIDAR: The economic situation by 1986 still on the surface remained stable. Of course there were fundamental long-term problems with the Soviet economy, which were well known. There was an acutely low competitive ability, the ineffective use of resources, a high dependence on income from the transport of energy products, and the obvious worsening state of affairs in the world oil market. To this were added the attempts of the new team of Gorbachev and [Nikolai] Ryzhkov to bring about a political "speeding up" to cause economic growth, which was very dangerous, it seemed to us, because there weren't the objective prerequisites for it. There were a combination of several unpleasant and dangerous processes, still in their early phases, in a general crisis condition of the economy. There was the anti-alcohol campaign, which brought about the crisis in the budget income. There was the attempt to speed up capital investment without having a financial basis for it. [There] was the fall in the price of oil. [There] was the fall in the amount of revenue from unprofitable imports. It was clear that macroeconomic stability, which was ineffective and was a characteristic feature of the Soviet Union, was now in danger, and there would be serious financial problems which, in conditions of an economic deficit, would inescapably lead to sharp tension in the consumer market, to an increase in queues, to a disappearance of goods from the shelves.

But all that was at the very beginning. Along the way there was the new team of Gorbachev and Ryzhkov, who obviously wanted and were willing to achieve something. It seemed to us that there was a window of opportunity to correct the economic policy and transfer it to a

more rational course, to achieve some kind of reasonably well-thought-out changes which would allow the creation of the basis of a gradual increase in the effectiveness of the Soviet economy, the basis of the introduction of market mechanisms.

INTERVIEWER: You felt at the time that socialism could be reformed?

YEGOR GAIDAR: We started at the point that political stability in a totalitarian regime would be preserved. We, like the majority of people in the Soviet Union and the West, didn't believe in a short-term political collapse of the totalitarian regime of the Soviet Union. We considered that there was hope for a gradual liberalization of the regime. We considered that there was hope that a politically liberalized regime would at the same time bring about a more well-thought-out industrial and economic policy, something like Hungary in 1958 or like China in 1989. We supposed that these market reforms within the framework of socialism would gradually give a base for a full-scale market economy. We imagined that this would be a long process, and that it would take not a few months but a few years. It would be a gradual reform, a gradual changing, but [creating a] more or less stable totalitarian regime in a gradual transformation to a market—or at least that is the way we saw the political picture in the coming years. As you see, we were seriously mistaken.

INTERVIEWER: When you say "we," who are you talking about?

YEGOR GAIDAR: I am talking about the majority of those who participated in the seminar in Zmeynaya Gora, and those who later on took an active part in reform in Russia. That would be myself, Anatoly Chubais, Sergei Vasiliev, Pyotr Aven, Sergei Ignatiev, and many others who participated in the seminar.

INTERVIEWER: For people who don't know, what kind of people were you? Were you politicians or academics?

YEGOR GAIDAR: We were academics or teachers. Some of us worked in the system of the Academy of Sciences. Some worked in universities and institutes. We were 30-year-old researchers or teachers who were involved in the study of the Soviet economy who knew approximately how it functioned, who knew its weak points. Some of us were recruited into

giving advice on economic policy—more or less demanded by the authorities—but we were first of all academics.

INTERVIEWER: Were your ideas at the time considered radical within the Soviet establishment?

YEGOR GAIDAR: Within the framework of the Soviet establishment, our ideas were considered at the time more than radical. They departed from the region of politically acceptable ideas. Some of our discussions were behind closed doors; we didn't even speak of it [to] all the participants of the seminar because we didn't trust everyone to an equal degree. They were not in the full sense of the word revolutionary, but they were far outside the realm of political permissibility.

INTERVIEWER: I read a story where it said that you went around the table and said that you will either end up running the country or in jail. Could you tell us about that?

YEGOR GAIDAR: It's true. It was a joke of the sort that in Russia we call cabbage. After the official program of the seminar ended, we had some leisure time in the evening and it was there that people were telling jokes. I was one of those who did, and I [talked about] the basic analysis of the development of the crisis of the type of a "crease"—there was such an official report about the crisis of the "crease." I said that in the further development of the crisis of the "crease" there are two scenarios. The first scenario in the development of reform in Russia was called the top end. There I described in detail the role the process of implementing reform in Russia would take and mentioned the very serious role that Chubais would have. The second scenario was called "the crease." That one described the jail term and the kind of food that the participants of the seminar would get with that development of events.

The Worldwide Appeal of Socialism and the Command Economy

INTERVIEWER: Could you talk about the appeal that communism and state control of the economy had, not just here, but around the world? You saw the flaws in the system, but a lot of people, not just in this country, but around the world, did not. What was the appeal that socialism had?

YEGOR GAIDAR: First was the attraction tied to objective problems of the market political economy, particularly its earlier stages. Capitalism and the market at the same time showed, absolutely unprecedented in world economic history, a flow of incomes and benefits and led to the radical change in all social structures and system of relations beginning with social and ending with the family, population structures, demographic structures, such changes that human history didn't know. As the Chinese correctly say, "God forbid that you live in times of great change," like the ones we know now. And the government was always on the crossroads. These changes and the social organizations gave a powerful wave of protest against earlier capitalism. Marxism and socialism were a more consequential and clear embodiment of that process, all the more since the capitalist heaven gave the impression of the boundlessness of human technological possibilities—"See what it is possible for a person to do." At the same time, [in] the background of that mass of unresolved problems in the country, and because it was evident by the institutions that produced this growth and wealth, millions of people were attracted by the idea of negating the global institutions that had produced contemporary economic growth, which produced contemporary imperialism. That's the first thing.

To the second was added specific Russian problems in pursuing industrialization. The country was not able to provide the group of institutions which would allow growth. There was no developed economy. There was no well-rooted system of private property. There was no developed civil society dealing with labor and catching up with Europe. And there were major contradictions that Russia went through in the first World War. They were faced with the chaos of revolution, quite often with a totalitarian regime with a powerful ideological defense.

Finally, the third [was] socialism with all of its cruelty in the stages of industrialization, [implemented] at the expense of a colossal robbery of the peasants and the millions of innocent people who died when the Kulaks [a supposed wealthy peasant class] were put off their land and died in Stalin's camps. But [the government] supported industrialization, and from a purely economic point of view was in keeping with the path to that stage. Then it would be the foundation of big estates of millions of peasants, where they could get grain and give the peasants short rations and sentence them to starve to death, and with exported grain buy baking factories from America and Europe. The society under tsarism couldn't cope; [it] couldn't work. In this connection, socialism had its own initiative and legitimacy.

But it was another matter in the 1980s. It became clear that all of this was in the past. It was evident that replacing the former dynamism was hopeless chaos, and there were hopeless attempts to raise the level of production, where the venture of production of hard currency was only a fraction of the percent of machines and equipment making different kinds of goods. Agriculture was dysfunctional and led to the point that 40 million tons of grain a year had to be bought on the world markets. Without those purchases it would have been impossible to supply the consumer demand for bread [or support] the existing bread production. In short, it was clear that the system was in a very deep crisis, and it wasn't clear what to do about it. It wasn't clear that this crisis was based on the regime resting on an unchanging social structure and robbing the population, which could lead to a radical anti-Communist battle in Eastern Europe and in the Soviet Union in 1989 and 1991.

Intellectual Influences on Gaidar

INTERVIEWER: Let's talk a bit about the development of your own beliefs. As someone who had access to texts of Western commerce, which economist did you find particularly useful in forming your own view of how the economy works?

YEGOR GAIDAR: Perhaps the very first person is Adam Smith, because Adam Smith was the basis of understanding the role of the market in private property and in economic development. In a certain sense, ... from the point of view of the integral view of economics of the world and the history of the market, Adam Smith is unprecedented in defining the world economic signs.

INTERVIEWER: And did you find the texts of Friedman influential when you were getting your ideas?

YEGOR GAIDAR: Yes, I read Friedman's books with interest, and also Hayek. They were very authoritative for us, but all the same far away from our domestic realities. Especially Friedman and less so Hayek, because Hayek felt more comfortable when he dealt with a totalitarian regime and saw it in one or another form. He saw the great wave of socialism as having different types. In my view he had more understanding not of the directed Western economic model of the 1960s, but of the specific threat-related non-market regime.

Another hallmark was the speeding up as an object of intellectual interest rather than of economic activity because first of all, we lived in a very specific economy and a very specific society. In fact, a great deal of what was happening or could happen was essentially different from the economics which was studied by those who had never dealt with this regime.

Everyone said that the economists who very much influenced us then, from the point of view of the analysis of what was happening in the Soviet Union, I would single out perhaps Janos Kornai, an amazing Hungarian economist, author of a book on economics of deficit and other interesting works, which became a Bible for us in the analysis of the Soviet economy.

What Russia Learned from the Polish Experience

INTERVIEWER: In the late '80s, early '90s, how carefully did you watch the developments in Eastern Europe, particularly in Poland? And to what extent did you think that shock therapy might be something you could try here as well?

YEGOR GAIDAR: We watched everything that was taking place in Eastern Europe very attentively and in detail and with a great interest. It was understood that it had a most direct relation to what could happen in the Soviet Union, an alternative to the [options] we might have. Especially in Poland, because of all the Eastern European countries, and with all the differences between Poland and the Soviet Union—and there were great differences in the history between Poland and the Soviet Union—all the same we thought that Poland was the most important for us as a source of lessons, experience, and assessments of possible alternatives. Of course, we also watched what was happening in Hungary and what was happening in the Czech Republic, Czechoslovakia.

The experience of shock therapy and Polish reform for us was interesting, [but] not as a theoretical construction. Towards the end of the 1980s, and especially in 1991, it became clear that the development of events was moving towards a completely different scenario than we thought in the mid-80s. It became clear that the main driving force of transformation was not the organized economic reforms—they were extremely disorganized and very ineffective in the background of a weak and often irresponsible economic policy—but a quick process of political destabilization and the collapse of the regime, which could only function under the threat of the unlimited use of power to enforce reforms. On the other hand, with an analysis of the economy it was known and understood that that the way it functioned—not abstractly, but

in reality—[was that] what was in the shops ... was all dependent on the effective and tough use of power. Without that, the economy would collapse. And it wouldn't wait for a command; it would just collapse. The factories wouldn't supply food because they wouldn't fear the party. The collective farmers wouldn't fill the granaries with flour. No grain would go to the grain elevators. There would be no place to send the flour for baking bread. There would be no bread in the stores, as no one would bring it. All this we understood. Therefore, because a political process of disintegration took on its own momentum, it was clear that any discussion of gradual reform or the attempt to construct the idea of gradual reform which was discussed in the 1980s in no way reflected reality. Because everything was collapsing before our eyes, one needed to think about very tough, decisive steps, dangerous and difficult, for the immediate creation of an alternative market production in a country that didn't have [one] in 75 years. In connection with this, with our understanding the need for a radical launch of such mechanisms, it was very useful to us.

On Being Invited to Become Russia's Acting Prime Minister

INTERVIEWER: So what was your personal reaction when suddenly, at the time of this disintegration in 1991, you get the call to actually enter into government yourself?

YEGOR GAIDAR: I understood that it was very dangerous. I understood that we didn't have a functioning country because the old totalitarian Soviet Communist state already ceased to exist and there was no new democratic one. There were neither borders, nor a central bank, no idea of hard currency or of a customs service, or border guards or army, nothing that belongs to a functioning country [or a] working economy. It was clear that if nothing were done, and everyone was afraid to act, that there would be a catastrophe. A famine might happen like after the revolution in Russia in 1919-1920. It was clear that the only thing that could be done would be create the basic conditions for a stock market. It was also clear that if someone did that, no one would say "thank you" to him. The way out was a set of ideas which I had in my head at the time when I was called to serve in the Russian government.

INTERVIEWER: But you were an academic and a journalist. What did you know about effectively running a government?

YEGOR GAIDAR: I knew extremely little about how to run a government. It was my weakness and the weakness of the majority of my colleagues. But the weakness had two advantages. First, we weren't burdened with past experience, because that experience begins to control any other country as though it were the Soviet Union because it replaces one with another. And secondly, we had some ideas about the way market economy mechanisms work, and what had to be done so that the realities of a collapsing Soviet economy [could] go from worse to better. That idea was clear: [to go from] worse to better, working to improve the economy, what steps had to be taken in order to achieve that? And let's say that the Red Directors had no understanding of that. So we never overestimated our potential. In some of us, over the course of time, it turned out to be very good, and with others to a lesser degree. But the main thing at that time seems to me to be not the ability to direct routine work by a well-set-up government, concerned with the problem of raising taxes by 1 percent or lowering taxes by 2 percent, but the urgent selection of very urgent political conflicts which demanded immediate measures we were ready to apply.

First Steps as Russia's Prime Minister

INTERVIEWER: When you walked into Gosplan [the Soviet economic planning agency], what was it like as a young economist suddenly working with all these very powerful bureaucrats, when suddenly you were in charge?

YEGOR GAIDAR: On a personal level, it is a feeling that arises only in one situation: under conditions of revolution. I never imagined myself a revolutionary with all the differences with France in the 18th century, or Mexico at the start of this century, or even England in the middle of the 17th century. It was all the more so with the mass of people who doubted me, and the fact that I saw it in life, and because I saw the way it happened, I knew that revolution is not a nice, enchanting, romantic adventure. It is a terrible tragedy for a country to live through. It is a big danger. It is a terrible burden. Thank God this time in Russia it didn't turn out that the blood of millions was shed. Yes, a revolution creates something unusual, extraordinary circumstances which we adapt to. You can't even imagine in your thoughts what you will do during a revolution; it happens that way. It's good when those times pass, because I emphasize again, there's nothing glorious about it; they are very dangerous. But in fact, those were times when everything was possible.

INTERVIEWER: Could you just describe what you thought?

YEGOR GAIDAR: Well, it was a time when I had a 20-hour work day. I went into Gosplan and I said that the Russian government—the Soviet Union didn't exist—would form its own institutions, and that the basic task was the drastic cut in defense orders. Our economy was collapsing ... and we continued to produce weapons at levels which risked a world war. My first meeting in Gosplan was about the drastic cut in military orders. I made the decision on cuts several times and issued the necessary instructions. The senior officers of Gosplan were absolutely amazed at that, as well as the other officers of the armed forces present at the meeting. Then they said there needs to be a political decision. I told them that the Politburo no longer existed, and what I say is the political decision, and it has to be done.

Gaidar Lifts Price Controls

INTERVIEWER: Let's talk about the lifting of price controls. There's a story that the night or the morning after it happened you were driving into Moscow and you saw some vendors suddenly appearing on the corner and you knew that it might be working. Could you tell us about that?

YEGOR GAIDAR: It happened differently. When we were preparing the decision to unfreeze prices, a discussion was going on among those who considered that in the entire world, equilibrium of prices would inescapably lead to the release of market mechanisms and to the introduction of goods in the shops. I thought that it would require a little time, but that it would inevitably happen. And those who were convinced that a deficit economy, which was so entrenched in all the traditions of the social institutions that we inherited in Russia, thought that this wouldn't happen, that no matter what the prices were no one would ever reject the usual chain of deficit because the chain was very necessary to the whole environment. To be a seller in a department store in the Soviet system was the same thing as being a millionaire in Silicon Valley, because it was status. It was connections; it was influence; it was respect. This was a very respected person. He was valued. But what does it mean to be a seller when there are no queues and no one depends on you, no one needs you? And indeed, Soviet trade in the first days was simply sabotaged. ...

Then, about two weeks after the liberalization of prices, we prepared a decree on the freedom of trade. It would eliminate all the administrative limitations on the activity of trading. After we published it, I hoped that in the course of time it would begin to work. I was driving to my office on Old Square, and I was driving past the building with Detsky Mir [a store selling children's goods] on Lyubyanka Square, and I saw a huge, huge crowd of people. I was amazed and thought there was some kind of shortage in Detsky Mir. Well, I sent my aides to find out what was going on, and they saw a crowd of people, hundreds of people, with some sort of goods, and the decree which allowed free trade in their hands. They were selling something to the customers. And then I realized that all the education was unable to eliminate this entrepreneurial spirit. Indeed, it was one of the chief moments for me when it became apparent that deficit in Russia was doomed.

INTERVIEWER: And do you feel vindicated?

YEGOR GAIDAR: I felt that I was right and that market laws, even in that severely tormented economy, work all the same.

The Role of Western Advisors in Russia's Economic Reform

INTERVIEWER: I wonder if you could talk a bit about some of the Western advisors who were here. Did you find that helpful, the advice you were getting from the West? And how important really were they?

YEGOR GAIDAR: The role of the Western advisors in the Russian transformation was extremely exaggerated, as it was in the majority of other transformations. A realistic process in the formation of an economic policy, especially in conditions of crisis, is not a question of choosing some kind of ideal model, a detailed description, and then putting it into practice. It is always a set of very difficult political crises, political limitations, compromises, your relations with parliament, the parliamentary majority, regional authorities, the creditors, the president, and so on, a wide circle of questions in constant conflict. And in this connection, if it happens that you ask for abstract advice, you get nonsense. Yes, we did have foreign advisors, and many of them were very intelligent in the sphere of risk economics, and by a series of concrete, technical directions, their advice was useful. I am grateful to Jeffrey Sachs for his advice on how to negotiate with creditors.... Of our other advisors, Richard Eyre was very

useful...for those who investigated Russian economic transformation here and in the West. But you need to understand that the world in which the main players in a transitional economy are these foreign advisors, and their main task is to inform the government about the economy. After of the correct selection of the advisors, it can give rise to many people who have never been responsible for economic policy in crisis.

The Obstacles Gaidar Faced as Prime Minister

INTERVIEWER: During 1992, did you feel that you were up against a tight deadline? Did you feel that your time in office was limited and that you had to rush forward with privatization?

YEGOR GAIDAR: I had the general feeling of a short political time. The situation was extremely unstable, one of crisis. We lived in conditions of dual power, so that the country was no longer functioning. But we had a mandate of trust then and we had to get results, at the very least eliminate the most urgent of the crises, otherwise we couldn't resolve the other questions. First of all we had to solve the crisis brought about by the collapse of the old system and to replace it with a new system, and, if at all possible, to do so that the changes would be irreversible. We had to battle with a new wave of reaction against inescapably difficult changes, which again would lead to more radical changes with the possible formation of a totalitarian regime. These were the two tasks we assigned ourselves in 1992-1993. But the tasks selected were very ambitious, and we had the feeling that no one could guarantee that we would have the time to resolve them.

INTEVIEWER: We talked to Boris Jordan, who helped with privatization, and he was very complimentary, but he did say that a lot of your team were, in his words, naïve, that you didn't really have a plan at the time. What do you feel about that?

YEGOR GAIDAR: Without any doubt, we were naïve, first of all because the whole country for 75 years didn't have the experience working in market conditions, and there wasn't anywhere to import it. I again stress that the role of the Western advisors—and there were an insufficient number of advisors in this situation—never could be large. They can have a great deal of experience working in market economies, but first of all, they still don't understand what is going on today at the present time in Russia, and secondly, objectively they do not have any responsibility for it. They will give advice and that is all. The whole of society was

also endlessly naïve about everything that concerned the market. Now the level of understanding of the realities of the market, the mutual communications in society, is qualitatively different from the way it was in the 1990s. In this connection, what Boris says is true. We were rather naïve concerning the many problems and realities of the market economy: in the underestimation of the many risks connected with shares and in many other areas as well. Along with that, we had our own strategic plan. It concerned the government's plan for 1992. If you were to read this program today you would think that there are many things after such a long interval of time that weren't achieved in Russia. It was slower than we would have wanted. We started from the problems connected with monetary and financial stabilization and ended in many directions of constitutional and economic transformation and the privatization of property and so on. I wanted it to be implemented better and faster, but we had a general understanding of the fact that we were making changes in Russia, at least in the first stages of reform. It seems to me that this understanding was confirmed by the historical experience that followed.

INTERVIEWER: At the end of 1992 you were removed from office. Why were you removed, and did you feel at the time that you had accomplished what you needed to make the reforms permanent, or did you feel that it might all go back the other way?

YEGOR GAIDAR: It was political confrontation between Yeltsin and the majority of the Supreme Soviet, which already at that time was following an anti-reform position. My resignation was part of a compromise which Yeltsin tried to reach with the Supreme Soviet, and in general, I supported it. The compromise was the following: He would agree to the resignation of our government and the appointment of a new prime minister who would be acceptable to the Supreme Soviet, and the Supreme Soviet would agree to open the road to constitutional reform. In effect, it was a peaceful development of a social process which would not allow a deluge to bring matters to a [head], which could [have been as] dangerous as the events of October of 1993. It was an expensive compromise for us, [made] at the expense of economic policy, but I understood Yeltsin very well, [and he] wanted such a compromise. But it was another matter, and later events showed it, that our opponents believed that if you made a compromise, that compromise was a sign of political weakness. But I didn't have the feeling that the situation was irreversible. I felt that, yes, the market economy still wasn't working well; the currency was unstable but still rising; the problem of the deficit had been on

the back burner for a long time. In general, the transformation of Russia in the direction of a market had obviously begun, but I never had the feeling that it was secure, that it was guaranteed. I had the feeling that there still remained a great risk that the situation could be reversed.

Thwarting the Communists with Loans-for-Shares

INTERVIEWER: Let's go forward a few years and talk about the runup to the presidential elections, the election of President Yeltsin. Did you feel that it was possible that the Communists could come back in and destroy everything that you had accomplished?

YEGOR GAIDAR: Yes, absolutely. I had the feeling that there was a real, serious threat. It was my point of view that it was a reality. There were a large number of elite who were preparing to live under the Communists. Yeltsin's popularity at the start of the year was extremely low. The Communists had just won the parliamentary elections. And based on past experience in Eastern Europe, all of us knew that the Communist Party usually won the second elections after the start of reform. We had no reason to suppose that Russia would be an exception, because reform [here] was even more confrontational, with more conflicts than there were in Eastern Europe. Of course, [there was] the domestic ideological base. Communism in Russia was the center of the empire and not the periphery, and so was much better based. And we knew something else. We knew that our Communist Party, at least in 1995-1996, were less Communist and more [like the] normal social democrat of a European-oriented party. But there was still a very dangerous, very aggressive, national Bolshevik organization to whom those words "democracy" and "freedom of speech" meant nothing, and who could cause very dangerous activity in domestic politics and in economic politics in general. So I considered the risk from this wave very serious up until the time that Yeltsin won the second election in 1996.

INTERVIEWER: Given that threat, what was the real purpose of the loans for shares?

YEGOR GAIDAR: The loans-for-shares deals took place at a time when I hadn't worked in the government for a long time, so of course, there were people with more authority who were responsible for that question. That would be Yeltsin, [Viktor] Chernomyrdin, Anatoly Chubais. But I discussed that subject, at least with Chubais, many times, and I had my own understanding of the situation. In my opinion, the major motive at that moment was a

political one, connected with providing stability and not allowing the return of the Communists to power. In 1995, a large portion of the property in Russia belonged to the so-called Red Directors, people who sympathized with the CPRF [Communist Party of the Russian Federation], who stole money from their enterprises, which they directed badly. The point was that they were not attracted to the new regime. If I understand correctly, the deals concerning the loans for shares were first and foremost directed at creating a critical mass of influential and powerful political forces, which were vitally interested in preventing the return of the Communist regime. For these deals, we paid endlessly a great deal during the second term of Yeltsin's presidency. Masses of things that we dreamed about, that we could have done in the second term of Yeltsin's presidency, were not done, namely because there was such a compromise. A great many characteristically unpleasant features of Russian capitalism today were brought about as a result of that series of compromises. Nonetheless, when, in the intervening years, I ask myself the question "would it have been better to take the risk of the Communists coming to power and see what would happen, knowing what the CPRF was at that time and knowing what Russia was like, and knowing how dangerous the situation was for ourselves and for the rest of the world?", well, I cannot convince myself that this would have been better.

INTERVIEWER: A necessary evil?

YEGOR GAIDAR: I think so. In any case, I wouldn't have attempted, relying on all the subsequent experience, to say, "Well, friends, let's not undertake it, even if the price for it would have been still another Communist experiment in Russia." The past was too expensive in experience for all of us.

INTERVIEWER: I was reading Chrystia Freeland's book [*The Sale of the Century*]. She has her own opinions and agenda, of course, but she said in that the loans for shares for the Young Reformers was the time when the Young Reformers sold their souls.

YEGOR GAIDAR: You know, you can do a lot of things for your own country. And the easiest thing in similar [circumstances] I wouldn't want to make that kind of choice. I was very happy that I didn't have to do that because I had to make many difficult choices. I am glad that I didn't have to do that. But I have to say that for me, to make this choice was very difficult.

And the easiest thing in such conditions, when on the eve of [a time when] the lives of millions of people, when the nuclear destabilization of the world was possible, risks which were being spread by huge circles, the easiest thing is to say, "I won't get involved in that. Let someone else decide." We cannot always allow ourselves a clear conscience.

Reformers' Heritage: A Love/Hate Attitude from the People

INTERVIEWER: We talked with workers, and your name comes up along with Chubais's as somebody they are not particularly fond of. They blame you for the problems that they've had in the '90s. How do you deal with that kind of public chastising? Does it bother you? Did it bother you at the time?

YEGOR GAIDAR: It was clear from the very beginning. I remember my first meeting with Leszek Balcerowicz very well in 1991. We knew each other for a long time from afar, but it was in 1991 that we actually met, on the eve of my resignation. In my opinion, he is one of the greatest reformers of the 20th century, and very successful. Today, in questions about the success of Polish reform, no one would even doubt it. And at that time he was one of the most hated people in Poland, one of the most hated. These were conditions which we had learned very well, [and] you would agree that reform in Poland was easier than reform in Russia. So I didn't have an opinion about anything he could have done better. He underplayed the whole business about what he did in 1991. We understood that even if everything were to turn out much better, and even if we went from victory to victory, all the same, it would be a huge, difficult change for which no one would say "thank you." And the attitudes towards us were very different. In Russia you would find many people who hate Anatoly Chubais and me. There are also quite a few who respect us and are grateful. There is support for me. But all the same, in the last elections, the Union of Right Forces [Gaidar's party in the Duma] got quite a few votes. And it's heartening.

The Future of Russia's Capitalism

INTERVIEWER: This film will not be shown for about a year, so we can't talk specifics, but what kind of capitalism do you think we will eventually see in Russia, and will it be different from the capitalism that is practiced in the U.S. and Western Europe?

YEGOR GAIDAR: Socialism leaves a long birthmark. In a normally functioning market economy, you first need a system of tradition which is formed over the passage of generations and centuries. You can't import such a system of traditions; it can only grow gradually. Without this system of traditions, capitalism is something very wild and very ugly. This is an objective problem. It isn't a question of choice. In this connection, there is Russia, where socialism was much more deeply implanted than in Eastern Europe. It had larger roots, and they went much deeper. Of course, it has to face the problem of a long-existing birthmark. There was a very weak respect for property, a very weak respect for carrying out contracts, an inefficient bureaucracy, and many, many other things which may have changed, but [will do so] only with time and with sensible policies. So in this connection, for the present, Russia is not going to be a country of orderly and calm capitalism backed by a mountain of traditions. Russia will be a country of young capitalism.

What Russia knows how to do today is a different thing: to resolve its basic structural problems, which it has; and, in the course of the coming years, in a rather young and beautiful and disorderly country, with a dynamically developing capitalism and developing in a parallel way its structural advantage. It is a relatively flexible labor market, but [has suffered from] a lack of investment in recent years. It is the lack of a high level of social obligations and state expenditures, which one would like now in the leading countries of Eastern Europe, let alone in Russia. This possibility is not repeated in the step-by-step, technically industrialized developmental period of America and in Europe, who, using their good intellectual potential, eliminating all their problems and having a good education, took their places in the open world of the technological revolution of the new economy of the 21st century. I would say that nothing is guaranteed, but nothing is ruled out either in the world of the 21st century.

Has the Pendulum Swung Away from the Markets?

INTERVIEWER: You hear about the impacts of globalism. As you see demonstrations against the IMF, do you feel that the romance and infatuation with pure market reforms and uncontrolled markets has run its course and the pendulum is swinging back the other way?

YEGOR GAIDAR: It is always possible. It seems to me that it's still too early to tell. It seems to me that what we are seeing today is still, in general, very much on the surface. As a larger

consideration, to take this on a world scale, a small collection of active hooligans never has presented a problem. But [based on] what we see in world history as ideological waves, global ideological waves, arising from the Industrial Revolution and the reaction to the Industrial Revolution and the reaction to socialism and the tortured regulation of the market economy, it's true. There is no guarantee that the present ideological wave is the last, but so far it seems to me that it is not yet completely exhausted.