

Yegor Gaidar's days may be numbered

by Konstantin George

A decisive power shift in Moscow, which could occur in October, is being prepared by a combination of forces in the Russian elite, anchored by the military, and including the vast military-industrial complex and the state industry lobby. These are interests who will not sit idly by while Russia crumbles. The power shift in question will not be a coup in the popular image of "tanks in the streets." Most likely, the initial phase will take the form of Boris Yeltsin establishing, or trying to establish, a presidential emergency rule system.

The first signs of the impending shift were clear back in June, when President Yeltsin installed Yegor Gaidar, the symbol of Russian submission to International Monetary Fund (IMF) "shock therapy," as "prime minister." A closer look at the fine print in that promotion, so effusively hailed in the western media, tells a different story. Gaidar was appointed "*acting* prime minister," denoting a strictly transitional role as head of government. By autumn, in response to the peak of popular rage against the Gaidar policies, Yeltsin may remove Gaidar and bring in a very different complexion of cabinet. The victims of the Russian "October Surprise" will be the darlings of the IMF free market ideologues.

Throughout the summer, rearguard resistance to Gaidar has been manifest in the cabinet (itself irreconcilably split over the continuation and degree of shock therapy policies), and from a Central Bank-state enterprise axis. This axis, teaming up with allies in the cabinet, was able in early August to secure a budget compromise amounting to partial rejection of IMF demands. The Central Bank was allowed to extend 500 billion rubles in credits to keep state enterprises running, which, while only half of what the enterprises had demanded, should suffice to keep most large enterprises alive this year, thus preventing across-the-board closures and mass firings.

Parallel to this, the main IMF condition for any further credits, namely, keeping the budget deficit to 5% of gross domestic product, was ignored. The actual budget deficit will remain at a level equal to about 15% of gross domestic product.

These are only rearguard actions, actions which at best can slow down the rate of collapse occurring under shock therapy. The economic policy must be stopped and turned around, and the time to do this is running out.

Russian farmers' revolt spreads

Nowhere is the economic crisis so visible and urgent as in the Russian food crisis, which is reaching critical mass already in August. The food crisis is not strictly an objective one based on a "lack of food." The hyperinflation produced by shock therapy has driven the cost of living for everyone through the ceiling, and that includes the farmers. In the case of the farmers, this has been juxtaposed to artificially low, pre-shock therapy state procurement prices for the grain they produce.

The result has been a farmers' revolt that began in late July in the southern Russian breadbasket regions of Stavropol and Krasnodar, and has since spread to cover all of Russia. This was manifest in an Aug. 5 national "Peasants' Day of Unity" that featured farmer protest rallies in Moscow, St. Petersburg, and many other Russian cities. The farmers have refused to sell grain to the government until they receive parity prices and compensation for fuel, machinery, and spare parts. All of those prices have skyrocketed under the Gaidar government's price liberalization policies.

To prevent the disappearance of bread from the shops, the government has granted higher grain prices, but passed them on to the urban consumer, with the doubling of the bread price. Even the higher bread price will not solve the threat of bread shortages, as the farmers are releasing as little as possible even under the higher price regime.

Hyperinflation

The reason, as we stressed above, is the overall shattering hyperinflation wrecking the economy. Farmers know that their *own* cost of living will be much higher a few months from now, and their only "defense" against this is to withhold now as much grain as possible and sell it later at higher prices.

For the population as a whole, the food price hyperinflation, with average food prices rising since June at a rate of 18% per month, is the single most destabilizing factor in the social-political situation. Discontent in the urban centers is extremely high. There is the potential for protests and food riots in the next weeks and months.

This crisis, which will reach fever pitch by October if not sooner, could dictate the removal of Gaidar and his cohorts. This will be linked to the phenomenon of the demise of the political bloc known as the "democrats," who by their failure to oppose shock therapy have discredited themselves.

A pattern of Russian "national-patriotic" forces will emerge around assorted platforms striving to restore Russia as a "great power," which will have a potentially healthy side, but also a nasty one. In this new wave will be more than a strong suggestion of empire restoration.

What remains undefined is what exactly will be the "alternative" economic policies that the new combination of forces will put forward. The answer to this question will determine the direction which post-Gaidar Russia takes.