

Historian's Opinion

The Fight for Economic Reform in Russia, 1990–1991

F. V. Malkhozova[#]

Institute of Russian History, Russian Academy of Sciences, Moscow, Russia

e-mail: fa-m@yandex.ru

Received December 20, 2021; revised January 15, 2022; accepted January 18, 2022

Abstract—This article researches not a big, but an important period in the modern history of Russia, which became a transitional stage from a socialist to a market economy. It analyzes the main characteristics of the country's economy and the circumstances of the transition to the market. The leading role in transforming the economic and political system belonged to the Congress of People's Deputies of Russia. The "economic" sovereignty of the republic has become the core of Russia's state sovereignty. The implementation of the declaration required changes in legislation and the management system. Freedom of entrepreneurship, banking, loans, and other innovations have set the task of creating clear and reliable forms of property rights and corresponding guarantees of the state. Normative legal acts of the Congress of People's Deputies of the RSFSR and the Supreme Soviet of the RSFSR adopted to establish Russia's economic independence and the transition to market relations caused a "war" of laws, in which the presidents of the USSR and Russia, Union and Russian deputies, ministers and regional leaders participated.

DOI: 10.1134/S1019331622070073

INTRODUCTION

The crisis that gripped the USSR in the last years of its existence and was characterized as "systemic" spread to all spheres: economic, political, social, environmental, agrarian, cultural, and ideological.

According to most economists, by the end of the 1970s, it became obvious that socialism had lost the competition. The country found itself in a dead end, from which it was necessary to get out and the sooner, the less victims would be required.¹

This article explores why the need for economic reforms arose; what was the goal; what programs of economic transformation existed during this period; how economic, legal and social aspects interacted in the process of reforming; and whether it was possible to achieve the set goals. These issues have been analyzed within several problem-chronological blocks.

Various aspects of the problem under study were reflected in numerous publications devoted to the period of perestroika and the collapse of the USSR. Socio-economic processes in the 1980s–1990s have been considered in the papers of G.I. Khanin,²

R.G. Pikhoya, A.K. Sokolov.³ The crisis of consumption at the turn of the 1980s–1990s in connection with mass sentiments and socio-political attitudes of the Russian population have been studied in the article by O.V. Khlevniuk.⁴ A paper of R.G. Kirsanov is devoted to the analysis of the process of reforming the Soviet banking system during the period of perestroika.⁵ A unique book of memoirs of people who participated in the reform of the banking system in the 1980s–1990s was published by N. Krotov.⁶ Memoir literature constitutes a particularly numerous group of sources. A separate complex is the papers of economists.⁷

³ R. G. Pikhoya, *Moscow. Kremlin. Power. Two Stories of One Country. Russia at the Turn of the Millennium. 1985–2005* (Rus'-Olimp, Moscow, 2007) [in Russian]; R. G. Pikhoya, "On the periodization of the systemic crisis of the Soviet Union," *Russ. Ist.*, No. 2, 3–29 (2019); R. G. Pikhoya and A. K. Sokolov, *History of Modern Russia* (Rossiyskaya Politicheskaya Entsiklopediya, Moscow, 2008) [in Russian].

⁴ O. V. Khlevnyuk, "Day of new prices: Supply crisis and Russian society at the turn of the 1980s–1990s," *Russ. Ist.*, No. 2, 52–70 (2019).

⁵ R. Kirsanov, *Perestroika: "New Thinking" in the Banking System of the USSR* (Moscow, 2011) [in Russian].

⁶ N. Krotov, *History of the Soviet Banking Reform in the '80s of the 20th Century. Special Banks. Eyewitness Accounts and Documents* (Ekon. Letopis', Moscow, 2008) [in Russian]; N. Krotov, *Archive of the Russian Financial and Banking Revolution (1985–1995). Eyewitness Accounts. Documents*, Vol. 1 (Triada, LTD, Moscow, 2001) [in Russian].

⁷ E. T. Gaidar, *Death of an Empire: Lessons for Modern Russia*. 20th ed. (Rossiiskaya Politicheskaya Entsiklopediya, Moscow, 2006) [in Russian]; E. Yasin, "The fate of economic reform in Russia," *Vopr. Ekon.*, No. 2, 123–130 (1993); L. I. Abalkin, *To the Goal Through the Crisis: The Fate of Economic Reform* (Luch, Moscow, 1992) [in Russian]; B. Fedorov, *10 Crazy Years* (Sovershenno Sekretno, Moscow, 1999) [in Russian].

[#] Fatima Viktorovna, Cand. Sci. (Hist.), RAS Institute of Russian History.

¹ E. Yasin, "The fate of economic reform in Russia," *Vopr. Ekon.*, No. 2, 124 (1993).

² G. I. Khanin, *Economic History of Russia in Modern Times*, Vol. 1: *Economy of the USSR in the Late 1930s–1987* (Novosibirsk. Gos. Tekh. Univ., Novosibirsk, 2008) [in Russian]; G. I. Khanin, *Economic History of Russia in Modern Times*, Vol. 2: *Economy of the USSR and the RSFSR in 1988–1991* (Novosibirsk. Gos. Tekh. Univ., Novosibirsk, 2010) [in Russian].

This chronological period is provided with a significant source base. First of all, these are archival funds, in particular, documents of the Congress of People's Deputies, the Supreme Soviet and the Government of Russia. Significant static material and data from sociological surveys should be noted. A separate group of sources is represented by legislative acts and documents related to their development and publication. As part of the emerging glasnost, all the main problems were reflected in the periodical press.

RUSSIA

The national economy of the RSFSR developed along the same negative trends as the economy of the Union. From 1988–1989, almost all major development indicators began to show negative trends. This was the period when the federal government began to take measures to provide enterprises with independence, develop the cooperative sector, and change the structure and functions of management, which were not supported by the introduction of market relations. National income produced in 1990 decreased by 5%. Labor productivity, agricultural products, commissioning of fixed assets, transportation of goods decreased by 4%, and the commissioning of residential buildings by 14%. The state order for the commissioning of production facilities was only 35% completed. At the same time, the wages of workers and employees increased by 7%, and, in cooperatives, by 58%.⁸

A nonstate sector of the economy began to form in the republic. As of November 1, 1990, 13 concerns, 66 consortiums, 252 joint-stock companies, 15000 small businesses, 1600 industrial enterprises, 722 retailers, and 609 catering establishments have been registered. There were 130 thousand cooperatives and 621 joint ventures. 4.4 thousand farms have been registered.⁹ At the same time, denationalization proceeded at a slow pace; about 90% of production was produced in the public sector.

Due to the monopoly of producers, the lack of competition, the low cost of labor, and the shortage of goods in the RSFSR, as in the USSR, as well as the situation of immunity to scientific and technological progress in all major sectors of the national economy was aggravated. The gap between the technical level of production and manufacturing with developed countries continued to widen.

Since 1989, Russian industry has begun to significantly reduce the growth rate of production volumes. Failures in increasing production output occurred in all industries, including priority ones focused on pro-

viding life support to the Russian economy as a whole and working for the consumer market, which can be seen in the statistical data given in Table 1.

Over the previous 5 years, due to a reduction in the production of the necessary equipment and its purchase by import, oil production decreased by 30%, and coal by 18%.¹⁰ The scale of the decline in production was influenced by the decline in investment activity and the rupture of long-term economic ties.

The conversion of military production also had a significant impact on the dynamics of industrial production. Despite the involvement of converted enterprises in the production of technological equipment for light industry, the processing industries of the agroindustrial complex, trade, and public catering, the share of the output of this equipment in the total volume of civilian products of enterprises continued to remain insignificant, and amounted to 0.8, 1.7, and 0.3%, respectively.¹¹

The measures for the social reorientation of the republic's economy targeted for the 12th five-year plan did not produce tangible results. The share of consumer goods amounted to a little more than 1/3 of the total social product. The structure of distribution of capital investments by sectors of the national economy had not undergone significant changes. As before, a significant amount of capital investment was absorbed by the fuel and energy complex. In 1989, it accounted for 17.8% of total capital investment against 15.7% in 1985.¹²

Table 2 shows the uneven production and provision of consumer goods in different regions of the republic. In Russia as a whole, the volume of consumer goods accounted for approximately one third of all marketable output.

Since 1989, most enterprises have experienced a reduction in output with a simultaneous rapid increase in profits and wages. The increase in the output of consumer goods was held back by the slow development of their production at heavy industry enterprises, difficulties in the conversion of defense enterprises, as well as a high level of monopolization of production.

At the same time, during the period of 1968–1990, the monetary incomes of the population increased by an average of 13.2% per year.¹³ The maximum incomes took place in the Far East economic region, some territories of the Northern region (where the “northern coefficients” were in force), Moscow, and Tyumen oblast. This period of the economy was characterized by “suppressed inflation”; when prices remained stable, there was a shortage of many consumer goods, and the volume of unsatisfied demand of the popula-

⁸ Analytical review of the causes of the economic crisis of 1990–1991. (Based on the work of experts of the Innovation Council), State Archive of the Russian Federation (hereinafter: SARF), fund 10026, inventory 4, file 170, fol. 19.

⁹ SARF, fund 10026, inventory 4, file 170, fol. 21.

¹⁰ SARF, fund 10026, inventory 4, file 170, fol. 117.

¹¹ SARF, fund 10026, inventory 4, file 170, fol. 118.

¹² *National Economy of the RSFSR in 1989 (Statistical Yearbook)* (Finansy i Statistika, Moscow, 1990), p. 13 [in Russian].

¹³ SARF, fund 10026, inventory 1, file 903, fol. 125.

Table 1. Russian Federation (in % to the previous period)¹

	1988	1989	1990	1991	January– October 1992
The whole industry	103.8	101.4	99.9	92.0	81.9
Power industry	101.3	101.2	102.0	100.3	96.8
Fuel industry	101.8	98.6	96.7	94.0	89.3
Ferrous metallurgy	103.0	100.2	98.1	92.6	82.6
Mechanical engineering	104.8	101.6	101.1	90.0	84.4
Chemical and petrochemical industry	104.6	100.6	97.8	93.7	79.1
Forestry, woodworking and pulp and paper industry	104.0	101.0	98.8	91.0	90.4
Construction materials industry	104.8	102.4	99.1	97.6	81.9
Light industry	103.5	102.3	99.9	91.0	78.9
Food industry	103.7	104.0	100.8	90.9	79.1

¹Compiled from: Goskomstat of Russia: “Changes in the main indicators of the socio-economic development of the Russian Federation,” SARF, fund 10026, inventory 1, file 903, fol. 116.

tion increased. The deferred demand of the population due to the lack of goods led to the accumulation of money, which put pressure on the market, destabilizing the behavior of all its participants and leading to rush demand and panic buying of nondeficit goods.

In light industry, which occupies a special place in filling the consumer market with goods, the decline in output of the most important types of products since 1990 has been on the rise. The current situation in agriculture had a significant impact on the reduction in output of the food industry. Some growth in agricultural production in 1988 and 1989 was mainly due to the favorable weather conditions of these years; the growth of gross agricultural output in these years was 2–3% but already in 1990 and 1991 it was replaced by a significant decline (by 5%).¹⁴

Since 1989, the issue of food security has taken a leading position in population surveys.

In the list of issues that concern society, the first place was occupied by the food problem, followed by dissatisfaction with housing conditions. Table 3 shows that the perception of such problems as the rise in prices for goods and services, environmental pollution, and the growth of social tension in society and in interethnic relations has noticeably sharpened.

The growing food crisis has become a vivid expression of the general crisis. To provide the population with food, it was necessary to significantly increase the volume of imports, as well as many essential goods, for

which the country’s gold and foreign exchange reserves were spent. The population was tired of the lack of food and essential goods in the country, and no one doubted that the country needed radical reforms.

THE CONGRESS OF PEOPLE’S DEPUTIES OF THE RSFSR AND THE COUNCIL OF MINISTERS OF THE RSFSR ON THE PATH TO ECONOMIC REFORMS

In June 1990, the first Congress of People’s Deputies of the RSFSR adopted the Declaration on the State Sovereignty of Russia. The core of state sovereignty was the “economic” sovereignty of the republic. The implementation of the Declaration required changes in the entire legislative framework and, ultimately, in the design of the management system. Freedom of enterprise, banking, credit, and other innovations set the task of creating clear and reliable forms of property rights and corresponding state guarantees.

By the Decree “On the delimitation of the functions of managing organizations on the territory of the RSFSR” of June 23, 1990, the Russian legislative power removed the Council of Ministers of the RSFSR from Union subordination and subordinated it directly to the Congress of People’s Deputies of the RSFSR and the Supreme Soviet of the RSFSR. The main goal of the decree was to dissociate itself from the Union authorities, but, in passing, to some extent, the dream of Russian liberals of the early 20th century on a government accountable to the State Duma was fulfilled. Indeed, during the period under review, the executive power was subordinate to the legislative one,

¹⁴SARF, fund 10026, inventory 1, file 903, fol. 119.

Table 2. Analysis of the production of consumer goods in a number of regions of the RSFSR for 1989 (in retail prices)¹

	City, oblast	Population, million people	Production of consumer goods per capita in rubles	Volume of consumer goods in the region, million rubles	All marketable products in wholesale prices, million rubles
1	Moscow	8.967	2.124	19.108	35.715
2	Moscow oblast	6.693	1.608	10.884	24.874
3	Leningrad	5.024	2.019	10.165	19.639
4	Leningrad oblast	1.661	882	1.627	6.241
5	Sverdlovsk oblast	4.717	1.031	4.870	23.900
6	Chelyabinsk oblast	3.439	822	3.012	18.399
7	Kuibyshev oblast	3.266	3.004	9.870	15.334
8	Gorky oblast	3.714	1.316	4.922	16.385
9	Ivanovo oblast	1.317	3.616	4.803	8.538
10	Tatar ASSR	3.638	1.028	3.750	15.525
11	Bashkir ASSR	3.951	861	3.402	15.283
12	Udmurt ASSR	1.609	1.742	2.876	5.798
13	Novosibirsk oblast	2.782	1.018	2.861	8.515
14	Krasnoyarsk krai	3.596	942	3.619	17.051
15	Krasnodar krai	5.113	1.291	6.910	11.942
16	Kamchatka oblast	0.466	1.725	0.809	2.126
	RSFSR	147.000	1.294	191.211	547.066

¹Compiled from: SARF, fund 10026, inventory 1, file 476, fol. 35.

Table 3. Opinion of the population about one of the most acute problems in society (according to the results of a survey of 70 thousand people in September 1989; in % of the number of respondents)¹

	Poor food supply	Living conditions	Rising prices for goods and services	Environmental pollution	Financial situation of the family	Relationship between people of different nationalities	Violation of social justice	Poor medical care
USSR	20.1	16.0	14.9	10.8	6.6	4.0	4.0	3.7
RSFSR	21.4	18.7	15.3	10.7	5.2	1.5	4.5	4.0

¹Compiled from: *Materials for the delegate of the XXVIII Congress of the CPSU, 1990* (KPSS, Moscow, 1990), p. 248 [in Russian].

implementing the decisions of the congress in the field of economy. Deputy Chairman of the Supreme Soviet Commission of the Russian Federation on Budget, Plans, Taxes and Prices V. Skripchenko noted that “until 1992, the Supreme Soviet was above the government both de jure and de facto. And it was not questioned or even discussed.”¹⁵ The structure of the new

government was established by the Law of July 14, 1990 “On republican ministries and state committees of the RSFSR.” Along with the departments traditional for the RSFSR, new departments appeared in the government, designed to carry out the functions defined by the Declaration on State Sovereignty of the RSFSR. Among them were the Ministry of Foreign Economic Relations of the RSFSR, the State Committee of the RSFSR for Antimonopoly Policy and Support for New Economic Structures, the State

¹⁵*History of the Soviet Banking Reform in the 80's of the 20th Century. Special Banks. Eyewitness Accounts and Documents*, Ed. by N. Krotov (Ekon. Letopis', Moscow, 2008), p. 471 [in Russian].

Committee of the RSFSR for Land Reform, the State Committee for the Socio-Economic Development of the North, and more.

To solve the political problems set by the first congress, a republican government was formed. During a bitter struggle, an experienced leader, former Minister of the Aviation Industry, Hero of Socialist Labor I.S. Silaev was elected Chairman of the Council of Ministers of the RSFSR at the congress. Visiting factories in Sverdlovsk by the nature of his service, he became close to the secretary of the regional committee of the CPSU, B.N. Yeltsin. At the final stage of the struggle for the post of prime minister between Silaev and the director of the Butovo plant of building materials M.A. Bocharov, Chairman of the Supreme Soviet Yeltsin made a choice in favor of Silaev.

By a resolution of July 14, 1990, the Supreme Soviet of the RSFSR approved the personal composition of the members of the Council of Ministers of the RSFSR. G.A. Yavlinsky, one of the authors of the 500 Days program, was appointed Chairman of the State Commission for Economic Reform, which clearly testified to the reformist course of the new government.

In June 1990, at the first Congress of People's Deputies of the RSFSR, Bocharov, aspiring to the post of prime minister, came up with a spectacular program for the transition of the planned economy of the USSR to market relations in 400 days. Later it turned out that the authors of the program were S. Shatalin and Yavlinsky. Bocharov's speech made a strong impression on the congressional delegates, and on the millions of people who saw the congress on television and listened to its broadcast on the radio. Public interest around the 400 Days program, which later transformed into the 500 Days Program, led Yavlinsky to be invited to the new government as Deputy Prime Minister.

The 500 Days Program received the support of the political leadership of Russia—both from the chairman of the Supreme Soviet of the RSFSR Yeltsin, and from the chairman of the Council of Ministers of the RSFSR Silaev. A special group of economists headed by academician Shatalin was formed, which was instructed to finalize the joint program of reforms. In addition to Yavlinsky, the group included E. Yasin, M. Zadornov, S. Aleksashenko, B. Fedorov, V. Martynov, and others. As a result, a document was prepared in which, according to Fedorov, only the propagandistic “principle of days” remained from Yavlinsky's program.¹⁶ At the end of July 1990, Gorbachev and Ryzhkov met with Yeltsin and Silaev, who adopted an agreement on cooperation.¹⁷ This meant a formal rejection of the concept of economic reform already

presented to the Supreme Soviet of the USSR, the Ryzhkov—Abalkin concept.

The program for a rapid transition to market relations received broad support from the deputy corpus of the Russian 3rd Congress. Yeltsin and Gorbachev, interested in an alliance, supported the 500 Days program. The main reason for the Union of political opponents was the growing economic crisis in the country. By September 1990, the program and 20 laws to it were approved by the Supreme Soviet of the RSFSR and submitted to the Union Supreme Soviet for consideration. At the same time, under the leadership of the Chairman of the Council of Ministers of the USSR Ryzhkov, an alternative project of economic reform was being developed. As is known, the forced political Union could not withstand the flow of growing contradictions between the republic and the Union center and was buried along with other unrealized programs of economic reforms. One of the main reasons for the failure was that the approval of the program would inevitably require a reform of the USSR's government and, as a consequence, the resignation of the Ryzhkov government. The program would lead to a weakening of the role of the center and the transfer of the most important economic functions to the republics, which would create a completely different political basis for the Union state. Its consequence would be contractual relations between the center and the republics, bilateral agreements between the republics.¹⁸ The principal opponent of the 500 Days program was Academician Abalkin, Deputy Chairman of the Council of Ministers of the USSR, who advocated the stabilization of the economic situation, after which it would be possible to consistently implement transitional measures for a sufficiently long time.¹⁹

To coordinate the activities of all government bodies and carry out economic reform, as well as to develop programs for the transition to market relations, on June 22, 1990, the Congress of People's Deputies of Russia formed the Supreme Economic Council (SEC) under the Presidium of the Supreme Soviet of the RSFSR. M.A. Bocharov, who lost the premiership to Silaev, was appointed its chairman. Already in the fall of 1990, 120 specialists of various profiles were included in the Council, including economists, lawyers, and production practitioners. With the participation of the SEC, the laws “On foreign investments in the RSFSR,” “On property in the RSFSR,” “On the Central Bank of the RSFSR,” and “On banks and banking activities in the RSFSR,” etc., were developed. At meetings of the SEC expert group with the participation of developers, all economic sec-

¹⁶ *Archive of the Russian Financial and Banking Revolution (1985–1995)* (Moscow, 2001), p. 129 [in Russian].

¹⁷ N. I. Ryzhkov, *Ten Years of Great Upheavals* (Assots. Kniga. Prosveshcheniye. Miloserdie, Moscow, 1995), pp. 431–433 [in Russian].

¹⁸ R. G. Pikhoya, *Moscow. Kremlin. Power. Two Stories of One Country. Russia at the Turn of the Millennium. 1985–2005* (Rus'-Olimp, Moscow, 2007), p. 206 [in Russian].

¹⁹ L. Abalkin, “Bearing Structures of the New Mechanism,” in *This Difficult, Difficult Path. Economic Reform* (Mysl', Moscow, 1989), p. 13 [in Russian].

tions of the draft of the new Constitution of the RSFSR were considered. The SEC was a collegial, advisory body, in general, which duplicated the activities of the committees and working groups of the Supreme Soviet and the Government, gradually turning into the fifth wheel of a coach, and its activities quietly faded away.

The decisions taken by the first Congress of People's Deputies of the RSFSR and the Supreme Soviet of the RSFSR on state sovereignty and economic independence of the Russian Federation, as well as on the transition to market relations, required the necessary legislative support for new principles for building the republic's budget system. To solve the tasks set, the Committee on Economic Reform and Property, chaired by S.N. Krasavchenko and Industry and Energy Committee chaired by V.A. Fedorchenko were formed; this also includes the Committee for the Social Development of the Village, Agrarian Issues, and Food under the leadership of V.A. Agafonov. Other committees and commissions of the Supreme Soviet of the RSFSR were also involved in the development of draft bills on economic issues.

In the Council of the Republic of the Supreme Soviet of the RSFSR, a permanent Commission on the Budget, Plans, Taxes, and Prices was created, which played a key role in the economic policy of the Supreme Soviet.²⁰ Its role especially increased after the start of radical reforms in 1992; the commission was even criticized for trying to actually replace the Central Bank. The commission was headed by Voronin, former chairman of the State Planning Committee of the Tatar Autonomous Republic. The commission also included Shatalov and A.P. Pochinok.

Among the deputies of the Russian legislature, who for the most part were party and Soviet workers, major economic leaders, representatives of special services or the military, there were few economists and lawyers. Many deputies had little idea of what a market was. According to the memoirs of the Deputy First Chairman of the Central Bank of Russia V.P. Rasskazov, all regional leaders signed up for the Commission on Budget, Plans, Taxes, and Prices, "thinking that something would definitely be shared here."²¹ At the same time, everyone understood that they were participants in a revolutionary process. There was a change in the state and socio-political system, and everyone worried how it would go: with or without bloodshed.

Under the new conditions, monetary policy was of decisive importance, and banks were one of the main instruments of the future market economy. Within the

framework of the Commission on the Budget, Plans, Taxes, and Prices, at the suggestion of its members, Candidate of Economic Sciences V.P. Rasskazov and physicist from Sverdlovsk V.V. Skripchinko, a Subcommittee on Banks was created. There was no such subcommittee in the structure of the Supreme Soviet of the USSR, which was copied by the Republican Supreme Council. Rasskazov recalls that he was cautious about this undertaking, believing that neither the deputies nor the people would consider this issue a priority: "However, Valera (author: Skripchenko) sobered me up, confidently declaring: 'Banks are power!'" Rasskazov became the chairman of the subcommittee on banks.

Unlike many deputies, Skripchenko had experience in the banking sector. In 1987, he was approved as the director of the Sverdlovsk NTTM center, which in 1989 became one of the founders of the first commercial bank in the Sverdlovsk Oblast—the Sverdlovsk Commercial Bank for the Socio-Economic Development of the Territory (KUB-bank).²² In 1990, Skripchenko was elected a People's Deputy of Russia, actively supported the activities of the Democratic Choice movement. Being familiar with Yeltsin from his work in Sverdlovsk, he skillfully used this, promoting the necessary projects.

Skripchenko recalls that he received a call from the head of the Sverdlovsk department of the State Bank, S.V. Sorvin: "Look, the privatization of specialized state-owned banks by officials of the USSR government has begun in Moscow. We need to do something. Because by the time we implement our plans, it will be too late. The main banks will be privatized."²³ Skripchenko addressed this question to Yeltsin, after listening to him, the Chairman of the Supreme Soviet ordered to prepare an appropriate resolution.

The Subcommittee on Banks collected all the available developments to bring the banking system to market conditions. Having abandoned the draft Union banking law, he took as a basis the draft law on banks, prepared by the Minister of Finance of the RSFSR Fedorov. A former researcher at the Institute of World Economy and International Relations of the USSR Academy of Sciences, B. Fedorov was a member of the team of authors that developed the 500 Days program.²⁴ He was actively involved in the development of the draft law on banks, sending his comments and suggestions on the projects under consideration. According to the memoirs of Pavel Medvedev, the first

²⁰Gazette of the Congress of People's Deputies of the RSFSR and the Supreme Soviet of the RSFSR, No. 3, 65 (June 21, 1990).

²¹V. P. Rasskazov, "Time Changed Banks and People," in *History of the Soviet Banking Reform in the 80's of the 20th Century. Special Banks. Eyewitness Accounts and Documents*, ed. by N. Krotov (Ekon. Letopis', Moscow, 2008), p. 440 [in Russian].

²²The history of the formation of the political and economic elite in the Sverdlovsk oblast. <http://elitehistory.info>. Cited November 7, 2021.

²³*History of the Soviet Banking Reform in the 80's of the 20th Century. Special Banks. Eyewitness Accounts and Documents*, ed. by N. Krotov (Ekon. Letopis', Moscow, 2008), p. 468 [in Russian].

²⁴Boris Grigorievich Fedorov. Curriculum vitae. RIA Novosti. <https://ria.ru/20081120/155538564.html>. Cited November 7, 2021.

laws “On the Central Bank ...” and “On banks and banking activities” were prepared in a hurry, as the Supreme Soviet of the RSFSR competed with the Supreme Soviet of the USSR for pioneering.²⁵

The Russian Law was forcedly short, but all the main principles of building the Central Bank were reflected in it. The main “legislative skeleton” was prepared by D. Tulin and Fedorov. Medvedev was involved in the further development of the law on banks.

The working group for the development of banking draft bills included leading experts and the heads of large Russian banks: Chairman of Forum Bank (Chelyabinsk) G. Dzhavashvili, Chairman of Kredobank Yu. Agapov, Chairman of Vostok Bank (Ufa) R. Kadyrov, representatives of regional departments of the State Bank of the USSR, and a number of heads of regional commercial banks. The first meeting was held in the Supreme Soviet of Russia; the invitation to the highest authority for many came as a complete surprise. Thus, work began on the resolution “On the State Bank of the RSFSR and banks on the territory of the republic.” When the draft resolution was prepared, B. Yeltsin told the people’s deputies at a meeting of the Supreme Soviet: “All the rest can wait, but this must be accepted, because the Union is taking away our banking system, and we can be left without banks!”

On July 13, 1990, the Supreme Soviet of the RSFSR adopted a resolution “On the State Bank of the RSFSR and banks on the territory of the republic,” according to which all organizations and branches of the State Bank of the USSR on the territory of Russia were declared the property of the RSFSR. The Russian Republican Bank of the State Bank of the USSR was transformed into the State Bank of the RSFSR, accountable to the Supreme Soviet of the RSFSR.²⁶

The fact that the bank was subordinated not to the government, but to the Supreme Soviet, had its own logic. They reasoned as follows: since all transactions, even between commercial banks, pass through this system, the bank is primarily interesting as a source through which everything passes. With proper analysis, one can get complete control, including over the government. Yeltsin, then chairman of the Russian Supreme Soviet, supported this scheme.

The next task was to find the head of the main bank of Russia. The main requirements that were presented to the applicant for the position of the head of the Central Bank were lack of vested interest, good education, and knowledge of the banking system. A person who knows foreign languages and corresponds in their intellect and personal qualities to the standards of a

European banker has the necessary image that will be accepted by the international banking community. By the way, V. Gerashchenko, a banker in the second generation, ideally met these criteria.

After a long search, R. Khasbulatov recommended considering G.G. Matyukhin. Not an ordinary candidate, he worked in the central office of the First Main Directorate (political intelligence), then he moved to the International Investment Bank as a consultant, defended his doctoral dissertation on the problem of credit money under capitalism.

In August 1990, the Supreme Soviet of the RSFSR decided to appoint Matyukhin as Chairman of the Board of the State Bank of the RSFSR. It was no longer necessary to approve this decision in the State Bank of the USSR after the adoption of the resolution on July 13, 1990. Having headed the Central Bank, Matyukhin offered Rasskazov the role of his deputy.

It was decided to create the Republican Central Bank on the basis of the Russian Republican Bank of the State Bank of the USSR. However, despite the promulgation of the Decree of the Presidium of the Supreme Soviet of the RSFSR on the appointment of Matyukhin as chairman of the Russian Central Bank, he was not allowed into the building. V. Gerashchenko, chairman of the Board of the USSR State Bank, said that the decision of the Russian Presidium was not an order for him, and they could create their own bank from scratch, as was the case in Estonia. Then a group of people’s deputies headed by Matyukhin and Bocharov decided to go on an “assault.” The bank was taken over, and the employees were told that, according to the decision of the Supreme Soviet of the RSFSR, the Central Bank of Russia would be created here. The team supported the idea and the bank began its work.

The Decree on the State Bank of the RSFSR caused a “war” between the leadership of the Union banking structures and the newly emerged independent Bank of the Russian Federation. According to the recollections of the participants, all methods were involved in it; the President of the USSR and the Chairman of the Supreme Soviet of the RSFSR, the Union and Russian deputies, ministers and major leaders of scientific and production complexes, secretaries of regional committees, and regional leaders were involved in the struggle. In parallel, work was underway on banking legislation, on December 2, 1990, the Laws of the RSFSR “On the Central Bank of Russia” and “On banks and banking activities in the RSFSR” were adopted.

Simultaneously with the Russian legislators, the Supreme Soviet of the USSR considered the laws of the USSR on the Central Bank of the USSR, on banks and banking activities, prepared under the leadership of Gerashchenko. It is noteworthy that Russian banking laws were adopted nine days earlier than similar Union laws. The lag was explained by the fact that

²⁵Pavel Medvedev: I have no time to write memoirs yet, *Invest-Foresight*, Aug. 28 (2020).

²⁶Decree of the Supreme Council of the RSFSR On the State Bank of the RSFSR and Banks in the Republic dated July 13, 1990 No. 92-1. http://pravo.gov.ru/proxy/ips/?docbody=&link_id=3&nd=102080576. Cited November 7, 2021.

some drafters of laws moved from the State Bank of the USSR to the State Bank of the RSFSR. As a result, work on laws accelerated in one bank, and slowed down in another.²⁷ As Deputy Chairman of the Central Bank of Russia, Rasskazov later recalled, when the final text of the law on the Central Bank was being prepared, the phrase “Chairman of the Board of the Central Bank” was replaced with “Chairman of the Central Bank.” This small change made a big difference. According to the amendment, all decisions were made personally by the chairman, otherwise the board would have to be involved, in which the reformers had few like-minded people. The working group presented the change to the deputies as an editorial correction, and no one paid attention to it. Unlike the Russian one, the Union State Bank had the position of chairman of the board of the bank.

The law “On banks and banking activities in the RSFSR,” allowing the creation of banks on the basis of any form of ownership, completed the process of eliminating the state monopoly on banking activities and created conditions for the rapid growth of commercial banks. Of great importance was the consolidation at the legislative level of the principle of independence of banks from public authorities in making decisions related to banking operations.²⁸ According to the law, the state was not liable for the obligations of banks, except for the cases provided for by law, and the banks, in turn, were not liable for the obligations of the state.

The decision of the Supreme Soviet of the RSFSR on the creation of a separate credit and financial system in Russia was certainly not only political, but also, according to the Ministers of Finance of the USSR V.S. Pavlov, an “explosive act.” In July 1990, a year and a half before the signing of the Belovezha Accords, the Russian deputies, obeying the logic of the struggle for power, broke the unified monetary and financial system, not realizing what fatal consequences this would lead to. “It is much easier to criticize Yeltsin for the Belovezha conspiracy than to admit one’s own historical guilt for the collapse of a great state,”²⁹ wrote Pavlov.

In order to discuss the current situation in the Kremlin, a meeting was held, chaired by Gorbachev. Ryzhkov did not come to the consultations. According to Pavlov, he has already understood Gorbachev’s position and resigned himself to defeat. From the Union side, the meeting was attended by the First Deputy Chairman of the Council of Ministers, Chair-

man of the State Planning Committee of the USSR, Minister of Finance, Chairman of the State Bank, and others. The Russian delegation was headed by Khasbulatov; the Minister of Finance of Russia and the Chairman of the Russian Bank Matyukhin came with him. At the meeting, Khasbulatov said that Russia had firmly decided to create its own credit and financial system. The RSFSR no longer wanted to feed other republics and would independently determine what share of its income to give to the Center. The imperial ways of the Center were done away with once and for all!³⁰

After the appearance of the July decree on the Russian banking system, Pavlov and Gerashchenko prepared a draft Decree of the President of the USSR, in which, in accordance with the current legislation, they canceled the illegal resolution of the Supreme Soviet of the RSFSR. Despite pressure, Gorbachev refused to sign the decree suspending this resolution. The reason was that he wanted to improve relations with the Russian leadership. According to Pavlov, Gorbachev, by his refusal to cancel the Russian decree, headed for the collapse of the USSR as a single federal state. The creation of the Russian Central Bank was the beginning of the end of the Soviet Union.

CONGRESS AND GOVERNMENT: FIRST STEPS

In 1990, the crisis in the economy of the RSFSR as part of the crisis-stricken national economy of the USSR continued to worsen. The process of destruction of economic ties and the disruption of the consumer market intensified. The rate of inflation increased, and the monetary system was close to collapse. The volumes of industrial and agricultural production and capital construction were reduced, the work of transport and communications and other sectors of the national economy worsened, the volume of national income declined, and the standard of living of the population decreased. Union structures of power and management exacerbated the crisis by their actions in the field of pricing, finance, structural policy, and foreign economic relations. National income generated in Russia in 1986–1990 on average per year increased by 1.1% at 3.0% in 1981–1985. In 1991, its reduction was 11% compared to 1990.³¹

From November 27 to December 15, 1990, the second (extraordinary) Congress of People’s Deputies of Russia was held, dedicated to the problems of the revival of the Russian village, the stabilization of the economy, and the transition to market relations in the

²⁷R. Kirsanov, *Perestroika: “New Thinking” in the Banking System of the USSR* (Moscow, 2011), p. 151 [in Russian].

²⁸R. Kirsanov, *Perestroika: “New Thinking” in the Banking System of the USSR* (Moscow, 2011), p. 151 [in Russian].

²⁹V. S. Pavlov, *Archive of the Russian Financial and Banking Revolution (1985–1995). Eyewitness Accounts. Documents*. Vol. 1, ed. by N. Krotov (Triada, LTD, Moscow, 2001), Vol. 1, p. 363 [in Russian].

³⁰V. S. Pavlov, *Archive of the Russian Financial and Banking Revolution (1985–1995). Eyewitness Accounts. Documents*, Ed. by N. Krotov (Triada, LTD, Moscow, 2001), Vol. 1, p. 364 [in Russian].

³¹Goskomstat of Russia, SARF, fund 10026, inventory 1, file 903, fol. 116.

RSFSR. During the first three months of 1991, all the activities of the Government of the RSFSR were mainly aimed at implementing the decisions of the second congress, which adopted a number of cardinal resolutions that determined the further development of the national economy of the republic.

One of the main ones was the Law “On property in the RSFSR,”³² adopted in December 1990, which provided a legal basis for the economic sovereignty of the Russian Federation. On the territory of Russia, property relations for land and other natural resources were determined by Russian legislation; the all-Union one was applied in the manner prescribed by the Law of the RSFSR “On the validity of acts of the Union SSR bodies on the territory of the RSFSR.” The concept of a “treasury” was introduced, which covered stocks, reserves, currency, and other objects of state property, ensuring the real possession of resources by the Russian state.

The law approved the category of “private property,” i.e., recognized the property of individuals and their associations (legal entities), and allowed the creation of private industrial enterprises and the attraction of employees. At the same time, all owners were subject to the uniform rules of a market economy.

The property law was the initial and basic in the “package” of laws that formed the legal base—the general foundations of economic activity on the territory of the RSFSR. It provided the fundamental basis for the development of such priority laws as laws on land, enterprise and entrepreneurial activity, privatization, tax system, foreign economic activity, on local economy and local self-government, and, finally, the Constitution of the RSFSR.

On January 22, the Council of Ministers of the RSFSR approved the regulation on the procedure for the transfer of enterprises from Union subordination to the jurisdiction of the state administration bodies of the republic. For Union enterprises that was placed under Russian jurisdiction, income tax rates were reduced from 45 to 38%.

Among the enterprises that decided to go under the jurisdiction of Russia by March 1991 were the Lenin-grad Production Association of Hoisting and Transport Equipment of the Mintyazhmash USSR, the Novgorod Production Association Azot of the State Association Agrokhim, the Kaliningrad Shipbuilding Plant Yantar (Ministry of Ship Industry of the USSR), and a number of others.³³

³²Documents to the draft Law of the RSFSR On Property in the RSFSR, handed out to people’s deputies at the II session of the Supreme Soviet of the RSFSR. November–December 1990, SARF, fund 10026, inventory 1, file 473, fol. 1.

³³R. G. Pikhoya, *Moscow. Kremlin. Power. Two Stories of One Country. Russia at the Turn of the Millennium. 1985–2005* (Rus’-Olimp, Moscow, 2007), p.236 [in Russian].

The special transitional nature of 1991 necessitated the quickest determination of the budget formation procedure. The draft Law of the RSFSR on the formation of budgets in the RSFSR for 1991 was one of the first prepared by the Supreme Soviet of the RSFSR. The formation of budgets in the Russian Federation should be carried out on qualitatively new principles, such as the independence of all budgets in the republic, the transition to the regulatory framework for relationships between budgets, etc.³⁴

In order to implement the powers delegated by the Russian Federation to the Union of the SSR, the transfer of funds to the Union budget was envisaged for all-Union needs and programs on a contractual basis and only to fulfill the tasks delegated by the RSFSR to the center. The amount of these funds was to be determined by the Supreme Soviet of the RSFSR after considering a specific list of expenses for all-Union needs in accordance with the share of the RSFSR.³⁵

Based on the sovereignty of the RSFSR and the independence of the subjects of the Federation, it was calculated that all economic entities on the territory of the RSFSR, regardless of departmental subordination and forms of ownership, as well as citizens living on the territory of the RSFSR, make deductions (payment of tax and other payments) to the republican budget of the RSFSR, the state budgets of the republics that are part of the RSFSR, the budgets of autonomous regions and districts, as well as local budgets.

The most important task for 1991, which the government set itself, was to form balanced budgets in the RSFSR.³⁶

Adoption of the Law “On the state budget system of the RSFSR in 1991” was of great importance not only for Russia, but also for the entire USSR. The position of the Congress of People’s Deputies of the RSFSR, the Supreme Soviet of the RSFSR, and the Government of the RSFSR, as determined by R.G. Pikhoya, “blew up the budgetary relations that have been developing in the USSR for decades.”³⁷ Instead of 132 billion rubles claimed by the Union authorities, the Supreme Soviet allocated only 23.4 billion rubles.

In accordance with the instructions of the Congress of People’s Deputies of the RSFSR, the Government of the RSFSR introduced radical changes in the investment policy of the republic. In 1991, the agroindustrial complex, sectors of the national economy working for the consumer market, and the development of social infrastructure became priority directions.

³⁴SARF, fund 10026, inventory 1, file 470, fol. 2.

³⁵SARF, fund 10026, inventory 1, file 470, fol. 2.

³⁶fund 10026, inventory 1, file 470, fol. 6.

³⁷R. G. Pikhoya, *Moscow. Kremlin. Power. Two Stories of One Country. Russia at the Turn of the Millennium. 1985–2005* (Rus’-Olimp, Moscow, 2007), p. 237 [in Russian].

According to the 1990 plan, the volumes of increase in capital investments of the indicated priorities were respectively: 152.6% in the agroindustrial complex; 198.5% in industries working for the consumer market (outside the agroindustrial complex); 101.1% in the construction complex; 157% in housing and communal construction and construction of social facilities, including 137% in housing construction; 389% in municipal construction; 206% in public education; 357% in and healthcare.³⁸

However, since the Supreme Soviet of the RSFSR approved the program to stabilize the economy until its planned implementation, negative changes took place in the republic, which further aggravated the economic crisis. Among them, one can note the absence of bodies that ensured the functioning of the market (banking and financial institutions, stock and commodity exchanges, labor exchanges, etc.), an unbalanced financial and monetary system, and the aggravation of social and national conflicts.

Therefore, despite the measures taken by the government, it was not possible to stop the development of crisis phenomena. After the April reform, many compensatory measures were implemented—an increase in wages, pensions, benefits, an introduction of additional payments for food, travel by public transport, etc. This led to a sharp increase in cash income, its volume in 1991 increased 2.5 times compared to the previous year. The emission began to grow rapidly, amounting to 89.3 billion rubles in 1991 (in 1988 it was 6.2 billion rubles).³⁹ Galloping inflation continued from the first months of 1991, store shelves remained empty, the consumer market was out of balance, and supply disrupted everywhere. An absolute decrease in the volume of industrial and agricultural products and the production of many important types of products began.

The production of consumer goods in value terms increased by only 3%. If in 1990 it was possible to achieve an increase in the growth rate of production of a number of types of goods of complex household appliances, then by 1991 the rates not only began to fall, but even decreased for some types—refrigerators and freezers, radio receivers, and televisions.

The output of the main types of light industry products decreased: fabrics, hosiery and knitwear, carpets and rugs, and shoes.

In 1991, there was no improvement in capital construction. According to the data of the government of the RSFSR, the commissioning of housing decreased

by 33%, general education schools by 34%, preschool institutions by 56%.⁴⁰

Production of oil decreased over this period by 8.3 million tons (10%), of coal by 4.5 million tons (7%), of steel by 0.8 million (5%), of steel pipes by 100 thousand tons (5%), of cars by 27 thousand pieces (9%), of tractors by 4 thousand pieces (10%), of rolling bearings by 5.7 million pieces (4%), of chemical threads by 23 thousand tons (23%), of tires by 320 thousand pieces (4%), of industrial timber by 7.4 million cubic meters (14%), of sawn timber by 1.3 million cubic meters (13%), and of cement by 0.8 million tons (6%).⁴¹

On July 14, 1990, the Presidium of the Supreme Soviet of the RSFSR adopted a resolution “On the basic principles for carrying out foreign economic activity on the territory of the RSFSR,” which established that all legal entities and individual citizens had the right to participate in foreign economic activity and direct access to the foreign market. The revolutionary significance of this resolution was that the state monopoly in the field of foreign trade, which for many years served as one of the hallmarks of the Soviet economic system, was abolished.⁴²

Income from foreign trade in 1991 amounted to 25 billion rubles and decreased by 39% compared to 1990. This was mainly due to a steady decline in exports. The main reason for the decline in exports was the decline in production volumes for the most important types of export products. The transition to trade with the former CMEA countries at world prices and to a freely convertible currency led to a 2.5-fold decrease in Russia’s foreign trade turnover with these countries, which largely negatively affected the total volume of Russian exports.⁴³ The associated decrease in foreign exchange earnings also led to a decrease in imports.

The above statistics on the decline in production volumes of the main sectors of the economy and the decline in income from foreign economic activity led to a reduction in the absolute level of Russia’s national income in 1990.

In 1991, the national income generated on the territory of the Russian Federation amounted to 610 billion rubles in current prices and decreased by 11 per-

³⁸Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1 file 1340, fol. 15.

³⁹SARF, fund 10026, inventory 1, file 903, fol. 125.

⁴⁰Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1, file 1340, fol. 17.

⁴¹Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1, file 1340, fol. 18.

⁴²R. G. Pikhoya, *Moscow. Kremlin. Power. Two Stories of One Country. Russia at the Turn of the Millennium. 1985–2005* (Rus’-Olimp, Moscow, 2007), p. 207 [in Russian].

⁴³Goskomstat of Russia, SARF, fund 10026, inventory 1, file 903, fol. 123.

Table 4. “Pace of construction of social facilities in 1988–1991”¹

Commissioning from all sources of funding	1988 in % to 1987	1989 in % to 1988	1990 in % to 1989	1991 in % to 1990
Residential buildings	99.4	97	88	80
Secondary schools	115	88	80	77
Preschool facilities	87	81	79	65
Hospitals	104	83	61	80
Polyclinics	93	85	91	72

¹Compiled from: SARF, fund 10026, inventory 1, file 903, fol. 122.

cent compared to the previous year; compared to 1988, it was 87 percent.⁴⁴ The budget of the RSFSR for 1990, taking into account the new conditions and prices, was formed with a deficit, which in 1991 increased even more.

FOOD

The food problem in the early 1990s continued to be one of the sharpest. To provide the population with food, it was necessary to significantly increase the volume of imports, along with many essential goods, for which the country's gold and foreign exchange reserves were spent.

The situation with state grain resources was extremely tense. According to calculations, the demand for grain in 1991 was 38.7 million tons and the lack of resources 15.3 million tons.

The deterioration in the food supply was determined by a number of factors. Here we should note the long-term growth of household income against the background of a slow growth in trade turnover and prices. If in previous years this provoked shortages and rush demand, then, at the last stage of perestroika, in combination with other factors, this played a destructive role. The fall in oil prices reduced the budget. The fall in oil production and the increase in gas consumption for domestic purposes already at the very beginning of 1991 limited the export opportunities of the republic and the flow of foreign exchange. Compared with the corresponding period of 1990, in 1991 there was a decrease in exports of the RSFSR by 9.4%, which led to a loss of 0.6 billion convertible rubles.⁴⁵

Political and economic reforms destroyed the old economic system, but, for various reasons, slowly cre-

ated a new one. Hopes for the activation of productive forces by expanding the independence of state enterprises and the creation of cooperatives did not materialize.⁴⁶

Replenishment of grain resources until 1990 was carried out at the expense of decisions taken by the Council of Ministers of the RSFSR on the purchase of grain in Canada and an agreement on its import from Kazakhstan. Only 400 000 tons of grain were allocated from Union funds for the first half of the year. The Council of Ministers of the USSR decided to purchase 30.5 million tons of grain from abroad; however, due to the delay in resolving the issue of sources of payment, real grain receipts were not expected in the first quarter of 1991.⁴⁷

During the first two months of 1991, the production of meat, whole milk products, and animal oil decreased noticeably. The state of affairs in animal husbandry caused serious concern. The farms of the republic experienced great difficulties in providing livestock with fodder, and the productivity of animals fell. Compared to 1990, the output of food products in 1991 decreased by 9%.⁴⁸

In a number of regions, serious difficulties arose in providing seed funds for grain crops and potatoes. The presence of potato seeds in the farms of some territories of the Non-Chernozem zone of the RSFSR was only slightly more than half of the need. The preparation of equipment for spring fieldwork in a number of regions was in an unsatisfactory state. In general, in Russia, by the beginning of March 1991, 13–18% of the total number of tractors, trucks, tractor plows and

⁴⁴Goskomstat of Russia, SARF, fund 10026, inventory 1, file 903, fol. 123.

⁴⁵Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1, file 1340, fol. 18.

⁴⁶O. V. Khlevnyuk, “Day of new prices: Supply crisis and Russian society at the turn of the 1980s–1990s,” *Russ. Ist.*, No. 2, 55 (2019).

⁴⁷Documents for the meetings of the Extraordinary Food Commission of January 9, 25, May 14, June 28, 1991, SARF, fund 10026, inventory 3, file 408, fol. 14.

⁴⁸SARF, fund 10026, inventory 1, file 903, fol. 119.

Table 5. On the state of grain resources for food and fodder purposes¹

Resources	Million tons
Expected availability on January 1, 1990 (without seeds)	18.0
Import under the decisions of the Government of the RSFSR, including	2.9
Canada	2.8
Italy	0.1
Allocated by the State Commission of the USSR Council of Ministers for Food and Procurement (import)	0.4
Import from the Kazakh SSR	2.1
Total resources	23.4

¹Compiled from: SARF, fund 10026, inventory 3, file 408, fol. 13.

cultivators, and seeders were out of order, which was significantly more than by the same time in 1990.⁴⁹

The acuteness of the food problem is evidenced by the fact that in November 1990 the Extraordinary Commission of the Congress of People's Deputies of the RSFSR on Food was created. In the spring of 1991, at a meeting of the Extraordinary Commission on Food, it was reported that in the Tyumen oblast, due to a shortage of products by about 56%, within three months 10 g of butter per child were given out, flour was not given out even on food stamps, as they were waiting critical point, "when one could give out at the last moment."⁵⁰ For more than two months, not a single inhabitant of western Siberia has seen milk.

After the end of the third Congress of People's Deputies of the RSFSR, the leaders and deputies of Tyumen oblast turned to the Chairman of the Russian government with a request to provide the region with food. At a meeting with I.S. Silaev, a fact was cited that shocked those present: at a number of drilling enterprises, drillers donated blood in order to get a kilogram of meat, a can of condensed milk, and other products. The government decided to let the region keep 7% of oil for the purchase of necessary goods.⁵¹

A rated supply at the wartime level developed in Chita. A telegram was sent to the country's leadership saying that in Chita oblast people were stopping trains on the Trans-Siberian railway carrying food and con-

sumer goods and trying to take these for themselves.⁵² Obviously, only a desperate situation forced the leadership of the region to take such measures. Shortage of imported goods reduced supply in a number of regions by 40%, and in Chita by 50%.

The situation with providing Moscow with food was so acute that it forced Gorbachev and Pavlov, on the one hand, and Yeltsin and Silaev, on the other, to sign a special agreement on supplying Moscow. The decision was only 30% implemented.⁵³

On May 14, 1991, Russian Minister of Trade A.F. Khlystov, who said that in the first quarter of 1991 "literally all the resources and reserves were taken out of the state reserves."⁵⁴ 25 000 tons of meat, 50 000 tons of canned meat, 8000 tons of animal oil, and 8000 tons of vegetable oil remained in Russia. In addition, from these reserves at the insistence of the Russian leadership, and from the state reserves, where there was practically nothing left, 90 thousand tons of sugar, 3 thousand tons of meat, and 10 thousand tons of canned meat were allocated in April.⁵⁵ All products were distributed across the regions of Russia, Moscow, and Leningrad. On top of this, imported goods were added: 75 thousand tons of meat, 5 thousand tons of infant formula, 12 thousand tons of animal, and 47 thousand tons of sugar. The measures taken did not help relieve tension, and the situation remained challenging. "If in 1990 Comrade Kulik and the Ministry of Agriculture and Food had 50 000 tons of butter and about 100 000 tons of meat at their disposal in January," then, in the spring of 1991, they had 200 tons of butter and 500 tons of meat.⁵⁶

All government agencies, including law enforcement, were involved in solving the problem of food supply. At a meeting of the Extraordinary Commission on Food, a representative of the State Arbitration Committee spoke out with sharp criticism of the work of the ministries. The drop in the discipline of deliveries, in his opinion, was due to the fact that the ministries responsible by law—the Ministry of Agriculture and Food, the Ministry of Trade, Tsentrosoyuz, and others, did not create a clear system for managing deliveries under contracts and effective control.⁵⁷ "I am just hit by this desire to transfer the work of controlling supplies, applying sanctions that are assigned to ministries and enterprises to law enforcement agencies," he was indignant. "In the USA, there are 1.5 million farmers who will feed both the States and the army, and you have 2.5 million with portfolios in

⁵²SARF, fund 10026, inventory 3, file 405, fol. 77.

⁵³Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1, file 1340, fol. 78.

⁵⁴SARF, fund 10026, inventory 1, file 1340, fol. 65.

⁵⁵SARF, fund 10026, inventory 3, file 105, fol. 66.

⁵⁶SARF, fund 10026, inventory 3, file 105, fol. 78.

⁵⁷SARF, fund 10026, inventory 3, file 105, fol. 89.

⁴⁹Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1, file 1340, fol. 18.

⁵⁰SARF, fund 10026, inventory 3, file 405, fol. 74.

⁵¹SARF, fund 10026, inventory 3, file 405, fol. 76.

the countryside, and you instruct the prosecutor's office, I'm sorry, the arbitration with its 530 people to control for you."⁵⁸

Under the circumstances, at different levels of government, a way out of the situation was seen in the creation of individual farms. Separate examples of the successful development of independent farms also served as confirmation of this. Many cities and regions were very successful in solving the food supply issues on their own, which inspired hope that a change in the principles of the socialist economy would help resolve the current crisis. At the meeting of the Extraordinary Commission, the examples of Chelyabinsk, Sverdlovsk, Penza oblasts, and a number of other regions that have achieved some success were cited. In Tula, an association of business cooperation "Kommerstant" was created, which, in addition to trade enterprises, included public catering and industrial enterprises, three state farms, two collective farms, and a poultry farm. The association received the right to conduct foreign economic activity, received the currency for which they purchased the necessary equipment. They created a line for the production of sausages, and made smoked poultry. As a result of the joint activities of the association members, the residents of Tula received 29 thousand tons of meat products, 50 thousand tons of fish, 250 thousand eggs, 20 tons of flour, etc.⁵⁹

Things were even better in Penza oblast. "If I tell you, you will smile, too, from such good factual material," said the Minister of Trade. Store checks showed that four types of meat products, three types of ham, nine types of sausages, up to 40 types of confectionery, milk, animal oil were freely sold, but vegetable oil and sugar are on food stamps.⁶⁰ The most expensive meat on the market was 10 rubles with no waiting in line.⁶¹

Another way to provide for the population was farms. The Ministry of Trade had a fairly developed network of subsidiary farms, which fed 5% of the population. This was a significant contribution, considering that approximately 70 million people sat down for dinner in Russia every day. There were cities, such as Novosibirsk, where up to 25% of the population were fed at the expense of subsidiary plots.⁶² However, due to the lack of feed, this industry was under the threat of complete elimination.

PROGRAM OF THE GOVERNMENT OF THE RSFSR

On March 20, 1991, at a joint meeting of the Presidium of the Supreme Soviet of the RSFSR and the

Presidium of the Council of Ministers of the RSFSR, chaired by Yeltsin, the Chairman of the Council of Ministers of the RSFSR Silaev presented the economic program of Russia. Justifying the need to take radical measures, Silaev said that state resources on April 1, 1991, amounted to a 3–4-fold deviation from the traditional norm. If earlier the center spent up to 70% of convertible earnings from the sale of convertible raw materials for the import needs of Russia, including grain imports, then, in 1990–1991, the supply was reduced to imperceptible values, almost to zero. "If decisive measures are not taken today, including not recapturing our own Russian foreign exchange assets from the center, then in the near future we should expect a chain reaction of production shutdowns, and empty bins will be a real prospect in the winter of 1991–1992.

"Thus, the republic has neither a currency, nor any strategic reserves and money holdings [...]. We have at our disposal the only essentially economic resource—the freedom of entrepreneurial activity."⁶³

The government materials reported: "There are not enough material resources, food, consumer goods to meet demand, even approximate one, but at the same time excess stocks and their export abroad are increasing; the rate of decline in gross national income significantly outpaces the rate of decline in commodity production, which indicates the freezing of funds, inefficient use of resources, ignorance of scientific and technological progress, a complete departure from the principles of self-financing, self-development; the budget is not being formed, the sources of its revenue formation have become illusory due to falling profits, decrease in trade turnover, and the attitude to the budget remains the same—dependent, no one wants to balance goals with opportunities, or at least with the desire to achieve them; there is nothing to supply compensation payments with, there are no funds and goods for the implementation of the indexation requirement. Despite the sanctioned benefits, there is no growth in the production of consumer goods and food, the monetary incomes of the population are growing uncontrollably."⁶⁴

It was not possible to stabilize the economy of the republic. The government considered the main reasons for this state of affairs to be the imbalance of economic ties, slow progress towards market relations, and undeveloped economic methods of management. Statistics showed that only about 15% of cooperatives created inventory, of all registered enterprises, only 30% actually operated, and had a capital return of no

⁵⁸SARF, fund 10026, inventory 3, file 105, fol. 91.

⁵⁹SARF, fund 10026, inventory 3, file 105, fol. 72–73.

⁶⁰SARF, fund 10026, inventory 3, file 405, fol. 69.

⁶¹SARF, fund 10026, inventory 3, file 405, fol. 69.

⁶²SARF, fund 10026, inventory 3, file 405, fol. 74.

⁶³Transcript of the joint meeting of the Presidium of the Supreme Soviet of the RSFSR and the Presidium of the Council of Ministers of the RSFSR on March 20, 1991, SARF, fund 10026, inventory 1, file 1341, fol. 5.

⁶⁴Transcript of the joint meeting of the Presidium of the Supreme Soviet of the RSFSR and the Presidium of the Council of Ministers of the RSFSR on March 20, 1991, SARF, fund 10026, inventory 1, file 1341, fol. 18.

more than 60 kopecks, but 5–6 times more currency was exported from the country than it was imported, as a result, the external debt of the bank increased by 0.5 billion foreign currency rubles.⁶⁵

The source of the crisis in the economy, according to experts, was a planned organization. In the planned and market management systems, information is generated fundamentally differently from the consumer and affects the producer in different ways. In a planned economy, it is formed in the center—in Gosplan, Gosstnab, Goskomsen, branch ministries and is transmitted in the form of commands that are mandatory for execution by the producer. In a market economy, information about the needs of society is born during free purchase and sale with the help of free prices and affects the producer, offering the maximum benefit for it.

By the beginning of 1990, the interests of enterprises began to diverge from state planning; for many, it was already unprofitable to fulfill the state order. By this time, the main condition for their survival was the production of any product that would allow them to pay wages in the required amount and independently provide workers with food and consumer goods. The solution to this problem and the supply of enterprises with material resources in ever-increasing volumes was carried out through the archaic exchange of goods for goods, because the money of enterprises had no purchasing power, it was impossible to freely buy the necessary products, and the money of the population was depreciated.⁶⁶ In the materials for its economic program for 1991–1992, the government of the RSFSR reported that “the work of enterprises is not provided with sufficient resources, economic ties are torn, production stops. It ceases to obey the central authorities. There is a catastrophic destruction of the structures of planned management, they are practically paralyzed, their teams are demoralized due to the uncertainty of their position in the future [...]. The teams of the center, republics and regions come into sharp conflicts, which causes social and political tension.”⁶⁷

The question of the transition to market relations, as the only possible way to bring the country out of a state of severe economic crisis, has become dominant in discussions at all levels of legislative and executive power. And it is quite natural that the market, unfam-

iliar to the socialist planned economy system, frightened them with the prospect of unemployment, the lack of clarity in the implementation of social guarantees, and simply the psychological unprofessional unpreparedness of people to work in these conditions.

Taking into account the specific and structural features of the national economic complex of the republic, the Russian government proposed a program for 1991–1992. The general concept of the project was based on the following premises:

- the development in Russia mainly of the raw materials and fuel and energy industries, focused on 75% of the production of group “A” products. At the same time, in the structure of exports of the Union (data from 1988), more than 40% are fuel and energy, more than 18% are raw materials, 16% are machinery, equipment, vehicles⁶⁸;

- the need to regulate the total cash flow. For this purpose, it was necessary to introduce fixation of the level of paid income (as a starting point) with appropriate regulation and control over their payments;

- the recognition of the fact that the most scarce and stable commodity in the country is a freely convertible currency and the rejection of the rationed distribution of the already insufficient foreign exchange earnings;

- increasing the level of capital productivity of funds invested in production in order to carry out a structural restructuring of the national economy for a sharp increase in the production of group “B” goods;

- ensuring the balance of supply and demand (state balance), goals and opportunities, the transition to the principles of financing targeted republican programs, and not industries;

- the creation of new management structures only in parallel with the development of market relations;

- the introduction of a different emphasis on the concept of “owner.” This is the one who bears property responsibility for the results of management, and not the one who seeks the preemptive right to distribute the final product.⁶⁹

Using the experience of economic development in Western countries, when developing a plan of action, it was important to take into account the difference between the development of the market in the capitalist countries and in the Soviet republic. In the West, the manufacturer was faced with the task of breaking through to the crowded market and to the buyer in the harsh conditions of a legally regulated pricing policy. In our conditions, it was necessary to fill the empty market, where it was possible to dictate prices, as well

⁶⁵Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1, file 1340, fol. 21.

⁶⁶Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1, file 1340, fol. 21.

⁶⁷Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1, file 1340, fol. 42.

⁶⁸Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1, file 1340, fol. 22.

⁶⁹Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1, file 1340, fol. 23.

as to influence the direction of the use of industrial and technical products.

The role of intermediaries between the producer and the consumer, and, in fact, distributors, in the Soviet system was performed by various departments — Gosznabs, the Ministry of Trade, Goskomneftprodukty, and various organizations (cooperatives, banks) that did not bear any responsibility for saturating the market. According to the government, “100% nationalization of banks only led to the emergence of a new distributor, redistributor, and not a responsible participant in the processes in the credit resources market.”⁷⁰ The created Union–Republican Currency Committee became another distributor of unearned foreign exchange funds, “not responsible for the final results of promotion to the world market.”

Based on the data presented, the government of Silaev proposed the following plan of action:

1. Introduce new rules for paying for export deliveries. Cancel the existing concept of foreign exchange earnings that are taxable and do not have meaning—as income or profit, but which is the total amount of product sales. The government suggested, in foreign economic transactions at world prices, to leave the manufacturer of export products with a sum equivalent to the costs in the structure of world prices (for analogues), and tax only the remaining profit.

2. Introduce economic levers and incentives for the rational use of natural resources, including: payment for the right to use natural resources; payment for their protection and reproduction; various economic sanctions; lump-sum payments in the form of the first rent installment. These measures were supposed to contribute to the formation of a significant part of the local budget of territories with natural resources, but historically found themselves in unequal starting conditions with other regions.

3. Removal of any restrictions on the size of paid wages, consumption funds, subject to the introduction of the rule for the sale of indicators—a kind of market of indicators in order to balance the commodity and money supply and involve all participants in the process of creating nonfood products along the entire chain: idea—raw materials, materials—means of production—final product.

4. In order to raise the interest of workers in increasing production volumes, to legislatively introduce special rules for the formation of joint-stock companies. One of these rules was established — the entire increase in production volumes of any enterprise in comparable prices to the level of 1990 is credited to the team as a payment for the right to own state property.

⁷⁰Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1, file 1340, fol. 24.

According to the plan, any collectives, former employees of corporatized enterprises through appropriate loans, individuals, foreign investors (through the banking system) could participate in corporatization.

5. Export engineering should be completely exempted from paying taxes on profits under the new rules for calculating the currency in favor of consumption.

Organizational and economic measures for the further formation of market relations consisted in the following activities: the creation of a market of indicators that give the right (license) to receive the payment fund without restrictions, as well as corporatization of industrial enterprises.

To implement the program, the management structure was modified, in which an important place was occupied by: commercial banks, as the main nodes of the system and regulators of the balance of commodity and money supply; territorial supply agencies, which, along with the Ministry of Trade, regulated the movement of material flows within the regions; commodity exchanges played a special role. Of great importance was the State Order, which was supposed to become a tool for contracting and stimulate production.

In order to ensure effective management of the Russian industry, in the sectors of timber, metallurgical, light and textile, construction materials, fuel and energy, it was proposed to work out the procedure for transferring under the jurisdiction of the RSFSR with the introduction of new organizational forms of management, including economic principles of interaction between the producer and territories.

To start the privatization processes through the proposed system of corporatization and state orders, it was proposed to compile a list of enterprises. The privatization program was planned to be launched through a sales system to those legal entities who would submit either a project to intensify the activity of the enterprise being privatized, or a program of trade turnover, or to industrial enterprises guaranteeing sales. The privatization regulation should not have allowed privatization without a declaration confirming the sources of income and a guarantee that the owner of the funds would not make their “contribution” to the imbalance of the commodity and money supply.⁷¹

The government warned that “there is no smooth transition from a planned economy to a market economy. When such an attempt is made, all control is lost.” Based on this conclusion, the following program for creating a market sector of the economy was proposed:

⁷¹Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1, file 1340, fol. 38.

1. Preparation of the transition to a market economic mechanism, which consists in equalizing the starting level of consumption. For this, not a confiscation method was proposed, but a special nature of using the available part of the population's funds for a certain period, obtaining a direct foreign currency loan mainly for the import of consumer goods in order to stabilize the situation in the transitional consumer market and at the same time ensure its social protection.

2. Creation of a republican parallel system of non-cash monetary transactions, isolated from the receipt of noncash money in the planned sector of the economy. Introduction, if necessary, of a floating exchange rate of Russian money, not only in relation to the currencies of other countries, but also separately to the Union cash and noncash rubles.

3. Price liberalization. There is no market without denationalization and private ownership. Therefore, in order to transit to a market, it is first necessary to transfer the means of production to the ownership of collectives and specific people, only then will there be an interest in the efficient use of means of production and resources.

According to the government, the market sector should be at least twice as large as the sector controlled by the state, since world and domestic experience has shown that if the share of the state-controlled sector exceeds 30–35%, there is first a drop in growth, and then in the absolute amount of national income. The crisis of any economy is inevitable when the level of state monopolization is over 75% (in 1990 in the USSR this share was 82%).⁷²

We need to be completely honest and frank, and say that we have two stages of structural adjustment ahead of us. At the first stage, there will be a huge release of resources, including labor ones due to the shutdown of industries that are inefficient for society.

The second stage will be characterized by absorption of released resources. It will happen quickly due to loans from commercial state banks to highly profitable industries. We must be aware of the inevitability of such a transition if we really want to improve the well-being of the people, but at the same time it was emphasized that social protection would be provided for everyone who forcedly lost their job,

said Silaev.⁷³

⁷²Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1, file 1340, fol. 44.

⁷³Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1, file 1340, fol. 45.

The Union leadership was criticized: “the point of view of today’s Union government is ‘protection of those working at inefficient enterprises through subsidies.’ During the period of structural change this is a gross mistake that does not allow it to be carried out.”⁷⁴ The so-called “socially low prices” make production unprofitable and force the producer to reduce the manufacturing of products that are most necessary for society. The availability of a purchase at such a price is only an illusion, since a shortage is created, and the goods are no longer sold, but distributed among officials, simultaneously creating a shadow economy, which makes the goods even more inaccessible. And one more of the main vices of this approach—“socially low prices” destroy the monetary system. Money ceases to be the universal equivalent of commodities; it loses its purchasing power.

To exclude the influence of the Union planned sector on the emerging Russian market, the Russian government proposed to put a financial filter—to declare limited Russian financial sovereignty, reinforcing the Declaration of State Sovereignty.

“We propose to introduce a rule within the free Russian market: any legal entity or individual—not only Russian, but also Union, and even foreign—can buy any product either for Union cash or Russian non-cash money. Moreover, the means of production and resources can only be purchased with Russian money.”⁷⁵ Noncash Russian money could also be obtained by credits in the Russian banking system, foreign currency exchange or noncash Union money at a free market rate, or by selling their products in Russia.

At the initial stage of the transition period, the noncash Russian ruble at the exchange rate would be equal to the cash Union ruble. In the future, if the Union government continued to issue unsecured cash, it was planned to introduce a floating exchange rate between these rubles to protect against inflation created by the Union government.⁷⁶

The general task of the developed program for the transition to a market economy for 1991–1992, which was set by the Russian government, was “to provide conditions for the rise of the Russian economy since 1993 due to the action mainly of market forces.”⁷⁷

⁷⁴Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1, file 1340, fol. 46.

⁷⁵Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1, file 1340, fol. 47.

⁷⁶Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1, file 1340, fol. 47.

⁷⁷Materials for the economic program of the Government for 1991–1992 sent by the Secretariat of the Chairman of the Council of Ministers of the RSFSR, SARF, fund 10026, inventory 1, file 1340, fol. 59.

The program proposed by Silaev had a clear imprint of its predecessor, the 500 Days program, but, at the same time, it was focused on the whole of Russia; it almost did not have the centralist approaches that were characteristic of the 500 Days program. The program put forward a thesis about the need to transfer all enterprises located on the territory of the republic under the jurisdiction of the RSFSR. The program argued that a gradual transition from a planned to a market economy is impossible; therefore, it is necessary to quickly establish a market management model, the effectiveness of which has been proven by world experience.⁷⁸ The main task of the Council of Ministers of the RSFSR was to stimulate the business activity of the population and ensure its implementation. To do this, the program proposed to introduce a preferential tax regime, removing the restriction on wage growth, in order to make a gradual transition to a market pricing mechanism.

At the first stage, prices in the privatized sector are freed up; at the second stage, prices for the supply of products to the private sector are freed up; at the third stage, general price liberalization is carried out.

The program provided for the elimination of restrictions on the freedom of entrepreneurial activity and the permission for all citizens and enterprises in Russia to freely buy and sell foreign currency.⁷⁹

This program was published in the press, it received responses and reviews not only from Russia, but also from abroad. Support for the program, although with comments, in *Rossiyskaya Gazeta* was expressed by Doctor of Economics, Professor S.S. Dzarasova, Doctor of Economics L.N. Piyasheva, permanent consultant of the newspaper *V. Selyunin*,⁸⁰ and a group of experts of the *Kommersant* newspaper.⁸¹ The program was criticized by *Sovetskaya Rossiya*, which considered that “the entire “economic program” is drawn up solely for the interest of this (entrepreneurial layer) small part of Russians.⁸² All responses were received by the Information Department of the Council of Ministers of the RSFSR.

In addition to the program of the government of the RSFSR to stabilize the economy and transition to market relations, there was also a project “Program of joint actions of the Cabinet of Ministers of the USSR and the governments of sovereign republics to bring the economy out of the crisis.” If we compare these programs, it should be noted that the program of the

Russian government was a measure to stabilize the economy in the context of a decisive transition to market relations. It reflected the whole range of actions, taking into account the state and characteristics of the economy of the RSFSR.

The project “Program of joint actions...” had a different direction. This was a Union program based on administrative measures of an anticrisis nature, although it included some market provisions. The Program contained a number of declarative statements about a clear delimitation of competences and functions between the Center and sovereign republics and about an “accelerated transition to market relations,” but, in fact, these most important issues were not specifically covered.⁸³

The draft program provided for the implementation, mainly in 1991, by the governments of the USSR and the sovereign republics of a number of coordinated administrative measures regarding the introduction of a special regime of work in the basic sectors of the national economy, restoring order and improving executive discipline, establishing a moratorium on strikes by preparation of relevant proposals by conciliation commissions and consideration by the Federation Council and the Security Council.⁸⁴

A number of provisions of the program of joint actions included in the section “Normalization of economic relations” also belonged to the same category of measures. Here, in the administrative order, it was prescribed to fulfill the obligations of the economic and interrepublican agreements of 1991, increase responsibility for violating the terms and volumes of the implementation of the state order, create intergovernmental commissions with emergency powers to monitor the implementation of economic agreements, instruct civil and arbitration courts to suppress cases of industrial racketeering, industrial extortion, etc.⁸⁵

Only beginning with section V of the Program, there were proposals of a specific market nature, mostly borrowed from the program of the Government of the RSFSR. This concerned the replacement of irrevocable financing of programs with bank loans and repayable financing from extrabudgetary funds, the independent formation of local and republican budgets, the organization of banks’ activities on the principles of a reserve system, the development of the financial market, the completion of the transition to free prices in combination with social protection measures and antimonopoly policy, etc.

At the same time, this section provided for measures to tighten the regimes for financing budget expenditures at reduced rates and to control the management of unprofitable enterprises.

⁷⁸SARF, fund 10026, inventory 1, file 1364, fol. 10.

⁷⁹SARF, fund 10026, inventory 1, file 1364, fol. 12.

⁸⁰“Jump over the abyss in one leap,” *Rossiyskaya Gazeta*, May 5 (1991).

⁸¹“The chances of the Russian program: it seems it can work out,” *Kommersant*, No. 18, Apr. 15–22 (1991).

⁸²“Twilight with ‘sunrise’. Notes on the margins of the Economic Program of the Russian Council of Ministers,” *Sovetskaya Rossiya*, May 12 (1991).

⁸³SARF, fund 10026, inventory 1, file 1366, fol. 33.

⁸⁴SARF, fund 10026, inventory 1, file 1366, fol. 33.

⁸⁵SARF, fund 10026, inventory 1, file 1366, fol. 34.

In section VI of the project “Measures to accelerate the development of entrepreneurship, denationalization and demonopolization of the economy,” a number of provisions, important and common for all sovereign republics, were borrowed from the program of the Government of the RSFSR in the field of denationalization and privatization, primarily in agriculture, service sector, promoting the development of small and medium-sized businesses, opening access to the domestic market for foreign firms, simplifying the procedure for registering enterprises, lifting restrictions on the activities of trade and purchasing cooperatives, etc. However, there were few specific proposals.

The issues of stimulating business activity and bringing the economy out of the crisis were presented in the program of the Government of the RSFSR more fully and on a larger scale. This also applied to the privatization and denationalization of the economy. In the draft “Program of joint actions...” these issues were covered only in the most general form.

On the basis of the program of the Government of the RSFSR, a number of extremely important and common provisions for all sovereign republics were included in section VII of the draft program of joint actions “Activation of foreign economic activity”:

- on ensuring the openness of the economy and integration into the international division of labor;

- on independent implementation of foreign economic activity of sovereign republics;

- on the division in 1991 of the external debt of the USSR and debts to it from foreign countries between the sovereign republics, as well as on the further servicing of these debts;

- on the procedure for quoting and licensing exports in the interests of sovereign republics;

- on taxation of profits from foreign economic activity;

- on the introduction of internal convertibility of the ruble and free purchase and sale of currency;

- on granting concessions to foreign countries and companies;

- on the Union–republican customs services, etc.⁸⁶

The section on scientific and technological progress (VIII) was almost completely borrowed from the program of the Government of the RSFSR, since its provisions were common to all sovereign republics. The section of the draft program in the field of social protection of the population caused serious doubts, in this section there were many formulations of a declarative and administrative nature.

According to the conclusion of the Information Department of the Council of Ministers of the RSFSR, the Program developed by the Cabinet of Ministers of the USSR, with significant revision and significant reductions, could be turned into an agree-

ment between the republics and the Center on: customs agreements, the creation of a reserve banking system and other basic principles for ensuring opportunities for the unhindered development of market relations.⁸⁷ An analysis of the “Programs of the Government of the RSFSR ...” and the draft “Program of joint actions ...” showed that the Russian program covered all areas of economic stabilization and transition to market relations, it was much more multifaceted and could be applied by other republics during economic reform.

THE PROBLEM OF INTERREPUBLICAN RELATIONS

The system of interrepublican deliveries to the USSR already at the beginning of 1991 began to fail. In the autumn of 1991, the issues of interrepublican deliveries of industrial products were in the center of attention of the Russian leadership, which indicated an extremely unfavorable situation in this matter. In January–September 1991, for most types of industrial products, agreements–contracts on the part of the RSFSR were carried out with a significant lag. Thus, oil, coal, and cement were supplied in the amount from 64 to 73% of the volume of annual agreements, commercial timber, 52%, rolled ferrous metals and sawn timber, less than half. However, supplies of rolled ferrous metals to the republics of Georgia and Moldova amounted to 74% and 65%, respectively.⁸⁸

Another situation also took place, when a number of the most important types of industrial products were supplied to some republics and short supply to others. For 9 months of 1991, under interrepublican agreements–contracts, the Russian Federation supplied fuel oil, diesel fuel, and motor oil above the norm by 11.6, 1.3, and 3.5 times, respectively; synthetic rubber by 6.1 times; metal-cutting machine tools and forging and pressing equipment by 3.4 and 34 times. The supply of oil to Ukraine was exceeded by 614 thousand tons, Belarus by 93 thousand tons, and Kazakhstan by 77 thousand tons. The amount of gasoline shipped to Latvia was 13 000 tons more than the amount of diesel fuel provided for by the agreement, to Kazakhstan, 214 000 tons more. In general, industrial products were overdelivered from the RSFSR for 6.7 billion rubles.⁸⁹

At the same time, the economy of the RSFSR experienced significant difficulties due to the backlog in the supply of industrial products from other republics. Thus, the Kazakh SSR allowed a lag in the shipment of coal and rolled ferrous metals (68% of the annual volumes under the agreement), bulldozers (57%), the Republic of Azerbaijan, diesel fuel (less

⁸⁷SARF, fund 10026, inventory 1, file 1366, fol. 35.

⁸⁸SARF, fund 10026, inventory 1, file 1436, fol. 166.

⁸⁹SARF, fund 10026, inventory 1, file 1436, fol. 167.

⁸⁶SARF, fund 10026, inventory 1, file 1366, fol. 35.

than 30%), the Republic of Moldova, low-power electric motors (52%) and machinery for public utilities (8%), Latvia, rolled ferrous metals (40%), the Republic of Kyrgyzstan and Armenia, trucks (respectively 58 and 28%).⁹⁰

The unsatisfactory situation that has developed in interrepublican deliveries of industrial products was largely due to the general decline in the country's economy, the disruption of vertical and horizontal ties in industries, and difficulties in the material and technical support of enterprises. However, in a number of cases there was also an irresponsible attitude towards the fulfillment of supply contracts.

The decrease in supplies was also due to the fact that during the specified period, the RSFSR produced 27 billion rubles (3.3%) less products than during this period of the previous 1990. This included coal by 12%, oil and gas condensate by 10%, rolled ferrous metals and other metal products, as well as chemical and petrochemical products by 7%. For 9 months of the current year, the output of industrial and technical products decreased in 144 out of 290 types of products.⁹¹

At the end of November 1991, the head of the department for socio-economic development B.M. Isaev reported to the head of the Presidential Administration S.A. Filatov about the failure of contractual obligations. In September 1991 alone, the volume of undelivered products increased by 5 billion rubles and reached 18.4 billion rubles, which is 1.4 times more than in the same period last year.⁹² Due to the rapid growth in the number of unused oil wells, low oil recovery, and shortcomings in the material and technical support of oil enterprises, the expected oil production was no more than 446 million tons (the level of the 1970s). For this reason, the volumes of production of motor gasoline, diesel fuel, kerosene, and other oil products have decreased, which negatively affected the operation of vehicles. A similar situation developed in the coal industry, where coal production could not exceed 351 million tons (the level of the 1970s).

Due to the delay in the commissioning of energy capacities, the growth of capacities that have exhausted their resource, and other reasons, a number of regions of the RSFSR experienced an acute shortage of electricity. A particularly difficult situation with electrical supply has developed in the Urals, the North Caucasus, the Central regions, and Chita oblast in the Buryat SSR.

The production of cast iron, steel, finished rolled products, steel pipes, nonferrous metallurgy products continued to decline, which was mainly due to the unsatisfactory material and technical support of the industry. For 9 months of 1991, iron ore production

decreased by 13% and coking coal production decreased by 25%. To this, short deliveries of ferrous and nonferrous scrap metal to metallurgical enterprises should be added.

The decrease in the output of metal products, along with other reasons, had a negative impact on the operation of engineering enterprises. Compared to the corresponding period last year, the production of press-forging machines, passenger cars, freight cars decreased by 6–10%; AC electric motors, main diesel locomotives, passenger coaches and trucks decreased by 14–17%. In January–September 1991, the production of sulfuric acid decreased by 9%, synthetic ammonia by 6%, caustic and soda ash by 10%, and synthetic dyes by 13%.⁹³ Due to the short supply of raw materials, in particular from the Ukrainian SSR, the production of cement and the related production of prefabricated reinforced concrete and other products related to construction materials decreased.

In 1991, Rostov oblast entered into agreements on economic cooperation with ten republics of the Soviet Union, four territories, and twelve oblasts. However, the supply of material and technical resources and components under the concluded contracts was carried out in insufficient volumes. Interruptions and even the lack of supplies from Ukraine and Armenia were especially feverish for the work of the industry. The lack of supplies of soda ash paralyzed the work of the Volgodonsk Chemical Plant and glass factories.

In the defense complex, the decline in production rates was explained by a decrease in military orders due to the conversion, lack of raw materials for imports, and reduction in the supply of aluminum raw materials to the Belokalitvinsk Metallurgical Plant.

A sharp decrease in the supply of rolled metal had a negative impact on the work of the machine-building complex. The coal mines of the region stopped deliveries of metal fasteners. In 1991, the coal enterprises of Ukraine refused to supply 88.6 thousand tons of coal to the collective farms and state farms of Rostov oblast, and did not conclude an agreement for its supply in 1992. A similar situation developed for the enterprises of the textile and knitwear industries, for clothing factories.

Socio-economic and political situation in the RSFSR in 1991 was characterized by a sharp decline in production volumes, combined with inflationary processes, which was due to the development of a general crisis in the system, as well as the recognition by almost the entire society of the futility of the existing command and control management and the need for a transition to a market economy.

⁹⁰SARF, fund 10026, inventory 1, file 1436, fol. 167.

⁹¹SARF, fund 10026, inventory 1, file 1436, fol. 167.

⁹²SARF, fund 10026, inventory 1, file 1436, fol. 168.

⁹³SARF, fund 10026, inventory 1, file 1436, fol. 169.

RESULTS

In the last years of Soviet rule, the economy began to spiral out of control. The old methods no longer worked, enterprises refused to fulfill government orders without material support and at unfavorable prices, and the resources of centralized distribution were reduced. At the beginning of 1990, the Balcerowicz plan was put into action in Poland. Estimates of the consequences of a radical version of the implementation of qualitative changes in the Soviet economy, according to experts' forecasts, showed that they would be no worse than in Poland.

The transition to market relations implied a pricing reform. For more than 25 years, until 1990, retail prices for food and industrial consumer goods remained stable. However, starting from 1990, retail prices began to grow due to both their centralized increase and the appearance of individual fragments of their exemption from administrative approval. At the end of 1991, "spontaneous" liberalization of list prices for consumer goods practically began, that is, before its official announcement (the composite index was 103.9 in October 1991; 109.0 in November; and 112.6 in December). By the beginning of the general liberalization of prices in 1992, consumer goods in Russia as a whole had risen in price by more than 2.7 times in comparison with stable prices prevailing by the beginning of 1990.⁹⁴

An analysis carried out as early as the beginning of 1991 showed that the best way out of the situation was to liberalize prices as completely as possible, in the form of removing price controls from the government. They reasoned as follows: the more complete the liberalization of prices, the fewer exceptions, the less disproportions and tensions will arise in the process of forming new price ratios.⁹⁵ A delay in price liberalization, when the decline in production was gaining momentum, would have meant a total commodity deficit, which in December 1991 acquired completely unacceptable proportions. The situation was exacerbated by early announcements of price changes, which provoked rush demand.

In 1990–1991, the economy was not only out of control, but it has become a hostage to politics. The struggle for power between the Union center and the leadership of Russia, which declared sovereignty since the budget of 1991, has become a powerful factor in the decomposition of all systems of control and regulation of the economy.⁹⁶ As a result, the contradictions between the radicals and the moderates, fueled by political factors, resulted in a confrontation between

the 500 Days program and the government program of the Union. The conservative turn carried out once again by Gorbachev pushed back the time for radical decisions. Since the beginning of 1991, the economy has become so hostage to politics that there was no longer any need to talk about reforms. The last chord after the collapse of the USSR was the liquidation of the Union management structures, the most competent and organized, including the State Bank of the USSR, etc.

Postponing reforms was no longer possible; society expected a qualitative breakthrough. Estimates of the expected results of the development of the national economy of Russia showed that despite the measures taken by the government to bring the economy out of the crisis situation, the results of 1992 would be worse than in 1991. In an environment of growing chaos and material difficulties, Yeltsin settled on a radical program of economic reforms developed by a group of economists led by E.T. Gaidar, who promised the shortest path to a market economy.

The collapse of the USSR, the elimination of coordinating Union structures in the economy were significant factors intensifying the crisis. It was impossible to start reforms in a collapsing country, to achieve agreements between new sovereign states, without having guarantees for their implementation. But it was possible to start reforms in Russia relying on the authoritative President. In such circumstances, the Gaidar team began economic reforms in Russia.

CONFLICT OF INTEREST

The author declares that she has no conflicts of interest.

OPEN ACCESS

This article is licensed under a Creative Commons Attribution 4.0 International License, which permits use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license, and indicate if changes were made. The images or other third party material in this article are included in the article's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the article's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder. To view a copy of this license, visit <http://creativecommons.org/licenses/by/4.0/>.

Translated by S. Avodkova

⁹⁴Goskomstat of Russia, SARF, fund 10026, inventory 1, file 903, fol. 124.

⁹⁵E. Yasin, "The fate of economic reform in Russia," *Vopr. Ekon.*, No. 2, 129 (1993).

⁹⁶E. Yasin, "The fate of economic reform in Russia," *Vopr. Ekon.*, No. 2, 127 (1993).