

Russian economist Egor Gaidar served as acting prime minister under president Boris Yeltsin from June until December 1992. Under his leadership, Russia pursued a strategy of economic liberalization aimed at rebalancing macroeconomic supply and demand by forcing producers to restructure their enterprises to meet consumer demand. Gaidar cut government spending drastically and lifted most price controls. The reforms were known as “shock therapy” and were supported by the United States, the IMF and the World Bank.

The immediate aftermath of the reforms saw skyrocketing price inflation and a breakdown in production and exchange. Many enterprises resorted to barter transactions to remain afloat. Not until the end of the 1990s did prices settle and production resume. Living standards for most Russians declined, while others profited from the opportunities that partial reform opened up.

Accompanying the policies of structural reform was a drive to privatize state enterprises.

Yeltsin relieved Gaidar of his position in December 1992. However, Gaidar returned to active policymaking when Putin took over in 2000. Many of the reforms Gaidar had begun under Yeltsin were completed under Putin, such as enactment of a flat-rate income tax, loosening of employment protections for workers, and a land code allowing private ownership of land.

