

Elite Groups in Russia

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Since 1992, Russia has been inventing its own version of democracy. The Constitutional Court acts as a supreme judicial authority; a freely elected president acts as the head of state; a democratically elected parliament is elaborating laws; and a free press exposes the abuses of Russian politicians. Despite the existence of new democratic institutions, Russian officials sometimes seem to let themselves be guided by arbitrariness.¹ The notion that the rule of law should prevail over private interests is new in Russia and is shared by only a few politicians.²

The debate on the exact role of the institutions in the decisionmaking process prevails in contemporary research on the Russian elite. There are two opposite approaches: The first emphasizes that the Communist regime collapsed only recently and explains the lack of influence of institutions such as the Constitutional Court or the bicameral parliament by the absence of democratic tradition in Russia. Referring to the actual transitional period, such an approach implies that Russian democratic institutions have an important role of education in the actual state building. It considers of secondary importance the fact that those institutions lack influence on the decisionmaking process.

The second point of view emphasizes the supremacy of the Russian presidential decrees over laws and legislative documents. It points out that the 1993 constitution offers more powers to the president than to the parliament and gives him the last word in all circumstances.³ This approach emphasizes the strategic role not only of the executive power but also of interest groups likely to act as advisers to this same executive power.

Since 1992, many scholars have detailed the emergence of new interest groups. There have been numerous studies of the new Russian industrial managers and bankers.⁴ Konstantin Mikulsky has specifically concentrated on Russian businessmen, showing by in-depth interviews how they consider their own role in the new Russian society.⁵ Surveys have also been published on the development of the Russian provinces and the role of local elites in regional and federal decisionmaking.⁶ Among Western scholars, Amy Knight writes that the new security

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service functions the same way the KGB did and is accountable not to state interests but to individuals.⁷

In this approach, “individuals” is the key word. Because legislation is poorly applied, local governors often make their own rules, and decrees are considered more important than laws. Representatives of the executive and their advisers have a key role in decisionmaking. The main issue raised by sociologists is whether these individuals are part of a new elite or should be considered simply as representatives of the former nomenklatura.

To study them, many have done quantitative research. Here again, two points of view prevail. Olga Kryshtanovskaya and Yuri Burtin subscribe, for example, to what East European scholars call the “theory of elite reproduction.”⁸ This theory suggests that the institutional changes that have taken place in Russia since 1991 have not deeply altered the composition of the elite, which continues to grow in membership. The theory of elite reproduction recognizes that the elite may have to adapt to maintain its status, but it holds that the previous elite possesses the capacities to remain at the top of the social order.⁹

Focusing on the elite since perestroika, Kryshtanovskaya emphasizes that the power of the party-state nomenklatura now lies in its private ownership of economic property.¹⁰ Burtin also argues that under President Boris Yeltsin the nomenklatura survives as a socioprofessional group that administers the state, possesses and distributes its riches, and shares the same political and economic interests.¹¹ None of them denies that the rule of nomenklatura and its privileges are the stuff of bygone days. But they agree with a survey conducted in 1994 by the Russian Academy of Sciences’ Institute of Sociology that shows that the old nomenklatura represents 75 percent of Yeltsin’s closest political allies, 60 percent of the parliament, 74 percent of the government, 41 percent of the businessmen, and 83 percent of the regional leaders.¹² As those scholars see it, members of the new elite have slipped quite naturally from the old power structures into the new ones, forging their own links with industry and the military. A new network of vested interests, special pleading, and patronage has been created within a political infrastructure.

Another approach, referred to as “elite circulation theory,” argues that institutional changes have generated substantial turnover among the elite. This theory holds that the factors that promoted mobility within the elite before 1989 are no longer operational and that new processes are at work that have dislodged old elite from its command posts and replaced it with a new elite holding a new set of attributes.¹³

Among the supporters of the “elite circulation theory” are Angus Roxburgh and Barbara Green, who study the political confrontation between Yeltsin and Soviet President Mikhail Gorbachev and the emergence of a new political elite in Russia.¹⁴ Boris Kagarlitsky focuses on the debates of the Moscow city parliament to describe the behavior and views of the new local political elite.¹⁵ Russian sociologists N. Lapina and Konstantin Mikulsky prefer to concentrate on the reasons for the formation of a new elite from a sociological point of view.¹⁶

None of these scholars denies that the Russian elite is progressively creating a clanlike mentality.¹⁷ Many Russian scholars and political analysts argue that it is these clans, as opposed to formal political institutions, that exercise real power.¹⁸ In 1996, in an interview with *Moscow News*, Grigory Yavlinsky claimed that the ministers of the Yeltsin government are agents of large monopolies and various oligarchic clan groups in Russia.¹⁹ Even First Deputy Prime Minister Boris Nemtsov agrees with the notion that an oligarchic capitalism rules the country.²⁰ A growing number of articles in the Russian press are devoted to this topic. As one Moscow newspaper pointed out earlier this year, “the main threat to Russia comes neither from communists nor from fascists, but from the rise of an oligarchy.”²¹ The aim of this article is to explore the elite groups often qualified as “clans” by the Russian press. Examining their structure and the background of their representatives, I will show that these groups do not constitute a single elite ruling the country but several elites struggling for power and thus reproducing traditional patterns of behavior.

A Set of Clans

By constantly referring to the “Cosa Nostra” or to the “ruling oligarchy,” the Russian press gives the false impression of a monolithic elite.²² That notion does not help to explain why the Russian president so frequently changes his mind and even signs documents and decrees contradicting one another. To understand decisionmaking in Russia, one must consider the profusion and fluidity of elite groups. In fact, one could speak about sets of clans stretching out to the state structures and the civil society’s informal networks. The difficulty of following the evolution of the clans lies in the existence of three different levels of connection: federal, sector-related (within a single industrial or economic branch), and micro (within a single ministry or private organization).

On a micro level, inside a ministry, an organization, or a plant, the most important connections for building a career are family or friendship links, a tradition inherited from the Soviet times. Under the Soviet regime, family and friendship connections were one of the main criteria for co-optation at all levels of the CPSU (Communist Party) hierarchy. Consider the professional and political career of Yuri Skokov. The son of a KGB officer, Skokov was born in the southern Krasnodar region. High-ranking political protectors, such as Politburo member Vitaly Vorotnikov and Politburo deputy member Georgy Razumovsky, helped him to start a career in the military industrial complex. He was appointed director of one of the local subcontractors of the giant Kvant complex. Because he was already at the top of the plant hierarchy, he was summoned to Moscow to take over from the Kvant director who, after thirty years at the head of the factory, was relegated to the position of a mere foreman. Skokov immediately started to reorganize the plant. Although Kvant was still heavily depending on state orders, the new director promised to try a new form of management. In line with Gorbachev’s perestroika, his program pleased both the Soviet president and Yeltsin, then first party secretary in Moscow. Skokov was elected deputy in 1989, and three years later became the first secretary of Russia’s new Security Council. He was sacked

for political reasons to please the reformers, but remained an informal adviser to the president. Now president of the Federation of Consumer Goods Producers, his friendship with the president gives him access to the Kremlin.

Under the Soviet regime, family connections have helped bureaucrats to become rich and politicians to propel themselves to the highest echelons of power. But after the collapse of the Soviet Union, when the ruling elite was trying to stay in power, it became obvious that family connections had less influence on the federal level. Although in the past family links have played a significant role in the careers of many industrial managers and party executives, they now seem to have influence only on a micro level. Thus, in October 1997, one leading Russian newspaper disclosed that officials in the Railroad Ministry had signed commercial contracts with private enterprises that belonged to their relatives. This huge organization was described as the "ministry of wives and sons."²³

On the sector level, the financial and banking sector illustrates the rift that appeared among the elite members after the collapse of the Soviet Union. At first glance, the relationships among the financial actors seem to be extremely fluid, following no rules other than those of business. But the fact that Anatoli Chubais has been promoting a monetary system for Russia since 1992 does not imply that the whole financial sector has been supporting him. The example of Boris Berzovsky, left ashore during the privatization of Russian strategic enterprises in 1996 and 1997, tells a lot about the structure of today's political and economic elite. Only a thorough study of the professional background of Russia's financial tycoons allows us to understand what really separates them. The disparities of their backgrounds and their specific relations to power prevent Russian financiers and businessmen from acting in concord, although they sometimes have cordial relations with each other.

The financial sector consists of three subcategories, each with a specific background. The first subcategory comprises a number of bankers who grew rich from money of the state. Under the Soviet regime, the existing banks, which never really worked with currency, were all connected to a specific industrial sector.²⁴ They were used as depositories and were the usual links between the Gosplan, the military-industrial ministries, and the industries. They were preserved in the new system and continued working with the corporations of their traditional industrial sector, but could not produce revenue. In the last years of the Soviet regime, the only institutions that had capital in hand were the Central Committee of the CPSU, the Komsomol (Communist youth organization), and the KGB. Because they were connected with foreign organizations and were using hard currency, they were the only institutions that could "invest" and create other banks. These banks, which obviously grew with the backing of the political authorities, are today among Russia's biggest: Menatep, Most Group, Kredobank, Mosbusinessbank, and Inkombank.

Although he was not among the first bankers to appear in Russia, OneksimBank chairman Vladimir Potanin should be considered part of this category. OneksimBank was created in 1993 and has always been very closely connected to the federal government. On 20 January 1993, then Finance Minister Boris Fyo-

dorov sent a note to Central Bank chairman Viktor Gerashchenko asking him to grant a quick license to the Corporate Export-Import Bank.²⁵ According to Fyodorov, this new bank would help to increase Russia's hard currency reserves, stop capital flight, and exert reliable control over the fiduciary circulation. First Deputy Foreign Trade Minister Oleg Davydov backed Fyodorov's request. He even asked Valeri Khokhlov, chairman of the board of the International Bank for Economic Cooperation, to give some of the bank's premises to OneksimBank.²⁶

Two banks, the Vneshtorgbank and the International Bank of Moscow, were at that time authorized to manage the hard currency accounts of Russia's foreign trade organizations.²⁷ But OneksimBank progressively took over most of the accounts and staff members.

Potinin's bank was officially presented as a private establishment; in fact, it already represented the interests of the state and, on a private level, those of some of the foreign trade ministry's top executives. Shortly after it was created, OneksimBank was commissioned by the government to administer federal budgets. In

1995, it became the bank of the state committees for bankruptcy and privatization; it also managed the funds allocated for reconstruction of the war-torn break-away republic of Chechnya.

The first subcategory of financial actors has grown in influence under Yeltsin's presidency. Most of them were members of a banking consortium that in March 1995 suggested that they should lend funds to the government and take as collateral large blocks of shares in the country's giant companies.²⁸ The consortium, created in September 1995 with the backing of the Economics Ministry and the presidential administration's analytical center, invested money in the most heavily indebted enterprises in return for a significant number of shares.²⁹ Part of this consortium, OneksimBank acquired 51 percent of Norilsk Nickel, Russia's main nickel producer. In August 1997, it also won the hotly contested auction of the Svyazinvest giant telecommunication company.

Another interesting event happened on 15 September 1997, when Yeltsin invited financiers to discuss the future of the Russian economy. Vladimir Potanin (Oneksim), Vladimir Gusinsky (Most), Mikhail Khodorkovsky (Menatep, Yukos-Rosprom), and Vladimir Vinogradov (Inkombank) were among the bankers who met with the president. All of them were among the founders of the first banks created with the backing of the state.³⁰ Although in 1996 Berezovsky initiated the private banks' support to the incumbent head of state, he was not among the six financiers invited by Yeltsin.

The second subcategory is businessmen who, like Konstantin Borovoi, owe their wealth to personal or family connections. Thanks to his mother's acquaint-

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tances, Borovoi started his career in the Komsomol. The Communist youth organization allowed him to take part in one of the Youth Centers for Scientific and Technical Creation (NTTM) created under the aegis of the Moscow district's party committees. Created during 1987–88 with the backing of the CPSU leadership, the NTTM had a twofold aim: not only were they to help teach entrepreneurship, but also to multiply the Komsomol's sources of income. They were of small size and had a flexible structure; they all had initial capital of no more than 50,000 rubles (about U.S.\$10,000). Young entrepreneurs were commissioned to make this money yield a profit and eventually worked their way up to the new financial elite. The state was helping them to convert deposited rubles into cash and granted them tax exemptions. Up to 5 percent of their turnover was meant for the CPSU and the Komsomol. After a successful experience in the NTTM, Konstantin Borovoi set up his own cooperative in 1987. The profits he realized helped him to create one of Russia's first commodity exchanges, the RTSB (Rossiiskaya Tovarnaya Sy'revaya Birzha).³¹ Former Komsomol leaders and NTTM managers did not lose much in influence and, like the newly appointed acting prime minister, Serguei Kirienko, are still among the key actors of the Russian economy.³²

The third subcategory is composed of self-made businessmen who managed to grow rich by using the window of opportunity created by Gorbachev and Yeltsin but without turning to personal connections. They, too, set up cooperatives when the party leadership gave its go-ahead to the creation of private enterprises in 1987, and later bought a considerable amount of privatization vouchers during the first stage of Yeltsin's reforms.³³ Among the first to embark on private entrepreneurship in the late 1980s were Uralmash chairman Kakha Bendukidze and banker Mikhail Yurev, now a deputy chairman of the Duma. Together they set up a cooperative on the premises of the chemical plant where they were employed. Both Bendukidze and Yurev are now part of Russia's industrial and financial establishment. Bendukidze now owns about fifty newly privatized enterprises, but he admits that, because the bank consortium exerts control over the privatization process, there is no way for him to invest in really strategic enterprises.³⁴

Chairman of Logovaz, a company specialized in car trading, Berezovsky made his own fortune by setting up a powerful financial-industrial group. A former mathematician, Berezovsky is not part of the handful of industry "red directors" who, together with the political leadership, managed to develop the first industrial corporations, nor was he among the few financiers who created the first banks. He, too, developed his own business using and creating windows of opportunity. In 1994, he was one of the first Russian businessmen to invest in the media, becoming one of the television channel ORT-TV's main shareholders. He first used this political tool during the 1996 presidential campaign to support the incumbent head of state. He was one of the key actors behind the financial support offered to candidate Yeltsin and published an open letter announcing the participation of twelve other financiers in the presidential campaign.

But such a loyalty did not help him invest in Russia's strategic enterprises. On the contrary, Berezovsky was repeatedly excluded from profitable state auctions.

This was certainly one of the reasons that he started a new struggle in fall 1997, on the eve of the privatization of Rosneft, one of Russia's biggest oil groups. Using the media he owned, Berezovsky launched a political campaign against Chubais and his team, and he eventually lost his position of number two in the Security Council. But, as if he had understood that bitterness would not help his business grow, he maintained good contacts with the representatives of the first subcategory, the businessmen who made their fortune with the help of the state. He even signed a business agreement with one of them, Khodorkovsky, to create Yuxsi, Russia's biggest oil company.³⁵ This new alliance would have given him enough money and power to buy Rosneft. But the Kremlin soon announced that Rosneft would no longer represent the state in production sharing agreements with foreign oil companies. Was it only bad luck, or the result of a deliberate strategy developed by his foes? The fact remains that Berezovsky was once again ousted from a strategic privatization. He then decided to fight back and suggested that he would take part in the next presidential elections as a political adviser.³⁶ He strengthened his links with the country's most prominent businessmen and tried to set up a new informal group of financiers whose aim would be to select and financially support the winning candidate in the next elections.³⁷ All of his behavior shows that he considers it vitally important to be part of the main political clan in order to gain access to the riches and develop his own business.³⁸

The Federal Clans

Under the Communist regime, the main interest groups were sector-related, the most powerful being the military-industrial complex and the energy sector. Since the collapse of the Soviet regime, these alliances have been consolidating in a different way, across rather than within sectors.

By late 1993, some of the largest banks created investment companies, which later became the nuclei of the financial-industrial groups.³⁹ OneksimBank sealed an alliance with MFK and created the financial industrial group Interros, which decided to invest in the Russian industry jointly with the automobile enterprises Vaz and Kamaz.⁴⁰ Created by some of Russia's biggest firms, these financial-industrial groups gathered enterprises and industries that had never worked together under the Soviet regime.

Although these financial-industrial groups were financially independent, they could never afford total independence from political power. On the local level, the relationship between factories and the executive branch formed—and still forms—a link that was essential to the smooth functioning of the groups. Through the leasing of land and buildings, local administrations have acquired new weight in the decisionmaking process. On the federal level, these financial-industrial groups needed—and still need—to maintain good relations with the ministries to minimize administrative obstacles to their development and gain access to the privatization process and the state auctions of strategic enterprises.

Like the financial-industrial trusts, interest groups have gradually developed into cross-sector elite groups. These groups now depend on the authority of certain governors, the lobbies of one or two industries, and the financing of private

banks. Coherent groups generally hold together by a network of interests; they put this amassed power at the disposal of one political personality in the hope of participating in the national decisionmaking process.

On the federal level, three groups are now competing for power and access to privatization and wealth: the groups of former Prime Minister Viktor Chernomyrdin, of former First Deputy Prime Minister Anatoli Chubais, and of Moscow Mayor Yuri Luzhkov. All three groups are made up of high-ranking government officials, presidential administrators, local officials, bankers, and directors of strategic industrial corporations connected with the energy or the military complex. They all have developed specific links with the media and use them as a tool in their political struggles for power and access to the national riches.

Following the transformation of the interest groups, the recruitment process has also drastically changed. With the exception of big organizations, family links play a less important role. Since the collapse of the Soviet regime, affiliation with a political party is no longer a recruitment rule, and the contemporary elite groups transcend political parties. When the interest groups were sector-related and the military-industrial complex was competing with the energy complex or the metallurgy industry, professional background was considered to be as important as personal relationship (*blat*). Apart from the reformers, who paradoxically hold together in a very traditional way, today's elite groups are much more diverse than they used to be. Common professional background is no longer essential to hold the members of a group together, the only exception being the advisers to former acting prime minister Yegor Gaidar (the majority of whom worked in the Institute of Economy, TsEMI) and the Chubais team (most of whom come from St. Petersburg). During the first years of the Yeltsin regime, the presidential administration relied on old criteria, such as regional origin. Yeltsin's first team was based on relationships developed in Sverdlovsk, the region he ruled in the 1970s.⁴¹

During the period 1989–93, the entire political and financial elite was affected by the political confrontation, first between the RSFSR and the Kremlin, and after August 1991, between the executive and legislative powers. In such a political environment, relationships were based on mutual trust to avoid political embarrassment and, in some cases, a bloody settling of accounts.

Because confidence needs time to develop, the difficulty was in developing new recruitment criteria. The collapse of the former state structures led to the disappearance of family and territorial links. The need to recruit in many fields prevented co-opting people of the same profession; the only way to build a coherent team was to find people of the same profile and the same mentality. Although they used the same recruitment methods and were equally thirsting after power and money, the three groups I have described have progressively developed along different patterns.

Chernomyrdin's team is often described as a team of "red directors," members of the former nomenklatura, by nature hostile to economic reforms. But such a simplistic view does not take into account two essential points. First, Chernomyrdin's group is as diverse as the others and does not limit itself to industri-

al managers: One can recall Interior Minister Anatoli Kulikov, who was considered one of the most active members of the group before he was sacked by Yeltsin. Second, the directors of the biggest industrial companies agreed very early with the idea of structurally reforming the Soviet economy, and very few of them would vote today for the Communist Party.

Members of Chernomyrdin's group share a profile and mentality not because of their past or present status and position in industry, but because of the way that they obtained their position. Most of them have climbed the hierarchical ladder from the lowest level and have become what Chernomyrdin calls "professionals," specialists in their field with no cross-disciplinary skills. Their insight has given them a deep understanding of what should be done in their industrial branch. They have never rejected the idea of reforming the economy. Most of these industrial managers understood the need to erase the Soviet system of state commands (and to abolish the Gosplan, the Plan Ministry). They understood that prior to decentralizing and privatizing the economy it was essential to create a system based on money. Although they accepted the idea of a free market economy, they still preferred to rely on natural resources to develop initial capital. This has always set them apart from the Chubais group.

Unlike the other elite groups, Chubais's team is composed mostly of people with a common educational background: they are economists and financiers. A misunderstanding occurred when they started calling themselves "reformers." Such terminology meant that the other elite groups were, if not opposed to reforms, at least reluctant to implement them. The Chubais group did not coalesce around the idea of reforming the economy, but around the choices of financial ventures as an economic priority. This willingness to create as many financial products as possible explains why people who had had close connections with the Soviet state apparatus could collaborate with westernized economists.

Loyalty being the key to creating a coherent group, Chubais's group used quite an original way to recruit its members from noneconomic fields. Many of Chubais's advisers relied on people they met during the so-called ODI, the Russian simulation games. Unlike their American equivalents, the aim of the Russian games during the Soviet era was to analyze the very mechanism of thought, the debate being only a pretext. Little by little, by dint of having had to anticipate and counter various arguments in a Soviet environment where ideology was somewhat oppressive, the participants naturally developed a rhetorical mechanism. Most people who have participated in the games recognize that the subject of debate was often of little importance and that they liked to take part in the games because of the freedom they offered. Many called them an "intellectual narcotic" and recognized they were "addicted" to the games because they found the opportunity to forget the rigidity of official propaganda and to listen to original points of view. Having first been a discovery, an amusement, and then an "intellectual drug," in the end the games helped to shape a cohesive group. As they developed analytical skills as early as in the 1970s and 1980s, the members of the Chubais group were prone to adopt a highly theoretical strategy of reform. Such a theoretical understanding is one of the main differences between Chubais's group and

other federal level cross-sector groups. As it was difficult to accuse this group of incompetence, Chubais's political enemies blamed his team for its lack of pragmatism.

Unlike Chubais, his main political enemy, Moscow Mayor Yuri Luzhkov, considers himself a pragmatist. The Russian capital is administered as an independent state under legislation different than the federal one and conducting a foreign policy of its own. From the point of view of the elite, Luzhkov was the first city mayor in Russia to organize his team as a government.

Luzhkov does not rely on professional background or personal experience to co-opt his advisers. Personal devotion and fidelity seem to be his main criteria.

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By creating a special group of “authorized banks” to administer the city budget, Luzhkov has managed to make some financiers largely subordinate to him. He later used the same strategy in other fields, personally appointing the key actors of the construction development. The Moscow press, which is totally on his side, stresses that not a single aide has ever left

him. As an example, Alexander Muzykantsky, the prefect of Moscow's central district, has refused to join the presidential administration and prefers to continue serving his boss.

As we have seen, the elite groups do not differ in their values, but in their profiles and behaviors. So far, the recruitment process has always been co-optation. That continues to be the case today, as the banks are financing the regional political campaigns of the governors. After the 1996 presidential elections and the reshuffle inside the presidential team, one can notice an evolution in the recruitment process. The cross-sector federal groups need more and more specialists who have been shaped in business and administration. A new bureaucracy, in the Western understanding of the concept, is now developing. These systematic bureaucratic rules could make the recruitment process less and less based on co-optation. This would mean that the turnover of the elite is completed, and the competition will be going on, not inside, but between the different elite groups.

Lack of Transparency

Because a relatively short time has elapsed since the collapse of the Soviet regime, the elite groups are still in the process of restructuring. A superficial look at them could give the false impression that they do not differ fundamentally from Western lobbies. Although the Russian elite consists of several groups competing among themselves, all of its representatives share the same reliance on behavior toward political power. In that sense, today's elite repeats the traditional patterns of Russia's political culture.

The necessity of making decisions in secret is the first of these traditional patterns still relevant in today's Russia. One could learn very little from an organization chart.

Lack of transparency is perhaps what differentiates most Russian elite groups from Western lobbies. In contemporary Russia, it is still impossible to make one's money yield a profit without negotiations at some point with state agents. Financiers, industry managers, journalists, and scholars agree that one's career depends on one's ability to weave political networks. The constant struggle between elite groups to appoint their protégés to strategic posts does not challenge the legitimacy of the state. On the contrary, it helps to strengthen it.

Another pattern lies in the apparent autocracy of Russian political power. One can demonstrate Yeltsin's autocracy by examples of current political arbitrariness, such as the coup d'état of 21 September 1993, when the president signed decree no. 1400 abolishing the Supreme Soviet (parliament) and provoking the bloody events of October but at the same time ended the confrontation between the executive and legislative branches. One may also recall that the war in Chechnya began on the basis of a simple presidential decree and that the use of force has never been approved by the parliament, as the constitution says should be done. Another example is the dismissal of General Prosecutor Alexander Kazannik the day after he refused to obey the executive and decided to implement the amnesty granted by the parliament to Ruslan Khasbulatov and Alexander Rutskoy, two of Yeltsin's fiercest opponents. Another example was provided in early 1996, when the executive considered sending armor to the parliament after the Communist-dominated Duma voted a resolution against the 1991 Belovezhskaia Pushcha agreements, which confirmed the collapse of the Soviet Union.

Using the media to manipulate not only the voters but other players in the political game as well, Yeltsin's team confirmed during the 1996 presidential campaign that it is a master in technology of elections. In January 1996, the polls showed only 6 percent of votes for the incumbent head of state. Yeltsin's team then decided to select who would be his main competitors, notably for the second ballot. To ensure Yeltsin's final victory, they needed a Communist leader such as Gennady Zyuganov to be his main rival. They created a situation in which the electorate would have no choice but to vote for the president in power rather than go back to a Soviet-type regime.

To shape a new political environment, they financed and offered logistical support to former army General Alexander Lebed and limited access to the media for other candidates. They created a new force in the president's favor to attract the votes of the nationalistic part of the electorate. The two apparently opposite teams—the team of Viktor Ilyushin and Chubais, and the team of Alexander Korzhakov, Yeltsin's chief security guard—were actually twins, following the same rules of a single game. The president managed to avoid a change of power. By doing so, he justified the use of arbitrariness in the eyes of political actors.

One may also argue that the president is not the key figure in the decision-making process. Keep in mind the numerous decrees supposedly signed by the president during his illness in 1996–97, when he was obviously not in a position

to rule the country. The more autocratic the president seems to be, the more free the elite groups are, because they can hide behind the president and concentrate on their own intrigues. Today's political system functions even better when these groups are competing for power and when the "monarch" is weak.

Political struggles for power, all of which were prepared in secrecy, marked 1997. For example, both the director of the arm sales company Rosvooruzhenie, Alexander Kotyolkin, and former Defense Minister Igor Rodionov were left ignorant of the political intrigues taking place in the Kremlin that eventually led to their dismissal. In both cases, their positions have been overtaken by the enemy's camp. Another example is, of course, the so-called "book scandal" and the dismissal of several high-ranking officials close to Chubais.⁴² This affair demonstrated the way in which elite groups use their own men and resources to conduct independent investigations and to publicly denounce and politically eliminate a competing clan.⁴³

The speculation and the privatization policy that marked the first years of Yeltsin's regime have aggravated the struggle for money and power. This phenomenon has been thoroughly depicted by the Russian press and helped to give the impression of an incompetent power sapped by corruption. Paradoxically, many Russians explained that they had voted for Yeltsin and his team in June-July 1996 precisely because they were "tired" of them. They did so in hope that the ruling elite would be soon "sated" and would at last "get down to work." They considered the potential arrival of a new team of corrupt officials "thirsting for riches" to be too high a risk. Even if it may sound naive, this explanation seems to accord with the elite's behavior. Now that they have helped co-opt their peers and have fought to get strategic posts in the government, many representatives of these elite groups are seeking to consolidate their power by imposing their own laws. This is the case in Moscow where, after years of confrontation with the Kremlin to get a special status for the Russian capital, the local leadership is now trying to adapt its own legislation to federal laws. One could argue that this is a new stage, marked by consolidation and satiety.

Should the "satiety threshold" be eventually reached, it would not necessarily mean the end of the political clans and of the struggles for power. Consolidation could be a prelude to confrontation. One should keep in mind that several elite groups were not allowed to share the country's riches and were therefore barred from access to today's oligarchy. These outsiders will undoubtedly try to get a slice of the cake. Consequently, the "satiety threshold" is unlikely to help make the political climate healthier.

NOTES

1. As a recent example, one may recall June 1997 when President Boris Yeltsin sought to "dismiss" the elected governor of the Primorye region, Yevgeni Nazdratenko.
2. Jeffrey Sachs and Katharina Pistor, eds., *The Rule of Law and Economic Reform in Russia*, John M. Olin Critical Issues Series (Boulder, CO: Westview Press, 1997).
3. For instance, the president can dissolve the parliament after the third no confidence vote carried by the deputies against the government.
4. See, for example, Peter Rutland, *Business Elites and Russian Economic Policy* (Lon-

don: Royal Institute of International Affairs, 1992); P. Richard Layard, *The Coming Russian Boom: A Guide to New Markets and Politics* (New York: Free Press, 1996); Asta Salmi, *Institutionally Changing Business Networks: An Analysis of a Finnish Company's Operations in Exporting to the Soviet Union, Russia, and the Baltic States* (Helsinki: Helsinki Schools of Economics and Business Administration, 1995); Simon Clarke, ed., *The Russian Enterprise in Transition Case Studies* (Cheltenham, UK, Brookfield, VT: E. Elgar, 1996); V. Radaev, *Stanovlenije novogo rossijskogo predprinimatel'stva - sotsial'nyj aspekt* (Moscow: Institute of Economy, 1993).

5. Konstantin Mikul'sky, *Rossiiskaia elita: opyt sotsiologicheskogo analiza* (Moscow: Institute of Sociology, 1995).

6. See, for example, Talgat Minnibaev, *Politicheskaja kar'era provintsialov* (Kazan: Tatarskoe Knizhnoe izd-vo, 1991); Igor Korneev, *Upravlenije investitsionnym protsessom v regione - metodologija, novyje organizatsionnye formy* (Sverdlovsk: Akademiia Nauk SSR, Ural'skoe otd-nie, Institut Ekonomiki, 1992); Trevor Taylor, *The Collapse of the Soviet Empire: Managing the Regional Fall-out* (London: Royal Institute of International Affairs and International Institute for Global Peace, 1992); Leonid Markin, *Regional'naja politika v rossijskoi reforme: teoreticheskii aspekt* (Saint-Petersburg, 1993); and Philip Hanson, *Regions, Local Power and Economic Change in Russia* (London: Russian and CIS Programme, Royal Institute of International Affairs, 1994).

7. Amy Knight, "Is the Old KGB Still in Power?" *The Washington Quarterly* 20 (Winter 1997): 59–75.

8. Ivan Szelenyi and Szonja Szelenyi, "The Circulation or Reproduction of Elites During the post-Communist transformation: an Introduction," *Theory and Society* (1995).

9. Elemer Hankiss, *East-European Alternatives* (Oxford: Clarendon Press; New York: Oxford University Press, 1991); Staniskis Jadwiga, *The Dynamics of Breakthrough in Eastern Europe: The Polish Experience (Societies and Culture in East-Central Europe, No. 6)* (Berkeley: University of California Press, 1991); Rona-Tas Akos, "The First Shall Be Last?" *American Journal of Sociology* (1994): 40–69.

10. Olga Kryshatanovskaya, "From Soviet Nomenklatura to Russian Elite," *Europe-Asia Studies* 48 (July 1996): 711–34.

11. Yuri Burtin, *Novyi stroi: o nomenklaturnom kapitalizme: stat'i, dialog, interv'iu* (Moscow: Seriya Mezhdru proshlym i buduschim, 1995) and his numerous articles usually published in the newsmagazine *Novoye Vremya* (on this specific topic, see for example his article "Old Wine in a New Bottle," *Novoye Vremya*, February 1993).

12. Survey cited by Irina Savvateeva, *Izvestiya*, 15 June 1994.

13. Nee Victor, "A Theory of Market Transition: From Redistribution to Markets in State Socialism," *American Sociological Review* 54 (1989): 663–81.

14. Angus Roxburgh, *The Second Russian Revolution: The Struggle for Power in the Kremlin* (London: BBC Books, 1991; New York: Pharos Books, 1992); Barbara Green, *The Dynamics of Russian Politics: A Short History* (Westport, CT: Greenwood Press, 1994).

15. Boris Kagarlitsky, *Square Wheels: How Russian Democracy Got Derailed* (New York: Monthly Review Press, 1994).

16. See for example N. Lapina, *Formirovanie sovremennoi rossijskoi elity: problemy perehodnogo perioda* (Moscow: Institut nauchnoi informatsii po obshchestvennym naukam, 1995). Also, Konstantin Mikul'sky on the formation on the Russian elites (1991–95), *Elita Rossii o nastoiashchem i budushchem strany* (Moscow: Institute of Sociology, 1996).

17. Olga Kryshatanovskaya argues that contemporary Russia is ruled exclusively by clans, with varying degrees of influence, "Kto segodnja pravit bal v Rossii," *Argumenty i fakty* 21 (May 1997).

18. Western scholars hold a less clear-cut position. Although most of them admit that informal networks do exist inside Russian society, not all of them agree that the country currently lives under an oligarchic regime. See, as an example, Anders Aslund, "The Myth

of Oligarchy," *Moscow Times*, 29 January 1998.

19. *Moscow News*, 21 November 1996, 1–3.

20. On 18 March 1998, Boris Nemtsov held a round table meeting entitled "Russia's Future: Democracy and Oligarchy." He invited seven bankers often qualified as "oligarchs" by the press (Vinogradov, Smolensky, Gusinsky, Malkin, Berezovsky, Fridman, and Potanin). None of them was present.

21. Viktor Bondarev, *Kuranty*, 31 January 1998, 4.

22. See, for example, Anatoly Kostyukov, *Obshchaya Gazeta*, 29 January 1998.

23. *Izvestia*, 24 October 1997.

24. The banks were the following: Agroprombank (agriculture), Vneshtorgbank (foreign trade), Vozrozhdenie ("Renaissance"), Mezhtregionbank (regional banks), Promstroybank of Russia (construction), Promstroybank of Saint Petersburg, Sberbank (savings bank), Tveruniversalbank.

25. OneksimBank (a short name for Obedinennyj Eksportno-Importnyj Bank) got its license from the Central Bank on 20 April 1993.

26. *Kommersant Daily*, 16 November 1995.

27. The MMB was set up on 1 October 1989, using Vneshekonombank's hard currency reserves. It was initially meant to replace the Vneshekonombank, which at the time was in financial straits, owed the state large sums of money, and could not pay back earlier granted loans. In 1991, the Soviet government seized the Vneshekonombank's assets.

28. The members of this consortium were Oneksim Bank, Imperial (Gazprom), Stolichny, Menatep, and Inkombank. *Kommersant Daily*, 1 April 1995; *Segodnya*, 16–18 May 1995. Inkombank left the consortium in August 1995. *Kommersant Daily*, 15 August 1995.

29. Member of the board of Tokobank Boris Sergeev thought that the consortium affair was ruining honest competition on the market; Rossisky Kredit deputy chairman Alexander Lyubinin considered the consortium's creation to be "rather political than economic." *Kommersant Daily*, 1 April 1995; *Segodnya*, 13 September 1995.

30. Yeltsin summoned the six most prominent Russian bankers and made clear that he wanted to put the government back in control of the economy. Mikhail Fridman (Alfa bank) and Alexander Smolensky (Stolichny Bank, SBS-Agro) were among the invited financiers. Some observers suggested that the anti-Chubais media campaign launched a few weeks later was connected to the fact that the first deputy prime minister (and then finance minister) wanted to force the industrial holdings to pay their debts to the federal budget. *Izvestia*, 16 September 1997; *Kommersant Weekly*, 23 September 1997.

31. The first commodity exchange was created in May 1990 by Yuri Milyukov and Georgy Vasilyev, a member of Moscow's parliament.

32. Other well-known former active Komsomol members include Yeltsin's chief of staff Valentin Yumashev, adviser to Moscow mayor Yuri Luzhkov Konstantin Zatulyn, former chairman of the MTB commodity exchange Yuri Milyukov, deputy Konstantin Borovoi, Moscow deputy mayor Iossif Ordzhonikidze (former first secretary of Georgia's Komsomol organization), former chairman of the second TV channel Eduard Sagalaev (1996–97), former Moscow mayor Gavriil Popov, former deputy and chairman of the second TV channel Oleg Poptsov (1990–96) former first secretary of the Leningrad Komsomol organization, chairman of the state Duma Gennadi Seleznev.

33. The authorization was given by presidential decree. A year later, in 1988, the Supreme Soviet (parliament) voted the Law on Cooperatives. See A. Jones and W. Moskoff, *Ko-ops: The Rebirth of Entrepreneurship in the Soviet Union* (Bloomington & Indianapolis: Indiana University Press, 1991).

34. Interview with Kakha Bendukidze, Kennedy School of Government Forum on Investment, Cambridge, MA, January 1998.

35. Khodorkovski is the former president of the Menatep bank and the current chairman of the Yukos-Rosprom financial industrial group. He has been appointed head of Yuksi, the group created after the merger of Yukos and Sibneft oil companies. Berezovsky holds a stake in Sibneft.

36. Interview with Evgeni Kissilev, *Itogi*, NTV, 22 March 1998.

37. In this new group, Gusinski (Most-Media) would be in charge of the Russian media, Khodorkovski (Yuksi) of the energy sector, and Smolenski (SBS-Agro) of the banking sector.

38. See his interview in *Politique Internationale* (spring 1997), where he claims that Russian financiers are aware that they are partly responsible for the political course and that they need to work on the creation of a middle class to avoid social crisis and develop business.

39. At the origin of the financial-industrial groups was Andreï Kokoshin, then deputy defense minister in charge of the defense industry.

40. *Kommersant Daily*, 18 November 1994. The financial industrial group Interros was created by presidential decree of 28 October 1994. *Segodnya*, 18 May 1995. On the necessity to promote industrial-financial groups, see *Finansovye izvestia*, 22–25 May 1993; *Kommersant Daily*, 15 November 1994.

41. With the exception of Yevgeny Bychkov, former Precious Metal Committee chairman and member of the so-called Sverdlovsk group, the present leadership has kept no friendly relationships with the members of the former nomenklatura.

42. The scandal involved Alexander Kazakov, former privatization chief and President Yeltsin's deputy chief of staff; Alfred Kokh, the privatization chief who resigned from his post in August 1997 following the Svyazinvest scandal; Maxim Boyko, another Yeltsin deputy chief of staff who succeeded Kokh at the head of the privatization state committee (Goskomimushchestvo); and Arkady Yevstafev, a former Chubais aide enmeshed in a finance scandal during Yeltsin's 1996 re-election campaign.

43. Prominent journalist Alexander Minkin launched the campaign by giving two interviews: one with Ekho Moskvyy radio station (which belongs to Media Most, a group owned and chaired by banker and press mogul Vladimir Gusinsky); one with ORT, Russia's first national TV channel, partly owned by Berezovsky. He also wrote a long article in the independent newspaper *Novaya Gazeta*.