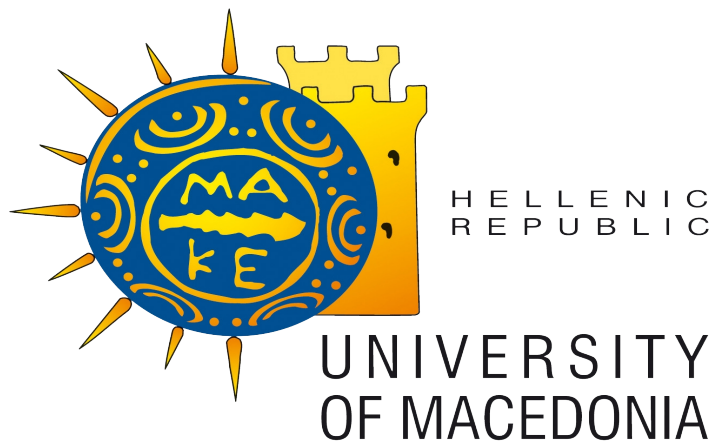


**Master in Politics and Economics of Contemporary Eastern and Southeastern
Europe**

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Post-socialist transition:

**Deconstructing Russian Elite's policies and practices
during the privatization process**

Liatsikou Syrago, MO8/15

Supervisor: Foteini Tsibiridou

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Abstract

This thesis reviews, evaluates and tries to deconstruct the privatization policies implemented in post-socialist Russia with regards to the elite's involvement. It is attempted to highlight the role of the new Russian elite by drawing information through the elite's discourses. In order to extract an understanding on the elites, related theories are concerned. Marxist theory provides the most complete notion on classes. In addition, elite theory covers a divergent space from that of Marxism, in a sociological perspective. Anthropology through the fieldwork conducted in post-socialist societies adds various information for their understanding. In order to confer a better understanding of the transition period, the study enhances the insights and findings of other relevant works that focused on the theory of post-socialism and anthropological perspectives of socialism and its collapse. The study is conducted so as to signalize the policies implemented in the privatization process during transition, with regards to the gains of a small but powerful class and losses for the majority of the society. The historical and political framework within privatization took place is also necessary to study, as far as the dissolution of the USSR created various reclassifications in social, political and economic life in Russia. In this regard, this thesis wishes to reveal the “success” factors that shaped the elites, by describing the motives and determinants that encouraged the process of privatization and by underlining the unique contextual characteristics given in Russian Oligarchs.

Introduction

The period that followed the Cold War was a period full of reclassifications worldwide. In Eastern Europe, that era brought about cracks in the socialist regimes in power, and socialism was differentiated from the way it was known so far. The events and transformations that followed, raised a lot of questions between theorists and academics of various fields about what was socialism, how is the procedure of transition evaluated and whether the final destination, capitalism and democracy is found to be a success.

The post-socialist transition was experienced in both similarities and variations among those post-socialist environments. Every different region had its own particularities and the procedure of transition had various individual characteristics. The political circumstances and the events that followed in the interior of each country as well as the external interference – what was usually called West's aid- that affected them, were crucial for the turn of the transition, a process that was also called “democratization”. Western authors that identified socialist regimes as totalitarian, considered the transition process to free market economy as a democratic one. Verdery, referring to the meaning of totalitarianism given through the Cold War era, in terms of representation of the ultimate in Absolute Power and Authority, finds it frightening and captivating. (Verdery, 1996:332).

In the current study, post-socialist transition is discussed, focusing on the role of the Elite in the privatization process in Russia. The Russian case is important due to various features. Firstly, during the late years of the USSR, socialism was gradually fading, as Gorbachev's reforms of

glasnost and perestroika created a new environment for the consolidation of market economy, in an effort to reverse economic stagnation. The foundation for the transition from centrally planned economy towards to market economy, was set in the late 1980s. As Milios writes, “the decentralization of enterprise decision-making and accountability, price liberalization and finally enterprise privatization were the key elements of economic reform (Milios, 2001: 1-2). The first part of privatization in Russia began with “spontaneous privatization” between 1988 and 1991 at Gorbachev's watch, transferring property rights of enterprises to managers and employees. In 1988, says Milios, “the state control (branch ministries) over enterprises was removed and a process of "spontaneous" privatization by managers of more than 2.000 enterprises took place” (Milios, 2001:2). At the same time, a coup tried in 1991 by the “old Russian guard” brought Yeltsin in the spotlight as a defender of democracy gaining a vast support from the Russian people. The period that followed, found Yeltsin consolidating his rule in Russia and the dissolution of the USSR. Russian Federation was born and a wild ride to economic reform with emphasis on rapid privatization was on. Afterwards, Yeltsin, under West's suggestions, created a neoliberal economic plan of vast privatization leaded by Anatoly Chubais and Yegor Gaidar, staffed by a team of economists with reference to the school of Chicago. “Voucher privatization” was then implemented in the years between 1992 and 1994. Every person in Russia was offered a privatization voucher for a small fee with a denomination of 10,000 rubles and it was freely tradable (Frydman, Rapaczynski & Earle 1993: 67). The program reckoned on the split of public enterprises in order to be distributed to people. Nevertheless, the vouchers were quickly on sale and managers were there to buy them. According to Milios, in January 1992, most prices, covering at least 70% of the GDP, were freed from state control (Milios, 2001:2). At the same time, privatization of the oil sector was held. In summer 1992, a mass privatization process was initiated. “More than 100.000 enterprises were privatized until September 1994, concentrating at least 60% of all industrial assets and 83% of total employment” (Milios, 2001:2). In 1993, says Katerina Kitidi in *Catastroika* documentary, after a “mini coup” against the parliament, Yeltsin feels ready to open once and for all the bag of privatization. Boris Kagarlitsky from the Institute of Globalization and Social Movements, interviewed in the same documentary, claims that he is absolutely certain that the privatization in 1994 wouldn't be even technically possible without the coup attempt in 1993. In the years of 1995 and 1996 loans for shares was the next step, according to which some of the largest state industries were privatized with state money through commercial banks. Bivens and Bernstein write: “Banks would give the government “loans”; in return, they would manage the state’s stake in those strategic industries for a few years” (Bivens & Bernstein, 627). Consequently, through those years of shock-therapy, a few Russians gained most of Russia's wealth. Stiglitz finds that “the government created a powerful class of oligarchs and businessmen who paid but a fraction of what they owed in taxes, much less what they would have paid in virtually any other country” (Stiglitz, 2002: 145). Katerina Kitidi, one of the producers of the “*Catastroika*” documentary, characterizes Russian privatization as the largest privatizing experiment in the history of humanity that lead the country to the absolute disaster. Alexander Buzgalin, an Economics professor of Moscow State University, interviewed in *Catastroika*, claims that “for one or two million dollars you could buy an enterprise were only steel constructions cost hundreds million or maybe billions of dollars, like huge factories in Urals, Siberia, central Russia, former military and chemical enterprises, steel enterprises and so on”. Aris Chatzistefanou, producer of the documentary, observes that “catastroika” in Russia is usually presented as an exception in the history of privatizations. In reality, he claims, it was just an extreme

example of how the divestiture of a country is incompatible with political or economic democracy.

The popular Russian label for that procedure was “Prikhvatizatsiia” meaning “Privatization”. Russian privatization is often cited as evidence of the inadequacy of the liberal “Washington Consensus” as a prescription for economic reform while many questions are raised, concerning the procedure, the vast players and the effects on Russian society. Was privatization held in order to improve Russian economy and the outcomes were a side effect due to Russian “particularities” or it was a policy that had to be adopted so as to move to capitalism, whatever the cost? Why a negligible minority, a new class in Russian society, was found keeping Russia's wealth in their own, few hands? And through which procedure state property was transferred in private hands? Who were those to profit and who were those to orchestrate that process? Were Russian people aware of the plans of their government? What political events intervened in the early and mid 1990s? Was “democratization” process democratic at all? An answer to the questions raised above is attempted through the present study. With Elites in the center of the study, a theoretical framework on elites is needed. Furthermore, with regard to the period of “transition”, the concept of “postsocialism” needs to be explored, together with other anthropological approaches on socialism and its collapse. In the center of the study lies Katherine Verdery and her approaches on socialism and post-socialism through her anthropological fieldwork in Eastern Europe and other anthropologists like Hann and Burrawoy. The study is also complemented, in an anthropological perspective, by fieldwork on elites such as Coehn's findings, approaches of Abbink and Salverda and Etzioni-Halevy.

So as to conceptualize the “democratization” process in which Russian Oligarchs drove to power, it is fundamental to focus on two theories concerning “class theory” and the “elites”. For class theory, classes are differentiated primarily by their command of economic means according to Marxian influences while for elite theory, elites are differentiated from the public by the extent of their power and influence, expressed mostly by Pareto and Mosca. A key point for both theories to meet is inequality, indicates Eva Etzioni-Halevy in her book *Classes and Elites in Democracy and Democratization* (Etzioni-Halevy, 1997:xxvi). George Orwell expresses the inequalities in democracies through his book, *Animal Farm*, by the phrase “some animals are more equal than others”, to indicate that in democracies some people are more powerful and have greater influence than others (Etzioni-Halevy, 1997:xxv). Anthropologists, through fieldwork and their observations, came up with important outcomes concerning the questions raised in that period. As C. Hann observes, “anthropological work began to subvert simple models of 'totalitarianism' while the Cold War was still very much under way; the anthropology of post-socialism can perhaps go a step further” (Hann, 2002:9).

This project will consider class and elite theory, as well as anthropological analysis of socialism and postsocialism to develop the framework needed to understand the features of an elite and penetrate socialism and postsocialism in a perspective coming from empirical features. The project aims to highlight the construction of elites in post-communist Russia with regard to the outcomes in people's lives, due to wealth concentration to a class composed of very few new Russians. Those Oligarchs are discussed in detail, regarding their past in the late years of socialism and their post-socialist role in the transformation process. The methodology chosen concerns a combination between relevant theories and data cited in various works emphasizing on political, economic and social aspects with reference to the post-socialist transition in Russia. Perhaps because these events

were of such significance and had a global dimension, as far as they represented the dominant economic model of western capitalism, many scholars weren't able to focus on conclusions from the events of the time. Instead, they were selective to present aspects of the history of privatization to justify preconceived views bonded with West's perception about socialism, such as blaming corruption for the wrongs of the implemented model and its effects. Naomi Klein points out that "when it was no longer possible to hide the failures of Russia's shock therapy program, the spin turned to Russia's "culture of corruption," as well as speculation that Russians "aren't ready" for genuine democracy because of their long history of authoritarianism" (Klein, 2007:240). Therefore, Russian privatization was presented as a special case, a phenomenon of "mafia capitalism". Some of such approaches were the following, as Klein lists: "Nothing good will ever come of Russia," The Atlantic Monthly reported in 2001, quoting a Russian office worker. In the Los Angeles Times, the journalist and novelist Richard Lourie pronounced that "the Russians are such a calamitous nation that even when they undertake something sane and banal, like voting and making money, they make a total hash of it" (Klein, 2007:240). Also, she adds, the economist Anders Aslund had claimed that the "temptations of capitalism" alone would transform Russia, that the sheer power of greed would provide the momentum to rebuild the country. Asked a few years later what went wrong, he replied, "Corruption, corruption and corruption," as if corruption was something other than the unrestrained expression of the "temptations of capitalism" that he had so enthusiastically praised (Klein, 2007: 240).

However, dealing with Russian privatization and the Oligarchs, may raise potential problems. Privatization in Russia is extremely young, so the obvious problem of timing emerges. Mostly, that problem affects observations on the effects of shock-therapy in Russian society, as far as additional aspects come into surface through fieldwork that is in progress. As far as that period is quite recent, new outcomes come into surface concerning social and cultural aspects. Consequently, the present study tries to highlight sides of the effects on Russian society and the structure of the Elites, where answers on the emerge of the Elites are shaped through theory, facts and observations.

Chapter 1: Theoretical framework

This chapter attempts to shape a theoretical framework that will enable a comprehensive analysis on elites in transition. In order to examine the relationships of power in the specific society, it is useful to focus on the analysis of two main aspects of inequality that emerge in all societies, "classes", differentiated primarily by their command of economic means and "elites" differentiated from the public by the extend of power and influence (Etzioni-Halevy, 1997:xxv). Consequently, a literature survey on "classes" and "elites" follows, complemented by anthropological approaches on socialism and post-socialism.

a. class theory

The scientific theory on classes was determined by Marx and Engels and further creatively developed by Lenin. However, the existence of classes and the struggle among them was found before Marx by other historians like Thiers and Thierry and by economists like Smith and Ricardo. A first notion of social class can also be found in Ancient Greek and Roman society that separated

the free citizens into “classes” according to the amount of property they possessed or as a description of an ideal social organization determined by mainly political criteria (Milios, 2000:2). Later on, the physiocrats formed a concept that derived from a model they wanted to impose upon France, an agricultural-capitalist society, formed by the conviction that only agricultural economy can create a surplus above the costs of production and the idealization of certain elements of British capitalism in the second half of the 18th century (Milios, 2000:2). Class has been defined first in an economic perspective by the Classical School of Political Economy. Adam Smith defines three classes on the basis of the objective position of the individuals who constitute them in economic life: the capitalists, owners of the means of production who gain profit as income, the workers who gain wages as income, and the land-owners who gain rent as income (Milios, 2000:2). Weber, on the other hand, defined classes through the admission that "Class conditions and class means in itself, simply, realities of identical (or similar) formal situations of interest, in which each person is in the same position as many others" (Weber, 1947:177) and wrote about two basic class groups. The first is “rentiers” or “positively privileged owner classes” were rentiers of human beings, rentiers of land, rentiers of mines, rentiers of buildings, rentiers of ships, creditors and rentiers of bonds belong (Weber, 1947:178). The second is the “negatively privileged owner classes” that include those who are objects of possession by third parties, the socially demoted, those under heavy debt and the “poor” (Weber, 1947:177).

Marxism introduced the most complete notion of classes adopting at first the approach of Classical Political Economy as a precondition for its theory. What Marx discovered is that the existence of classes is connected with certain historical developing phases of production. Classes emerged through the evolution of the society on the basis of private ownership of the means of production. According to Marxism, in a social formation there are the basic or main classes and secondary classes. The basic classes are born through the dominant competitive forms of property possession and in a capitalistic system are the bourgeoisie and the working class. In “The Manifesto of the Communist Party”, Marx and Engels observe that society as a whole is more and more splitting up into two great hostile camps, into two great classes directly facing each other: bourgeoisie and proletariat (Marx & Engels, 1848:204-207). For Marxism, the capitalist mode of production does not emerge only by an economic relation but also refers to all other social levels. The core of the Marxist thought consists of the property relations that emerge in the society, the distribution and consumption of produced wealth. Classes in capitalist societies are defined by who owns the means of production and who controls the labor power produced by others. The capitalist, dominant class, that Marx calls “bourgeoisie” owns and controls the means of production and exchange while the working class or the “proletariat” sells its labor power to them. On the other hand, secondary classes base on forms of ownership that are either remnants of former social formations or seeds of a future social formation. In capitalist societies, a part of the functional exercising of social (economic, political, ideological) power is entrusted to non-members of the ruling class. Thus the "new petty-bourgeoisie class" emerges (Milios, 1995:18). Therefore, another class is distinguished, a middle class that includes those who own small-scale means of production and exchange. Either than main and secondary classes, in different social formations and even in social strata can emerge even if they play no independent role. He refers to a “new” middle class that has skills related to knowledge, defined as the “intelligentsia”. Milios states that, “according to Marxist theory, the concept of mode of production constitutes, then, the initial theoretical tool for the analysis of social

(class) relations which constitute a specific society” (Milios, 1995:15). However, on the basis of this concept alone, it is not possible to approach according to Marxist theory, the multitude of social relations (or social classes), within a country, and this point has always been a subject of dispute among Marxist theorists (Milios,1995:15). Milios, furthermore refers to two types of class functions, “the functions of the ruling class (acquisition of surplus value, the exercising of political power through the state, the organization of ideological power through the ideological apparatuses of the state), and those of the ruled class (production of value and surplus value, reproduction of the material -economic, political, ideological- conditions of wage-relations)” (Milios, 1995: 16-18). The functions of the two basic classes are thus integrated and compose the particular characteristics of capitalist power relations, and at the same time delineate the field of class competition between the two. (Milios,1995:16-18).

Marx's class theory rests on the premise that “the history of all hitherto existing society is the history of class struggles” (Marx & Engels, 1848:14). The Marxist theory of classes constitutes a theory of class power within class struggle. Consequently, classes cannot be defined out of the field of class struggle and, as Balibar writes "they cannot be defined separately one from the other, but only through the social relations of an antagonism, which brings the one class in confrontation with the other" (Balibar, 1986-a:620). Marx viewed political life as a reflection of the class struggle and the power relations between classes, as well as the inequalities that come out of class interests. As Balibar puts it, “that which connects social groups and individuals is not a higher common interest, or a legal order, but a clash in continuous development” (Balibar, 1988: 217). The capitalist state is considered to act on behalf of the ruling class. The interest of the state and those who staff it is to exercise and perpetuate power and accumulate more of it. As a consequence, the capitalist class possesses economic as well as political power as its goal is to preserve and reproduce the entire capitalist class domination so its interests are imposed to the disadvantage of the working class. Therefore, the dominant ideology has a key-role in consolidating itself as the common way of life for both ruling and ruled classes.

Later marxists like Gramsci, Marcuse and Althusser emphasize more on the hegemonic role of the ruling class in a capitalist democracy. Starting from Marx's view on the ideological rule of the ruling class, Gramsci pushes the idea further by writing that, “the supremacy of a social group manifests itself in two ways, as domination and as intellectual and moral leadership” (Gramsci, 1971:57). The dominant class uses intellectuals and a variety of cultural and other institutions to consolidate “hegemony”, impose its ideology on the society by propagating its own values and norms so that they became the common sense values of all. Gramsci's work has been crucial for understanding the ways in which elites try to prevail the ideological conceptions of the order of societies. Althusser sees the reproduction of the relations of production – and ruling-class hegemony – as preceding through the exercise of state power. State is the general perpetrator of this rule but also identifies the repressive state apparatuses, an assortment of institutions called "Ideological State Apparatuses", which include the family, the media, religious organizations, and most importantly in capitalist societies, the education system, as well as the received ideas that they propagate (Althusser, 1970: 135-139). As the discussion over “class” is still in progress, various approaches emerge. For Foucault, power is neither an institution nor a structure. It is not concentrated anywhere in particular, and it is not a privilege of an organized group of people who act having the aim of conquering authoritarian positions. Foucault opposes both the liberal and the

Marxist tradition: on the hand, the criticism focuses on the fact that power is not a right that is transferred, nor is it the result of a form of social contract, and on the other hand that power has nothing to do with the maintenance of the dominant relations of production (Simos, 2006). He refers to relationships of power other than power and believes that power should be seen in a bottom-up view claiming that power does not come from the state (Simos, 2006). For Foucault, power exists in every human relationship, it is not a privilege of the ruling class (Simos, 2006). Power is not limited to any contrast between social dipoles, which one prevails over the other (Simos, 2006). Power is a form of action of a person or group of persons, in order to create specific "positive" behaviors (Simos, 2006). A more recent approach on social classes has been made by Poulantzas. He rejects the view of an absolute economic character of classes and considers that ideological and political factors that emerge affect the formation and action of social classes. In determining classes, the major role is that of social relations of production and political and ideological relations are part of these relational structural determinations. Thus, the criteria are economic, political and ideological. Poulantzas believes that "the self-employed producers of simple commodities (the traditional petty-bourgeoisie class) and the wage earners who are not part of the working class (the new petty-bourgeoisie class) shall be regarded as fractions of one and the same social class, the petty-bourgeoisie class" (Milios, 2000:11-12). Poulantzas therefore shows that "the social role of both groups and their relations to the main classes of the capitalist society (the capitalist and the working class) attain converging features, which justifies the thesis that they belong to the same class" (Milios, 2000:12).

b. elite theory

It has been commonly known that elite theory emerged as a response to Marxism, in an effort to deconstruct Marx's theory of social classes. Starting from the seventeenth century, "elite" was a word to describe commodities of particular excellence and later on superior social groups, coming to 1823 were the English word "elite" was applied to social groups (Bottomore, 1993:1). The sociological theories of the elites have appeared later, and expressed mostly through the writings of Vilfredo Pareto and Gaetano Mosca, the first theorists that gave definitions on the elites from a sociological perspective. As Eva Etzioni-Halevy asserts, elite theory is about exertion of substantial power and influence over the public and over political outcomes. And it is based on economic means, control of organizations, political resources, knowledge and ability to manipulate symbols and personal resources (Etzioni-Halevy, 1997: xxv). Furthermore, she identifies that commonly, elites are divided into state and non state elites. State elites are the ones who directly play some considerable part in government (government bureaucracy, military, police) and non-state elites are those people who are not connected with the governmental activities such as the economic elite (business, industry), elite of the media, academic and cultural elites, trade union leaders and leaders of social movements (Etzioni-Halevy, 1997: xxvi).

Pareto, who at first, saw "elite" as "a class of the people who have the highest indices in their branch of activity" (Bottomore, 1993:1) but afterwards he grappled with the definition about governing and non-governing "elites". He claims that "for the particular investigation with which we are engaged, a study on the social equilibrium, it will help if we further divide the class [the elite] into two classes: a governing elite, comprising individuals who directly or indirectly play some considerable part in government, and a non-governing elite, comprising the rest ... So we get

two strata in a population: a lower stratum, the non-elite, with whose possible influence on government we are not just here concerned; then a higher stratum, the elite, which is divided in two, a governing elite and a non governing elite” (Bottomore, 1993:2). In addition, Pareto at first suggested two laws to form afterwards a hypothesis concerning that “the greater part of human actions have their origin not in logical reasoning but in sentiment” (Pareto, 2009:6) and that “man, although impelled to act by non-logical motives, likes to tie his actions logically to certain principles; he therefore invents these a posteriori in order to justify his actions” (Pareto, 2009:6). By searching for crucial elements that make the repertoire of human actions, Pareto distinguishes two, the residues, that are the major motivations of the human action and the derivations, the external elaboration of man's actions (Pareto, 2009:6). Thereafter, he locates six residues: combination, preservation, expressiveness, sociability, integrity and sex (Pareto, 2009:7). Derivations, on the other hand are classified in four broad categories: affirmations, appeals to authority, appeals to principles and verbal acrobatics (Pareto, 2009:7). The first two residues, can also be interpreted as innovation and consolidation, are those that Pareto uses primarily for his analysis of the “elites”. A further key-point for Pareto's analysis is the typology that emerges when he considers the dominant residues in an elite. “The 'circulation of elites' implies more than that new men of money and power replace old ones; it means, above all, that the dominant residue in the elite changes: consolidators replace innovators and innovators replace consolidators” (Pareto, 2009:8).

However, the discovery of the theory of the “circulation of elites” is claimed by Mosca, too. In Mosca's theory, “an elite does not simply rule by force and fraud, but “represents”, in some sense, the interests and purposes of important and influential groups in the society” (Bottomore, 1993:5). Furthermore, Bottomore writes that “Mosca explains the circulation of elites sociologically as well as psychologically, insofar as he accounts for the rise of new elites (or of new elements in the elite) in part by the emergence of social forces which represent new interests (be they technological, economic or cultural) in the society” (Bottomore, 1993:6). Mosca also recognizes, according to Bottomore, “besides this form of circulation which consists in the struggle between elites and the replacement of an old elite by a new one, that other form which consists in the renewal of the existing elite by the accession of individuals from the lower classes of society” (Bottomore, 1993:43).

Weber is usually not treated as an elite theorist but he has made a contribution to it, with his analysis of “charismatic leadership” and “ruling minorities” close to what Pareto and Mosca's definitions on “ruling” and “political” class. As Hans Zetterberg mentions in the introduction of Pareto's “The Rise and Fall of the Elites”, “Max Weber's notion of the charismatic leader to whom people are bound by personal bonds of loyalty and who can take them on paths violating the laws laid down by tradition is important for the understanding of the rise of an elite” (Pareto,2009:19). “Weber’s analyses of the structure, integration and dynamics of these “ruling minorities” are particularly important as he saw these minorities as semi-formal networks of groups and individuals monopolizing legitimate power of command, with the latter increasingly concentrated at the apex of the state apparatus, but also open to influences of dominant class and status interests, especially those articulated by charismatically-led movements” (Pakulsky, 2012:39).

Another important study on “elites” is Mills' work, influenced both by Marx on the one side and Mosca and Pareto on the other, as well as Weber. According to Mills, there is a power elite in

modern societies, an elite who command the resources of vast bureaucratic organizations that have come to dominate industrial societies (Mills, 1956:275-276). The power elite consists of the key people in the three major institutions of modern society: elite, government and military. As Mills writes, “The shape and meaning of the power elite today can be understood only when these three sets of structural trends are seen at their point of coincidence” (Mills, 1956:276). Therefore, he explains that “the military capitalism of private corporations exists in a weakened and formal democratic system containing a military order already quite political in outlook and demeanor” (Mills, 1956, 275-276). Accordingly, he adds, “at the top of this structure, the power elite has been shaped by the coincidence of interest between those who control the major means of production and those who control the newly enlarged means of violence; from the decline of the professional politician and the rise to explicit political command of the corporate chieftains and the professional warlords; from the absence of any genuine civil service of skill and integrity, independent of vested interests” (Mills, 1956, 275-276).

Bottomore, borrowing Mosca's term “political class” refers to “all those groups which exercise political power or influence, and are directly engaged in struggles for political leadership” (Bottomore, 1993:7). Then, he distinguishes a smaller group within the political class, “the political elite, or governing elite, which comprises those individuals who actually exercise political power in a society at any given time” (Bottomore, 1993:7). Bottomore, thereafter, claims that it is easy to determine the political elite but the same doesn't apply for political class, too. Political elite includes members of the government and high administration, military leaders, and, in some cases, politically influential families of an aristocracy or royal house and leaders of powerful economic enterprises (Bottomore, 1993:7). Political class, on the other hand, definitely includes the political elite but may also include “counter-elites”, “a number of groups which may be engaged in varying degrees of cooperation, competition or conflict with each other” (Bottomore, 1993:8).

c. anthropology of elites

An anthropological perspective on the “elites” does not come to juxtapose political science or sociology. On the contrary, anthropologists that grappled with “elites” use the theory and outcomes that arise from both sciences and enrich them through fieldwork and observations on the behaviors of the elites. Jon Abbink and Tijo Salverda observe that “anthropological approach to elites – in contrast to the most standard political science and sociological approaches – sets itself the task of studying and understanding them from within, trying to chart the cultural dynamics and the habitus formation (the internalized behavioral routines and social ideas of a defined social group) that perpetuate their rule, dominance, or acceptance” (Abbink & Salverda, 2013:2-3). Anthropology, as it is based on field work and observations, has faced methodological challenges concerning the closed nature of elites and, as a consequence its research has been relatively limited. However, anthropological approaches have come up with useful outcomes by observing the elites in various communities. Abbink and Salverda, in a context expressed by Dogan and Shore, claim that “many of the elites tend to control only certain resources that may be mobilized at the exercise of power, since hegemonies, controlling all resources, are very rare” (Abbink & Salverda, 2013:5-6). “Consequently”, they write, “most elites are functional elites and a distinction can be drawn between, for example, business elites, ethnic elites, military elites, political elites, religious elites,

academic elites, entertainment/showbiz elites, and bureaucratic elites” (Abbink & Salverda, 2013:6). Abner Coehn, in his book “The Politics of Elite Culture: Explorations in the Dramaturgy of Power in a modern African Society” comes to a point where he observes the “ubiquity, intensity, variety, and dynamic nature of elite cultural performances, and of their continuous dialectic with changing economic and political interests and alignments” (Cohen, 1981:216). He claims that “it is this cultural process that transforms a category of people, like the members of a profession or the officials of a state institution, into a concrete, corporate, interacting, cooperative and cohesive group” (Cohen, 1981:216). Therefore, he observes that “its symbols act to unite, camouflage or mystify a major contradiction between their universalistic and particularistic tendencies, between the duties of their members to serve wider public and their simultaneous endeavor to develop their own sectional interests” (Cohen, 1981:216-217). Stefanie Lotter, in her review of Chris Shore & Stephen Nugent book “Elite cultures: anthropological perspectives”, refers to another contribution by João de Pina-Chabral and Antónia Pedroso de Lima who edited a volume on elites focusing on the importance of dynasties, family support and trust (Lotter, 2004). Alongside, she comments on Chris Shore and Stephen Nugent’s “Elite Cultures” special contribution, as “it focuses neither on traditional leadership, caste and kingdom nor on the anthropology of organizations” but instead, “it asks how anthropology can contribute to the understanding of how elites operate, and what meaning and practices they maintain to define and sustain their identity and status” (Lotter, 2004).

d. post-socialism and the process to transition

“Transition”, the process connecting the socialist past and the capitalist future, has been defined in different ways between scholars and scientific fields. Michael Burawoy and Katherine Verdery in a try to present theories of transition mention that “on the one side we have economists who debate whether a revolutionary break or a negotiated transition is the most effective way of climbing out of the socialist abyss into the promised world of capitalism while, on the other, historians, political scientists, and sociologists debate the impact of the past” (Burawoy and Verdery, 1999:4). For Hann, anthropology provides the necessary corrective to the deficits of “transitology”, and anthropological study of other parts of the world can also profit from attention to the emerging studies of post-socialism (Hann, 2002:1). However, a critique to anthropology is expressed questioning whether “such work can illuminate the macro-societal problems of post-socialism” (Hann, 2002:7). In response, anthropologists claim that “the insights of close-up fieldwork observation are especially valuable in periods of uncertainty and institutional instability, a point that seems to be gaining increased acceptance in neighboring disciplines as well (Hann, 2002:7). Anthropologists criticize other social science approaches to transition because they believe that they “neglect of the cultural dimension” (Hann, 2002:8). The concept of culture can thus create major problems, says Hann, because of cultural racism that has been tightly connected with exclusion and violence when imposing a different culture to a social group or abuse of the concept of culture that comes when ideas such as “Balkan mentality”, “Gypsy nature” or “the fatalistic Orthodox soul” (Hann, 2002:8).

The concept of “post-socialism” has been introduced to describe the period of political and economic transition from socialism to the “free market” and capitalism, mostly in the field of anthropology. “Emerging as an analytic category soon after the end of socialism and used by many

social scientists as an alternative to the teleological notion of transition, postsocialism has been transformed by the interaction between academic practice and fieldwork encounters, becoming itself an ethnographic object”, says Narcis Tulbure (Tulbure, 2009:2).

Anthropologists who study post-socialist societies were first occupied with remote villages and marginal groups. Afterwards, “younger anthropologists of post-socialism have paid attention to the emerging diversity of lifestyles in modern urban contexts, including capital cities” (Hann, 2002:2). Other issues were the “break up” of cooperatives and collective farms, citizenship rights, widening inequalities and land privatization (Hann, 2002:3). Concerning the processes of land privatization, Hann notes that “they have been fundamental to the reconstruction of post-socialist rural society, but they are of such variety and complexity that we may have to wait for a full generation before we can specify their outcomes more adequately” (Hann, 2002:3). Anthropologists were also concerned with market functions and consumption, trade, western “aid” and the “development” process, as well as with “mechanisms and arenas of state transformation”, problems of widening income differentiation and environmental degradation (Hann, 2002:4-5). Moreover, ethnicity, nationality and minority issues have attracted anthropologists' attention, as well as ritual and religion in a cultural and human rights perspective (Hann, 2002:6). Besides, national identity and the new nationalist symbolism have attracted much of their attention in the post socialist period (Hann, 2002:6). Post socialist studies have also dealt with the past, the historical considerations that find their space to re-emerge in post-socialist societies (Hann, 2002:7).

Caroline Humphrey believes that post-socialism has been linked to some assumptions. She notes that there never can be a sudden and total emptying out of all social phenomena and their replacement by other ways of life, that “actually existing socialism” was a deeply pervasive phenomenon, existing not only as practices but also as public and covert ideologies and contestations and finally that “actually existing socialism” had a certain foundational unity, derived in its public ideology from Marx and in its dominant political practice from Lenin (Hann, 2002:12). On the other hand, for Verdery, a comparison with the post-colonial condition - an approach progressively gaining currency in “post-Cold War studies” - creates the conditions for a more nuanced and profound understanding of the “practices of domination” in various historical and political regimes (Hann 2002:17). She then suggests a more comprehensive frame that would lead to research in the European empires of previous centuries, the Soviet colonies in Eastern Europe and the numerous client-states in the Third World, but also the full incorporation of both the former colonies and the former socialist bloc into a global capitalist economy (Hann, 2002:18). She believes that following the concept raised above, anthropology of post-socialism can be shaped through “a new mandate of research in historical anthropology, comparable to the work being done in post-colonial studies” (Hann, 2002:20). Like post-colonial studies, she suggests that the framework she proposes “would bring together scholars from many disciplines and countries” and finally “would give voice to the natives as analysts of their own condition” (Hann, 2002:20). Verdery in her study emphasizes on institutions and the logic of bureaucratic centralism (Hann, 2002:8). She has argued powerfully against the teleology of “transition”, the assumption that the future condition of the former socialist countries can be read off from the development path followed by Western capitalism (Hann, 2002:9). Consequently, Verdery developed her anthropological perspective of socialism and its collapse according to the framework described above.

Katherine Verdery was one of the most important contributors to the discussion about what was socialism, the analysis of post-socialism and the features of transition. Verdery, following other theorists such as Kornai, tried to focus on the family resemblances among socialist countries- as they were evaluated more important than their variety- by opting a single analytic model for socialism (Verdery, 1996:19). Mostly, Verdery focuses on how production was organized in socialism and the consequences of this for consumption and for markets, in a procedure where socialism and capitalism contrast in the steps of analysis, while revealing how their relationship was related to the fall of socialism (Verdery, 1996:20).

Production in socialism was organized through central planning. In an attempt to deconstruct the narration of American and western anthropologists for socialism as a “totalitarian” regime, she lists various examples on how the regime was undermined by internal resistance and hidden forms of sabotage at all system levels (Verdery, 1996:20). For the central planning system, managers had to achieve certain production goals. When these goals become really difficult to achieve and resources did not always arrive when needed, managers changed policy and started to ask for more resources than they needed, so as to have what they needed in time. The consequences were both accumulation and shortages. In contrast, a seller in capitalism tries to attract the customer. “Capitalist firms compete with each other for markets in which they will make a profit; socialist firms competed to maximize their bargaining power with suppliers higher up” (Verdery, 1996:22).

Another important aspect for Verdery was surveillance and paternalistic redistribution. The state created a parallel system with that of production that provided the state information, real and falsified histories, of the people over whom the Party ruled (Verdery, 1996:24). That, of course, raised distrust and suspicion between people, as they couldn't be sure about who was an informer and whether their reports contained truth or lies. “If surveillance was the negative face of these regimes' problematic legitimation, its positive face was their promises of social redistribution and welfare” (Verdery, 1996:24). The Party was the one to collect the total social product and then give back to the people the shares of everything they needed: food, education, jobs, medical care, affordable housing (Verdery, 1996:24-25). The difference here with capitalism lays in the fact that efficiency of redistribution in socialism means completely using all of the possible resources while in capitalism it is about paying less wages or using less material. In other words, capitalism cares about profit and socialism cares about the relationship between the Party center and the people (Verdery, 1996:25).

As far as consumption is concerned, Verdery believes that the state economy left consumption out of the model because this would give some power to the individual. This policy, however, created a lack of consumer type goods. Therefore, “informal economy” found the grounds to emerge, where these goods were provided, without the state's control. “Since the center would not supply what people needed, they struggled to do so themselves, developing in the process a huge repertoire of strategies for obtaining consumer goods services. These strategies, called the “second” or “informal” economy, spanned a wide range from the quasi-legal to the definitely illegal” (Verdery, 1996:27). Consequently, Verdery contends, there was a tension of an individual having an individual identity by owning these goods and the state desire to have a homogenized populace. Thus there was a tension between the individual's ideology and the state ideology.

A final important issue for Verdery is bureaucracy. As she notes, “socialism's collapse owed much

to shifts in the balance among factions that emerged within the Party apparatus” (Verdery, 1996:29). The divisions inside the Party formed different bureaucracies even before 1989. An interesting view in the issue is presented, according to Verdery by Polish sociologist Jadwiga Staniszkis that was writing specifically of the moment of transition. “He speaks of three factions- the globalists, the populists, and the middle-level bureaucracy; others, writing more generally, distinguish between "strategic" and "operative" elites, the state bureaucracy and the "global monopoly", the bureaucracy and the Party elite, “in-house” and "out-of-house" Party workers, and so forth” (Verdery, 1996:29). Bureaucracy and its divisions had an impact in their views for economy and the market. As far as market's horizontal movements and individualizing premises occurred, they subverted socialism's hierarchical organization and market mechanisms had been suppressed and those reformers introducing them were opening Pandora's box (Verdery, 1996:30).

To answer the question raised for the reasons of the collapse of socialism, Verdery follows a methodology that links the internal structure of socialism with the external environment and event history. The outcomes of that procedure are that the fall of socialism was not simply because some aspects of capitalism were introduced into society in Gorbachev's era, but gives much attention to the role of time in capitalism and socialism, as well as the timing of the interaction in history. “Time, as anthropologists have shown, is a fundamental dimension of human affairs, taking different forms in different kinds of society”, she contends (Verdery, 1996:35). She claims that the basic logic of socialism placed no premium on increasing turnover time and capital circulation, whereas capitalism exists only as a function of time and of a specific conception of it, with efforts to increase profits by increasing the velocity of capital circulation (Verdery, 1996:35). The world was dominated by capitalism at the time of the interaction between socialism and capitalism, so, socialism could no longer be unconcerned with time. That makes time, for Verdery, a dominant element for the fall of socialism.

Conclusion

To sum up, a first conclusion can be made here on the elites in the post-socialist environment, according to the literature reviewed above. A starting point is Verdery's opposition to the teleology of “transition” and views on the “totalitarian” nature of socialism, expressed mostly by American and western anthropologists. Instead, the collapse of socialism is considered to stem from inside characteristics, such as the questioned inefficiency of central planning of the production, the loss of trust between the Party and people under surveillance, the existence of second or informal economy and different bureaucracies that emerged within the Party and their connection with market economy, as well as the factor of time in history. However, social redistribution and welfare were the strongest aspects of the regime. At the same time, as Humphrey says, “actually existing socialism” existed as both dominant political practice through Lenin and public ideology through Marx. Therefore, post-socialism emerged as an alternative view on socialism, based on interaction between academic practice and fieldwork encounters, becoming an ethnographic object, in Tulbure's words, emphasizing mostly on the cultural dimension in transition. Anthropological fieldwork has come up with various outcomes in post-socialist environments, like inequalities that followed the transition, regarding market function, western aid, privatization, income differentiation, ethnicity, religion and life-style as well. To understand the function of the elites, class theory has a central role in the study, complemented with elite theory and anthropological

findings.

The key-element that brings these theories together is the concept of inequality. According to Marxist theory, in a capitalistic society emerge two main classes, bourgeoisie and the proletariat that exist due to property relations in a society, distribution and consumption of the produced wealth, the ownership of the means of production and control of labor power. However, secondary classes defined as remnants of former or seeds of future formations of the society, concerning usually small-scale means of production and exchange. The ruling class uses the state to consolidate its power while its interests are imposed to the disadvantage of the working class, it exercises and perpetuates power and accumulates more of it. For that purpose, intellectuals and a variety of cultural and other institutions are used, as well as repressive state apparatuses. However, Foucault adopts a bottom-up view of power that exists in every human relationship and is not a privilege of the ruling class. Poulantzas also adds on class theory by rejecting the view of an absolute economic character of classes and considering that ideological and political factors that emerge are those which affect the formation and action of social classes. Elite theory is relevant to the understanding on elites, too. Elite theory is about exertion of substantial power and influence over the public and over political outcomes. Through the distinction in state and non-state elites, the economic elite is defined as one of the non-state elites. Weber, refers to semi-formal networks of groups and individuals monopolizing legitimate power of command. Mills also adds to the understanding on elites through his view on power elite in contemporary societies that consists of elite, government and military. Furthermore, it is important to take into account his view on the role of violence, his belief that power elite has been shaped by the coincidence of interest between those who control the major means of production and those who control the newly enlarged means of violence where violence is an element that plays an important role in the transition to democracy. Therefore, the issues illustrated above that have a common reference point in the concept of inequality, form a comprehensive theoretical framework for elites relevant to the current study.

Chapter 2

a. USSR dissolution and the political upheavals in post-socialist Russia

The beginning of the 1990s introduced a new era in the recently post-socialist world. The fall of the Berlin Wall and the dissolution of the USSR were two crucial events that stigmatized our recent history. However, a new chapter was about to begin in the post-socialist world, the transition to capitalism – or to democracy as it was introduced by some scholars. Russia's long way to transition is a multidimensional case. It has its roots in late 1980's, when Mikhail Gorbachev, head of the Communist party from 1985 to 1991, and the first reforming politician of the USSR, introduced the policies of perestroika and glasnost (restructuring and openness) at the 27th party congress in 1986. Those policies were introduced in the name of “democratization” of the Soviet Union, along with the struggle to revive the economy. The USSR was slowly abandoning central planning and was coming closer and closer to the free market. Verdery, concerning that period, claimed that market's horizontal movements and individualizing premises occurred, they subverted socialism's hierarchical organization while market mechanisms had been suppressed, so she claims that those reformers introducing them were opening Pandora's box (Verdery, 1996:30). Those reforms, in a short period, had an impact in the restoration of freedom of the Press, elections were established and the Constitutional Court became independent. In the field of economic policy, Gorbachev tried to

combine free market with a strong social network of protection with nodal industries under state's control. Nonetheless, Russia's way to transition since then was stigmatized by the plans of the West for a radical economic shock therapy, a recipe that was born by the School of Chicago. Aris Chatzistefanou, in the "Catastroika" documentary finds that the practice of the sale comes together with the winds of neoliberalism that blow for the first time in the university of Chicago. Professors like Milton Friedman and Friedrich von Hayek, Chatzistefanou adds, were looking for an experimental laboratory to test the so called free market and minimum state. Furthermore, as Naomi Klein says in the same documentary, the State Department funded through Harvard University a small group of economists and lawyers to manage this transition for the Russians.

The West got immediately involved with the changes taking place in the USSR. Gorbachev had already been recognized as an interlocutor of the USA and the real incentives of the "West" were revealed in the summit meeting of G7 on July of 1991. The leaders of G7 indicated a cruel deadline for the necessary reforms, as well as the rhythm and methods of transition. One month earlier, Boris Yeltsin was elected as Russian Republic's president and together with Gorbachev signed the "500 days plan", a redefinition of the relationship among soviet republics. According to Kagarlitsky, Gorbachev, "from being the leader of the reforms, controlling the situation in the country, was quickly transformed into a commander without an army" (Kagarlitsky, 1995:2). Those reforms couldn't avert the dissolution of the USSR, bequeathing post-soviet Russia an obsolete and sub-productive industrial system, numerous economic, social and ethnic problems, which required a different leadership to manage (Malkidis, 2005:38-39). Meanwhile, in the 19th of August, a group of communists of the old guard, feeling threatened that they would lose their power due to the emerging changes, sent tanks against the Russian parliament. A group of Russians that were decisive to defend their "new democracy" tried to stop them and Boris Yeltsin, like one of the crowd, stepped on a tank and denounced the venture as a "cynical, right coup attempt". The tanks were withdrawn and Yeltsin was announced as a courageous defender of democracy, quite ironic if someone considers his subsequent attitude. As many people saw in Yeltsin's face a leader-defender of the new democracy, he forced Gorbachev's abdication of President of the USSR, the dissolution of the Soviet Union and a beginning of a new era, with Russian Federation.

The new period that began found Yeltsin in cooperation with G7 and the IMF trying to consolidate a capitalistic economy in Russia, whatever the cost. At the end of 1991, Yeltsin succeeded in convincing the parliament to grant him emergency powers for a year to legislate through presidential decrees, without the parliament's vote, so as to confront the economic crisis and create a healthy and thriving economic system. Naomi Klein, in her book "The Shock Doctrine" among other observations, tries to make a portrait of Yeltsin and expose his actual motives. She claims that "what Yeltsin was asking for was the kind of executive power enjoyed by dictators, not democrats, but the parliament was still grateful to the president for his role during the attempted coup, and the country was desperate for foreign aid" (Klein, 2007:222). West's "aid" was immediate. Both ideological and technical backup were provided with experts on transition, funded by the US government, whose job ranged from writing privatization decrees, to launching a New York-style stock exchange, to designing a Russian mutual fund market that supported Yeltsin's economic team, a free-market group devoted to the school of Chicago, led by Yegor Gaidar (Klein, 2007:223). Another key person was Jeffrey Sachs who began as a freelance adviser to Yeltsin, then moved on to overseeing Harvard's large Russia outpost, funded by the U.S. government (Klein, 2007:223).

The economic shock therapy program was quickly launched, only one week after Gorbachev resigned. It was about the lifting of price controls, free-trade policies and the first phase of the rapid-fire privatization of the country's approximately 225,000 state-owned companies (Klein, 2007:223).

The most repressive years of Yeltsin's regime were those of 1992-1993 "shock therapy" aiming at potent cuts in the social sector, the "stabilization" of the currency, the development of financial markets for the foreign capital and the funding of deficits (Malkidis, 2005:42). Russians started to react to the applied policies and the events that followed dramatic. Yeltsin went on television and declared a state of emergency, which conveniently restored his imperial powers. Russia's Constitutional Court held a decision that ruled Yeltsin's behavior unconstitutional, however his answer to eliminate the government's power was to hold a referendum. "He hastily threw together a referendum, supported in Orwellian fashion by the press, which asked voters if they agreed to dissolve parliament and hold snap elections", says Klein (Klein, 2007:226). Utilizing West's support, the 1.6 billion dollars were given from the USA to support his juxtaposition with the government, Yeltsin didn't take into notice the referendum's marginal effect and moved to the next step as more and more people were rising. On September 21, he issued decree 1400, announcing that the constitution was abolished and parliament dissolved. In response, the Supreme Soviet and its chairman, Chasmpoulatof, deposed Yeltsin and appoint to the position of vice president Routskoï, who had become a major general. The response of the Kremlin was to send in troops to surround the parliament and cut off power, heating and phone lines to the "White House" parliament building. Jean-Marie Chauvier writes about Yeltsin's real interests: "Boris Yeltsin's storming of the Russian parliament in 1993 - ostensibly in the name of democracy but in fact to enforce his insistence on a neoliberal economy that enriched a few but impoverished millions - brought the world Russia as it now is" (Chauvier, 2014). Yeltsin won the support of the army and chose bloodshed. He ordered a reluctant army to storm the Russian White House, setting it on fire. By the end of the day, approximately five hundred people were dead and almost a thousand were wounded, the most violence Moscow had seen since 1917 (Klein, 2007:227-229).

Liberated from the meddling of democracy, the economic team of the School of Chicago went on a law-making bang. "With the country reeling from the attack, Yeltsin's Chicago Boys rammed through the most contentious measures in their program: huge budget cuts, the removal of price controls on basic food items, including bread, and even more and faster privatizations—the standard policies that cause so much instant misery that they seem to require a police state to stave off rebellion" (Klein, 2007:230). It was clear that Yeltsin's reforms couldn't get the support of the people so, in December 1994, Yeltsin decided to start a war in Chechnya. Chechen independence movement was partially suppressed, and Russian troops took over the already abandoned presidential palace in Grozny, allowing Yeltsin to declare a glorious victory. Meanwhile, the privatization process was moving rapidly, and has given birth to a new class, the new Russian oligarchs, who possessed great amounts of Russia's wealth, controlled the banks and the media and developed close relationships with government officials. In order to win the elections in 1996, Yeltsin took advantage of a \$100 million financing from oligarchs (thirty-three times the legal amount) as well as eight hundred times more coverage on oligarch-controlled TV stations than his rival (Klein, 2007:232). After the war in Chechnya and Yeltsin's victory in the elections, the threat for changes in government didn't exist any more. It was the time when, as Naomi Klein describes,

“the knockoff Chicago Boys were able to move to the most contentious, and most lucrative, part of their program: selling off what Lenin had once called the commanding heights” (Klein, 2007:232). The last massive part of Russian privatization was introduced, in a procedure where through banks, Oligarchs gained some of the largest Russian industries with state money. Privatization followed by three main stages, was the key policy implemented in the transition period and caused lots of distortions and effects in Russian economy and society.

In Alexander Gentelev's documentary “The Rise and Fall of the Oligarchs” Russian ordinary people, government administrators and Oligarchs talk about the era of privatization, together with the rise and collapse of that new elite. Boris Berezovsky, a Russian Oligarch, admits that, in 1991, almost 100% of all property belonged to the state while today, 75% of this huge, rich country is no longer state property but is in private hands. In 1996, discontent was growing as the presidential election was coming and Yeltsin was preparing to stand. People preferred the nostalgia of the communist candidate Zyuganov, secretary general of communist party. Oligarchs were obviously concerned even more when the world economic forum in Davos, Switzerland happened in 1996. Zyuganov's ideas found attentive ears and explained his views on the possibilities of reform in Russia and the methods of saving the country from its crisis, supporting the creation of a business atmosphere that would make it feasible for foreigners to come and invest their capital in Russia. As a consequence, he exerted sympathy even from western investors. The Oligarchs were frightened of losing control and decided to unite in order to fight the communists, and found their leader in the face of Anatoly Chubais, also known as Russia's privatization minister. The election was finally won with Oligarchs using every possible means of power implementation. Zyuganov in the documentary “The Rise and Fall of Russian Oligarchs” describes his attempt to present in Russian media. *Even if the law allowed us 15 minutes on the air, they wouldn't let us in, they blocked all the channels. We tried to go on a private channel, paid for it, but that too was immediately blocked.* Berezovsky then admitted the role media played. *It's said that the media acted on orders. To these accusations all I can say is, yes, it's true. Directives were given, news coverage wasn't objective, but it's all part of a democratic process.* Another important confession is coming from Alexander Lifshitz, a former Finance Minister's words: *In 1996 when I was appointed chief economic adviser, they summoned me. They asked me to explain how things stood. There were eight or nine people there. The meeting took place in one of the biggest banks. One of them told me, quite frankly, “We brought Yeltsin to power. The country belongs to us and you'll do what we tell you to.” I asked, “What is it you want from me?” They gave me a list of their demands, which included consultation with them about all decisions, the appointment of ministry personnel only with their consent, and so on. I asked what would happen if I didn't do as they said. “You'll no longer be a minister!”*. By that time, the country was producing nothing and the coffins were empty. In the 18th of August 1998, the government announced that it was unable to pay its debts and the banks refused to pay their money to have depositors. Once again, the people were those who lost everything.

b. Privatizing Russia

The dissolution of the USSR in 1991 was a blustery transition to a totally different economic model. In most countries under the process of transition, privatization was the third of three key reforms designed to encourage the market economy. The first was price and trade liberalization; fiscal and

monetary tightening was immediately required for stabilization; the third reform, privatization, aimed to encourage entrepreneurship and the spread of private ownership in previously command administrative economies.

The new government's goal was to overcome the economic backwardness of the soviet period and approach more to the standards of the West. USA, IMF and World Bank played a crucial role in guiding Yeltsin's government to impose an economic program based on Milton Freedman's School of Chicago. A key-point in the Russian transition was the massive privatization of state owned enterprises. That was a prerequisite to gain the west's support, as far as decentralization of the economy and private ownership were crucial elements for “democratization” and vital part of the program that the Chicago Boys introduced. Besides, Russia was not simply one country in transition. As Naomi Klein observes, “in Russia, too much wealth hung in the balance: huge oil fields, about 30 percent of the world's natural gas reserves, 20 percent of its nickel, not to mention weapons factories and the state media apparatus with which the Communist Party had controlled the vast population” (Klein, 2007:227). The policies were introduced under the promise that for almost six months things would be worse and then the recovery would begin. In the contrary, such a recovery never happened.

During that era, low productivity and technological backwardness, as well as the turn from the heavy industry sector and the military to a production based on the consumers' demand, caused various problems. As Malkidis writes, the USSR had given priority to the development of heavy industry, had neglected services and consumer goods - the two sectors that showed strong growth in the decade of 1990 - the agricultural sector continued to occupy a significant part of the workforce, while the services sector, which for purely ideological reasons considered as non-productive, had been undeveloped, like the light industry sector (Malkidis, 2005:137-138). At the same time, he adds, the enforcement of the policy of perestroika led to low growth rates, inflation, wage increases above productivity, enlargement of the budget deficit and a fall in the living standards of the population (Malkidis, 2005:138-139). The introduced forcible reforms caused numerous problems to both economy and society, as the reformers tried to change the economic model in a single day. Privatization was enforced so as to succeed in economic growth, by passing from state ownership to private. Soviet corporations eventually turned into huge industrial and financial trusts. Another important step to market economy was made in January 2, 1992 when Gaidar freed prices. At that time, 10,000 rubles would have bought a car. However, by year's end, 10,000 rubles might have bought a good pair of shoes, say Bivens and Bernstein (Bivens & Bernstein, 616). That choice was decisive enough to cost Russian people's life savings. However, not all prices were deliberated. Those with access to oil and other undervalued natural resources—precious metals, lumber, natural gas- immediately ran up fabulous fortunes by buying for domestic prices and selling abroad (Bivens & Bernstein, 617). In the first year, state factories were cut off from money and credit, hyperinflation wiped out personal savings, scientists and engineers who had been open to change were told to make it on their own. Behind any policy they were implementing, was seeking the same blackmail: Reform or go back to the Soviet past, a dilemma that kept democracy out of the priorities. Naomi Klein quotes that, after only one year, shock therapy had taken a devastating toll: millions of middle-class Russians had lost their life savings when money lost its value, and abrupt cuts to subsidies meant millions of workers had not been paid in months (Klein, 2007:224-225). She also observes that the average Russian consumed 40 percent less in 1992 than in 1991, and a third

of the population fell below the poverty line and the middle class was forced to sell personal belongings from card tables on the streets (Klein, 2007:224-225).

Privatization was held in three stages. With its roots in Gorbachev's era, spontaneous privatization was introduced between 1988 and 1991, transferring property rights of enterprises to managers and employees. The foundations for capitalism have already been set as state didn't monopolize property ownership. Afterwards, the privatization of state enterprises began in 1991-1992, with the mass privatization phase, where each Russian citizen, was given a 10,000 ruble voucher and the remaining shares were sold to individuals. Under a program designed by Anatoly Chubais, then thirty-five, with the help of Western advisers, small businesses and shops would be sold at local auctions (Bivens & Bernstein, 619-620). Larger industries would be turned into corporations whose shares would be given to workers and management, and also sold to the impoverished general public, which would be issued special chits—privatization vouchers—for use in buying them (Bivens & Bernstein, 619-620). Voucher-holders soon found no interest in keeping their shares as the amount they reflected was declining. Thereby, they sold their shares, exchanging them with money. Nevertheless, the same procedure has not been followed in Gazprom case, the Russian natural gas monopoly once headed by Prime Minister Chernomyrdin that was characterized by Boris Fyodorov, writing in *Izvestia*, as “the biggest robbery of the century, perhaps of human history”. Gazprom was privatized secretly, with the company managers getting a huge cut (Bivens & Bernstein, 622). In an anti-corruption campaign in 1992, Yeltsin issued a decree liquidating Ostankino, the company that used to run Chanel 1 and transferring its property and privileges to a new company, ORT (Bivens & Bernstein, 626). With a single signature, the only media which could be seen in the whole Soviet Union has been privatized, without conforming to the laws on privatization. Housing privatization was another program under which every family could privatize the former apartments where they were living. Like vouchers, many people, mostly elders, liquidated their assets to gain money. At the same time, Yeltsin ordered an apartment building on Moscow's Ulitsa Osennaya commandeered and renovated and were doled out as gifts to government and economic elites, at state expense (Bivens & Bernstein, 623). Non-state outsiders owned relatively few shares in the period immediately following privatization, in fact only 13 percent according to a government survey of 312 privatized enterprises, with about a quarter of these shares in the hands of private citizens (RusTrends, 1997:No. 22). Malkidis also notes that, since summer 1992 till September 1994, more than 100,000 industries were privatized that covered 60% of the value of fixed industrial installations and gathered 83% of total employment (Malkidis, 2005:143). As the voucher program closed in 1994, more than 17,000 large and mid-sized enterprises had been privatized, and among shareholders were 41 million Russian citizens -a statistic that has become obligatory in all newspaper articles heralding the success of Russia's market transition ((Bivens & Bernstein, 44).

Vouchers were the means to privatize some small and medium enterprises. The next step was Russia's real wealth, strategic industries such as oil, metals, media, telecommunication, that were privatized massively. Between 1995 and 1996, the third stage of privatization was introduced. Before that, the remaining state holdings were to be sold for cash at competitive auctions, with part of the proceeds going to the companies as capital for their restructuring and the rest going to the government. However, on August 31, 1995, a different approach was taken. Yeltsin introduced “loans for share”, meaning that banks would inject money into the most heavily indebted

enterprises in return for a significant volume of shares. This was actually an underhanded way to sell off those companies, with state money, through the banking system. Biddings started to open, for 40 percent of oil company Surgutneftegaz, 38 percent of Norilsk Nickel, a metals combine that produces more than a quarter of all the world's nickel and more than a third of all the cobalt, 51 percent of the enormous Sidanko oil company, 5 percent of LUKoil, Russia's largest oil company, 78 percent of Yukos, Russia's second-largest oil company and, last but not least, 51 percent of Sibneft, Russia's seventh-largest oil company (Bivens & Bernstein, 627-628). All of them were bought for humiliating amounts, especially if someone takes into account the wealth those industries produced. As a consequence, state almost gifted its most strategic industries to the new Russians, in a procedure that was highly corrupted, as companies were actually splitted up among the oligarchs that in a day possessed Russia's wealth and, therefore had an absolute control of the Russian economy. Following this, Chubais, as the main representative of the Oligarchs focused on a new phase of privatizations. His first task was to organize privatization on SVYAZINVEST (telecommunications). Soon after, Chubais changed the rules of the privatization process by not accepting the amount of money given by Gusinsky for the tender. Therefore, Chubais and the Oligarchs were no more friends. They used the media to put pressure on Chubais in cooperation with the state security services. After all, Chubais was forced to resign.

Changes in Russia were rapid so as people couldn't react. Klein writes that "workers often did not even know that their factories and mines had been sold—let alone how they had been sold or to whom" (Klein, 2007:231). In a Frontline episode "Return of the Czar" a woman that worked in a factory says: "Who got that? They are dismantling our machines, selling them off, anywhere they can! Who knows what's happening, none asks us". Afterwards, a man says about the factory he (used to) work(s): "I don't know if the factory has been privatized or not. Let them privatize it. But who will do it? It would be again the same management, not us, the workers, we know anything at all". The beneficiaries that used to belong to the people were almost donated to a closed club of Russians, many of whom were former Communist Party apparatchiks. "A clique of nouveau billionaires, many of whom were to become part of the group universally known as the oligarchs for their imperial levels of wealth and power, teamed up with Yeltsin's Chicago Boys and stripped the country of nearly everything of value, moving the enormous profits offshore at a rate of \$2 billion a month", says Naomi Klein (Klein, 2007:231). "Before shock therapy, Russia had no millionaires; by 2003, the number of Russian billionaires had risen to seventeen, according to the Forbes list" she adds (Klein, 2007:231). What was interesting – and unusual – was that foreign capital didn't have access to buy what was being privatized. Russian oligarchs had the monopoly at first but then they were the ones to shell their shareholders to foreigners. As the Moscow Times journalists Matt Bivens and Jonas Bernstein put it, "a few hand-picked men took over Russia's state-developed oil fields for free, as part of a giant shell game in which one arm of government paid another arm" (Bivens & Bernstein:629). Loans for shares was a project that expanded corruption. Politicians were actually selling public industries and the oligarchs were buying them. In addition, most of Yeltsin's ministers transferred big amounts of public money into private banks (mostly in Bank Menatep and Uneximbank, controlled by oligarchs). It was the same banks that then run the privatization auctions for the oil fields and mines. That privatization process has also been called the sell of the century. It wasn't just that the public wealth of a country was sold off in a degrading price, it was also sold with public money.

c. The emerge of the elites, Russian Oligarchs

The years that followed the collapse of the Soviet Union with the privatization programs that were introduced, a new class emerged in Russia, called as “Oligarchs”, “new Russians” or “tycoons”. The Oligarchs were those who stepped in to pick up the peaces of the “new” country, and, within four years, a massively wealthy country was three quarters privately held. Assets of 20 billion dollars were stolen for a fraction of their value. The oligarchs controlled more and more of the Russian economy and soon droved to the government.

Oligarchs were raised in a world that businessman was equal to criminal. However, that changed rapidly. Their story began with Gorbachev and his policy of perestroika that introduced free market “economy”. The whole procedure was violent enough to create embarrassment to the people that didn't notice when, how and who gained all that wealth. As a consequence, in new Russia, few personalities succeeded in becoming wealthy magnates, others powerful political figures. Sometimes, Oligarchs did both. As far as the Oligarchs emerged through the privatization stages held in post-socialist Russia, it is important to look back on the people that meant to shape that new class, as well as the others who played a key role in policy making that favored the Oligarchs. Their life and activity in the late years of the Soviet Union is also important to get to know the new Russian elite.

Anatoly Chubais was to a large extent responsible for privatization in Russia as an influential member of Boris Yeltsin's administration in the early 1990s. Before the collapse of the Soviet Union, secret economic circles according to western standards emerged, as the state was already taking the neoliberal path to meet market economy. Chubais was an economist and many of his tasks were devoted in reforming Russian economy. He soon succeeded to form a cadre and organize a low-key seminar on economic reform (Hoffman, 2002:88). The seminars continued to grow as Gorbachev applied perestroika reforms and at the same time, Chubais and his group got “profoundly inspired by a two-volume, 630 page book published in 1980 by a Hungarian economics professor, Janos Kornai” (Hoffman, 2002:89). After Kornai, Friedrich von Hayek, an Austrian economist was to influence Chubais and his team around denunciation of central planning (Hoffman, 2002:90). Chubais needed to enlarge his circle and tried to find contact with others in Moscow, where he met Yegor Gaidar. In the early steps of perestroika, “the Gaidar-Chubais group produced a 120 page report, adapting some of the Hungarian and Yugoslav reforms to the Soviet system” (Hoffman, 2002:93). Soon, discussions about how privatization would happen were taking place in those inner circles. As in 1990 radical democrats swept into the Leningrad city council, Chubais delivered a speech to them on “shock therapy” economic reform in Poland, and they installed him as chairman of a special committee on economic reform (Hoffman, 2002:98). The next step for Chubai's team was to proceed in doing reforms such as land and currency regulation and privatizing small shops and businesses (Hoffman, 2002:98). When Yeltsin got elected, Gaidar called for Chubais to work with him on Russia's radical economic reform. In November 1991, Chubais became Yeltsin's minister in charge of management of state property. In other words, Yeltsin's privatization minister. The following years, Chubais privatized as much as possible without delay. First, it was voucher privatization, where, every citizen would be able to become a property owner. Chubais admits in Alexander Gentelev's documentary “The Rise and Fall of the

Oligarchs”: *We sneaked them through the Supreme Soviet during the holiday. They were issued on 28th August and on 3rd September there was to be a vote banning privatization. The first vouchers were handed out on 1st September. That's why it (the banning of privatization) didn't go to vote.* State property was finally divided up to 148 million vouchers which people could claim. Then they started claiming of to each other before reselling them a few months later to pay for groceries, or invest. Soon they lost their value and people were massively selling them. The oligarchs took advantage of the situation and concentrated wealth, thanks to Chubais, who in the second wave of privatization benefited a few oligarchs that accumulated most of Russia's wealth. Afterwards, from November 1994 until January 1996, Chubais held the position of deputy prime minister for economic and financial policy in the Russian government and continued to influence the economic policies applied in Russia from an upgraded chair.

Another important figure was Yuri Luzhkov. At the early years of perestroika, Luzhkov was a seasoned Soviet industrial manager, in charge of “vegetable bases”, the place where the whole production was gathered in the city so as to be distributed to the people. The products were a lot and most of the times, big quantities were rotten. The whole procedure came afterwards to be highly corrupt as large quantities were stolen. Hoffman writes that “every day twenty thousand Muscovites were drafted to re-sort, repack, and restack the spoiling, rotting produce” (Hoffman, 2002:55). Soon, Luzhkov was fond of Western ideas and focused on individuals' capabilities. As the stealing happened by three groups, workers, truck-drivers and stores, Luzhkov came up with a capitalist idea. If they lost fewer vegetables to spoilage, they make more money and then pay people more – and reduce the stealing (Hoffman, 2002:66). In 1990, at Yeltsin's urging, Popov chose Luzhkov to be city administrator and he agreed (Hoffman, 2002:72). Luzhkov tried to cope with the chaos, imposing measures like identity cards for Muscovites to buy food but black market sprang up, prices skyrocketed and then, he decided to use militia to enforce rigid price control (Hoffman, 2002:73). In 1991 Popov ran for mayor in Moscow, took Luzhkov as candidate for vice mayor and they finally won with 65.3 percent of the vote (Hoffman, 2002:73-74). When on August 1991 a coup was attempted, “Luzkhov faced a choice – to go with the coup plotters or to join Yeltsin against them” (Hoffman, 2002:74). Yeltsin urged Luzhkov to organize popular resistance to the coup and issued his own denunciation of the coup, calling Muscovites to join in a general strike (Hoffman, 2002:74-75). Luzkhov was becoming more popular as he had given so many people apartments, kept Moscow's media on-air to fight the coup behind the scene and finally stood up to deconstruct it (Hoffman, 2002:75-76). When the Soviet Union fell apart, Popov wanted to quit and had disagreements with the Gaidar government (Hoffman, 2002:76-77). As a consequence, Luzkhov, who has always been supported by Yeltsin, became Moscow's mayor on June 6, 1992 (Hoffman, 2002:77). As a mayor he focused on large construction projects and building of a new financial district. Most of his actions were accused for being corrupted, although he has been a mayor for many years.

Mikhail Khodorkovsky started at a very young age to concern himself with financing. At first he was deputy chief of Komsomol (youth of the communist party) at the Mendeleev Institute of Chemical Technology, one of Russia's oldest industrial schools (Hoffman, 2002:105). In the summer of 1987, he was forced to make a choice between climbing the ladder in the Komsomol or leave the institute and get engaged with what they called “self-financing tricks” (Hoffman, 2002:106-107). He decided to follow the second option and soon “discovered how to exploit the

way money was controlled and used – and turn it into more money (Hoffman, 2002:108-109). Then, enterprises and factories used other than cash and *nalichnye*, which was used mostly for wages, *benzalichnye*, another kind of funds that was non-cash (Hoffman, 2002:109). So, Khodorkovsky realized early that he could make a fortune if he could figure out a way in which he could turn non-cash into cash and since 1987, he began to churn *benzalichnye* into sought-after cash and, even better, into even more valuable currency (Hoffman, 2002:109-110). At the same time, using the new Komsomol's set of financial rules, youth groups were allowed to raise and spend money as they pleased and set up their own bank accounts (Hoffman, 2002:110). In 1987 Khodorkovsky transformed his youth club into an NTTM (Center for Scientific-Technical Creativity of Youth) through which the cash made from non-cash were spread to workers, to the institute and its director, to Khodorkovsky's science center and a percentage rebated to the Komsomol (Hoffman, 2002:110-111). Those science centers, claims Gorodetsky, who worked with Khodorkovsky in the early days, often did not pay the institutes or factories for use of the equipment, laboratories, or space where the work was done so they were making money while using state property (Hoffman, 2002:113). His next step was to find enterprises that would exchange the non-cash for valuable foreign hard currency through export companies (Hoffman, 2002:114). In the era of glasnost and perestroika, Khodorkovsky transformed his science center into a cooperative. Except from trading cash he started trading goods, and specifically computers that were really profitable. The law on cooperatives also allowed the creation of banks and soon Khodorkovsky got involved with banking, by first asking for a loan from Zhiltsotsbank, one fifth of the main bank of the Soviet Union for financial social needs (Hoffman, 2002:118-119). As far as Khodorkovsky did not have a commercial bank, he couldn't take a loan. So, he decided to set up his own commercial bank, that was formally registered as Bank Menatep at the end of 1988 (Hoffman, 2002:119). Thereafter, off-shore accounts were created and hard currency moved in and out of the Soviet Union (Hoffman, 2002:119-120). Menatep, was then becoming an authorized bank, one of the chosen commercial banks that served as an intermediary to transfer government money to enterprises (Hoffman, 2002:124). Meanwhile, his connections were extending and off-shore banking heavens were found in countries like Gibraltar, Switzerland, United States and Geneva (Hoffman, 2002:124-125). State's or the party's money disappeared through Khodorkovsky's business and no investigation ever found a clue. Khodorkovsky then served as an economic advisor to Yeltsin's government and continued as chairman of the Investment Promotion Fund of the fuel and power industry in 1992. In March 1993 he was appointed Deputy Minister of Fuel and Energy of Russia and finally, in 1995, Menatep acquired a major Russian oil producer, Yukos, which had debts exceeding 3.5 billion dollars, for only 300 million dollars (Timeline, 2005). In 2005, Khodorkovsky was arrested for stealing the state for millions.

Boris Berezovsky is maybe the most well-known Russian oligarch. In a young age he was devoted to science and labored at applied mathematics. Berezovsky knew that people then dreamed of a car and a flat so he made a big car industry and got his hands on thousands of cars which he sold even before he bought them. He also benefited from the opening of the free market. He bought soviet cars intimidated for a very low price and then sold them back to the Russian citizens at the price set by the authorities. His car export business in fact only existed on papers. He also created a joint stock company in which by subscribing, people would have the chance of owning the first cars made. He collected 50 millions but the factory was never build. In the Soviet System ideology was not that

strict when maths were concerned and mathematicians worked for years on models of a market economy (Hoffman, 2002:131). Soon, Berezovsky realized that science was not his field and he was searching satisfaction through winning prestigious prizes. In the early years of perestroika he turned into business, by his occupation with cars. He identified quickly that “at that time, an enormous number of people wanted to buy cars” (Hoffman, 2002:137). Berezovsky combined scientific surveys with automobile factories. The Volga automobile factory, was the largest in the Soviet Union and in the years of perestroika the factory was rotting from within (Hoffman, 2002:138). Both cars and their spare parts of them were distributed through central planning but as the economic model was changing and market economy was introduced, spare parts were stolen from inside and became a valuable second currency (Hoffman, 2002:138-139). As Hoffman writes, “Avtovaz, a company with four billion rubles in sales and 670 million dollars a year in hard-currency earnings from exports, a vast warehouse of windshield wipers and carburetors that were extremely valuable, a phalanx of assembly lines producing modest but desperately sought automobiles, was being turned into an extremely lucrative bazaar” (Hoffman, 2002:139). The managers got involved with the theft as central planning was collapsing. Berezovsky's first deal was the software, which he sold to the State Committee on Science and Technology and earned the first millions of rubles (Hoffman, 2002:140). In January 1989 Berezovsky gathered with some other friends to start a business and came up with ideas that finally drove to individual projects such as computer networking (Hoffman, 2002:142). In May 1989 Berezovsky founded Logovaz and wanted Avtovaz to serve as one of the founders, as well as a client his new company (Hoffman, 2002:143). Berezovsky started to build his empire by cooperating with people that had a strategic role in the previously state-held factory. This is how he persuaded Avtovaz to give him a loan of five million dollars to import 846 small fiats (Hoffman, 2002:144). At the same time, managers began to form their own companies, taking advantage of their connections but criminal groups stood also in the assembly line to claim the cars (Hoffman, 2002:146-147). Berezovsky also multiplied his capital by first convincing Avtovaz to give Logovaz a huge fleet of cars on consignment (Hoffman, 2002:148). Afterwards, with hyperinflation just around the corner, the fact that Berezovsky was going to repay in rubles meant that he would actually pay far less money (Hoffman, 2002:148). Actually, Berezovsky became the first to create a market in Russia that worked with sales rather than distribution (Hoffman, 2002:149). One other operation that Berezovsky got involved was All-Russia Automobile Alliance, a venture fund he formed in 1993. Berezovsky got also involved with the Russian media by gaining control over ORT Television. While he was becoming a public figure, he had his sight on the privatization of state tv, as a way of undermining Gozinsky's power over media. His goal was the same. To exert as much influence as possible. Thereafter, he became a billionaire by cleverly combining business with politics. Berezovsky was coming closer and closer to Yeltsin and soon got involved with politics. Using his influence through the media, Berezovsky helped Yeltsin win the elections of 1996 and won a place in government. When loans for shares privatization process emerged, he assisted Roman Abramovich in acquiring control of Sibneft, the sixth largest Russian oil company. Berezovsky combined successfully business with politics. Berezovsky approached Yeltsin by saying that he wanted to do his memoirs. He was given control of Sibnaft, Russia's 3rd largest oil company for only 100 million dollars. First he approached Yeltsin, then soon became one of his guard. In the documentary “The Rise and Fall of the Oligarchs”, Berezovsky admits: “I've never denied that the most profitable investment for a wealthy person in Russia is an investment in politics, I've never tried to pass myself off as someone who has

altruistic motives.” During privatization, Berezovsky acquired lots of companies, like ORT TV, Sibneft, Aeroflot and Logovaz.

Alexander Smolensky was raised in the soviet state, too. His “career” as an oligarch has his roots when, being in the army, he started printing business cards. After the army, he worked for three years in the printing shop and then became a shop steward at the publishing house of a Soviet industrial ministry but also made good use of his press at night, printing Bibles in defiance of the system (Hoffman, 2002:34). Those actions were of course illegal but at Gorbachev's era, a second economy was flourishing under the nose of the state. When shortage economy came into force, Smolensky became a boss in a department of Remstroitrest, a state-owned apartment building and repair enterprise (Hoffman, 2002:36). Thereafter, the law on Cooperatives introduced by Gorbachev, allowed the formation of financial or credit businesses as cooperatives. That law also became the vehicle to create banks. Smolensky was fast enough to make a fortune through that opportunity. His proposed cooperative was called Moskva. Hoffman writes that in the months that followed, Smolensky's cooperative became a booming success. However, Smolensky was afraid to deposit his money in banks, as far as his fortune has not been made in a legal way. In 1989 Smolensky decided to start his own bank, Stolichny and solved his problems. Soon, banking monopolized Smolensky's activity and closed his cooperative. He continued with his secret operations without getting engaged with the state. Hoffman also refers to Hellman's visit to Smolensky in 1990, “where he noticed that the banker had spread out on his desk brochures promoting the big American mutual funds, such as Merill Lynch and Fidelity” (Hoffman, 2002:50) and identifies that “Smolensky was looking for ways to ship cash overseas” (Hoffman, 2002:50). Finally, great amounts of -illegally earned- money at that time where moved to offshore zones. In 1992, the first annual report was published and Smolensky boasted that Stolichny was one of the first twenty Russian banks to be linked into the SWIFT international bank transfer system, and that Stolichny had thirty-four correspondent bank relationships abroad (Hoffman, 2002:51). In 1992, Russian Central Bank received, by fax, a series of wire transfer orders known as “avisos” from the southern Russian republics of Dagestan and Chechnya (Hoffman, 2002:51). The avisos ordered the Central Bank to immediately transfer millions of dollars to various Moscow commercial bank accounts, including 30 million dollars to Stolichny (Hoffman, 2002:51-52). As a consequence, a criminal investigation was opened against Smolensky but it was then closed without charges in 1999 (Hoffman, 2002:52). He is known for being the founder and president of one of the largest private banks in Russia.

Michail Chernoy is also one of the “famous” Russian oligarchs. At an early year, he was drafted into the Soviet Army and attended a technical college. Later, he occupied with boxing and football, and was employed in sports administration. Chernoy was the one that founded Trans-World Group (TWG), the first and largest private company in Russia, which at one time produced 80% of Russian aluminum products. As he recalls in the documentary “The Rise and Fall of the Oligarchs” about the era when privatization took place. *It was a golden age for people with initiative and intelligence, those who adopted quickly caught the golden goose, we were some of those people.* Chubais also exposes some facts concerning that era: *When Soviet Union fell apart, so did the connections between factories, the people in the factories were scared, gloomy and dejected. You could go to a factory with a carton of Malboro or a bottle of whiskey and you could buy whatever you wanted. A plant would send out thousands of tons of metal without receiving any money in*

return and if any money was sent, it was a tenth of the real cost. Managers were finding it hard to communicate with one another as they needed a go-between, a company that would play that role. Consequently, that was what he was occupied with. He took over for the state, supplying the factories with raw materials, supervising the processing, picking up the finished product and selling it. All this as if it belonged to him. On the one hand, there have been shortages of everything for so long, but the authorities told the people they could just do it by themselves, like the Oligarchs did. Chernoy remembers that in 3 or 4 months we bought the stock of the aluminum factories in Bratsk, Sayansk and Novokuznetsk. Therefore, he took hundreds of thousands of the vouchers and took control of the world's biggest aluminum giant.

Vladimir Gusinsky was another billionaire who started as a theater director. Then, his “career” as an oligarch started when he founded an industrial cooperative “Metal” and quickly became king of copper bracelets in the Soviet Union (Hoffman, 2002:151). Later on, he founded another cooperative “INFEKS” under the auspices of the Ministry of Foreign Trade of USSR, whose role was to consult foreign companies that were entering into the Russian market. In 1989, Gusinsky established one of the largest private banks in Russia, “Most Bank”. Gusinsky states in his interview in “The Rise and Fall of the Oligarchs” documentary that “I’ll be cynical and say that the society can be divided in two groups: There’s the minority, who are never happy with what they have, who are always searching and creating things and there’s the majority, who work honestly and professionally, those who lead and those who follow”. As a banker, Gusinsky had the funds and introduced the first commercial television, a company named NTV. Soon, he had the absolute control of public opinion that helped him strengthen his place. In 1994, under the war with Chechnya, Gusinsky opposed to Yeltsin and NTV let the journalists say what they saw. As a consequence, Yeltsin wanted to get rid of Gusinsky. The authorities then showed them who’s the boss. As Korzakov describes in “The Rise and Fall of the Oligarchs”, in December 1994 a motorcade of bodyguards was stopped while armed men and guards, they were forced to lie down in the snow for several hours. Consequently, Gusinsky had to leave Russia.

Russian citizens interviewed in the same documentary, talk about that era and seem to wonder on the emerge of the Oligarchs. *“How did they become billionaires? Did they work day and night in the factory to earn their millions? I’d like to ask the oligarchs how they managed to rob the state for 25 million rubles. I worked for 45 years and my pension is 1,700 rubles. People like me just hate them because they’re crooks. My pension isn’t still enough, I have to work”*. Another man, trying to define an Oligarch says just that “an oligarch is rich and exerts influence to politicians”. Moreover, a woman in sarcastic mood adds *“The oligarchs? Well done! They know what life is about”*.

d. Sock-therapy effects in Russian society

When privatization process was complete, Russia was left with a devitalized society. By 1998, as Klein observes, “more than 80 percent of Russian farms had gone bankrupt, and roughly seventy thousand state factories had closed, creating an epidemic of unemployment” (Klein, 2007:237). Malkidis, cites that in 1992 unemployment was 22-25% of the work force (Malkidis, 2005:183). A continuous radical rise of unemployment was taking place together with turmoil in the workplace and rise of strikes. In 1989, before shock therapy, tabulates Klein, 2 million people in the Russian Federation were living in poverty, on less than \$4 a day (Klein, 2007:237-238). On the contrary, she

says that “by the time the shock therapists had administered their bitter medicine in the mid-nineties, 74 million Russians were living below the poverty line, according to the World Bank (Klein, 2007:237-238). Inequality in income distribution was widening. It is characteristic that the ratio of the richest 10% of the population to 10% of the poorest overthrown, from 4.5% in 1991 to 8% in 1992 and 13% in 1996 (Malkidis, 2005:183). Furthermore, during the 1990s, according to Russian Federation's data, income differences passed from 1% to 8% among the 10% of the poorest and 10% of the richest in 1992, to a difference 1 to 30 in 2000 (Malkidis, 2005:183). Besides, the rise in prices and inflation rise caused a lot to the least favored social groups and more people lived below poverty line. As Klein observes, “that means that Russia's economic reforms can claim credit for the impoverishment of 72 million people in only eight years (Klein, 2007:238). By 1996, she adds, “25 percent of Russians - almost 37 million people-lived in poverty described as desperate” (Klein, 2007:238). Likewise, minimum wage in 1999 was 3 dollars, in 2000 five dollars and 10 dollars in 2004, when at the same time the minimum living cost was about thirty three dollars (Malkidis, 2005: 138).

Another effect was a vast decline in Russian population. Since the USSR dissolution, Russia's population has declined in 3.4 million people and Russian population declines about 750,000 per year (Malkidis, 2005:187). Klein also refers to the decline of population by citing Vladimir Gusev's, a Moscow's academic, words. "The years of criminal capitalism have killed off 10 percent of our population" (Klein, 2007:238). “Russia's population is indeed in dramatic decline - the country is losing roughly 700,000 people a year” (Klein, 2007: 238). He also observes that “between 1992, the first full year of shock therapy, and 2006, Russia's population shrank by 6.6 million” (Klein, 2007: 238). Less children were born because of the expenses at the same time when prices were continuously rising. The excessive increase in the prices of consumer goods after 1992 led to the impoverishment of even more layers of the people (Malkidis, 2005:189). Since December 1992 to July 1993, rise in prices came to 42% while purchasing power increased for 35% (Malkidis, 2005: 189). An increase in working hours was also enforced, so as the Russians would keep up with the new conditions. As a consequence, leisure was more passive, when in the past, it used to be more devoted to culture. Less and less people were going to the theater, concerts, circus, libraries as well as reading literature and newspapers (Malkidis, 2005:194). Contraction was observed in further social development indicators, such as in education. In 1992, the costs in Russian Federation were 3.4% of GDP while in 1970 it was 7% (Malkidis, 2005:184). Meanwhile, between 1990 and 1994, the number of pre-school establishments declined to 15,000 (Malkidis, 2005:184).

A further social effect was the increase of homeless kids. In 2006 the government admitted that there were 715,000 homeless kids in Russia, and UNICEF has put the number as high as 3.5 million children (Klein, 2007:238). After 1991, health system aids, divorces and trafficking also increased. Crime was in rise, too, as well as alcoholism, use of drugs, suicide and children abuse. Alcoholism has become one of Russia's vast problems. “Under capitalism, Russians drink more than twice as much alcohol as they used to —and they are reaching for harder painkillers as well” (Klein, 2007:238). As far as drugs are concerned, “Russia's drug czar, Aleksandr Mikhailov, says that the number of users went up 900 percent from 1994 to 2004, to more than 4 million people, many of them heroin addicts”(Klein, 2007:238). Accordingly, “in 1995, fifty thousand Russians were HIV positive, and in only two years that number doubled; ten years later, according to UNAIDS, nearly a million Russians were HIV positive” (Klein, 2007:238). As soon as shock therapy was introduced in

1992, Russia's already high suicide rate began to rise, “1994, the peak of Yeltsin's reforms, saw the suicide rate climb to almost double what it had been eight years earlier” (Klein, 2007:238). Crime was in a rise as well, by 1994, violent crime had increased more than fourfold (Klein, 2007:238). Finally, “ethnic” issues emerged since the collapse of the Soviet Union. African students and members of ethnic Tajik who were beaten by marginal groups, Meskhet Turks who faced registration refusal and arbitrary denial of recognition as citizens of the Russian Federation and resulted in depriving a wide range of fundamental human rights such as the right to free movement, Chechens who were arbitrarily documentary and detention, attacks against Roma (Malkidis, 2005:199).

Western leaderships by proposing liberalism in the economic and political field disrupted Russian society that did not have the basic conditions for the rapid development of market economy and liberal democracy. Thus, when in Russian society shock therapy was attempted, the inevitable result was the rapid social impoverishment in a context where behind the ideological cloak of “competitiveness” and “democratic freedoms” a predatory mode of production and way of domination exists, vis-a-vis a system where organized crime interweaving with various political elites control the means of production. People suffered from a shock therapy, as the sell of their country was happening rapidly. However, the Oligarchs' presence was challenging, as they were living in luxury and were intensively over showing their wealth. Wealth is so stratified that the rich and the poor seem to be living not only in different countries but in different centuries. Oligarchs race around in black Mercedes convoys, guarded by top-of-the-line mercenary soldiers, and where Western money managers are seduced by the open investment rules by day and by on-the-house prostitutes by night, while kids read in the light of a candle (Klein, 2007:239). With the end of shock-therapy, Russia's territory was reduced by half, production was in a dramatic fall and the standard of living fell four times lower. Social and economic problems affected violently the majority of the people while few Oligarchs were accumulating the country's wealth as a gift.

Conclusions and discussion

The new era for Russia after the dissolution of the Soviet Union meant to be a disaster for both the industrial production and the way of living of Russian people. In that transition period, a new class of businessmen that owned large scale business in the fields of industry, banks and media emerged. Their association with government helped them in order to gain their wealth without paying to the state for it, concerning the procedure in which they gained ex state property as well as the fact that they didn't pay the taxes corresponding to their businesses. At the same time, Russian Oligarchs were showing off their wealth ostentatiously ignoring the suffering of the majority of Russian people. This thesis argues that while an understanding of the new Russian elite finds some obstacles due to their closed nature and the effect of time, important conjectures are deducted in order to deconstruct them. Therefore, it is important to find out the meaning and practices that elites maintain to define and sustain their identity, as it is suggested by Lotter in the first chapter. For Verdery, anthropology brings together scholars from many disciplines and emphasis should be given on institutions and bureaucratic centralism. Furthermore, the insights of close-up fieldwork observations presented by Hann as macro-societal problems of post-socialism, Humphrey's emphasis on the role of ideology as well as the characteristics given on elites by Cohen through

fieldwork, supplement our framework on the analysis of the elites.

Russian society was transformed urgently during transition. A new bourgeoisie class emerged as property relations have changed. The state didn't possess or control any more the means of production. At the same time, the process of transition and especially privatization was very fast and created an institutional vacuum in Russian Federation. Bureaucratic centralism abruptly ceased to exist creating huge capital leaks, as managers of the enterprises didn't communicate with each other and in center's absence, they were sending their staff without receiving any money. A group of Oligarchs, combining economic with political power, were in charge of wealth's distribution, or else concentration. Inequalities in income distribution have grown, small scale industries didn't exist any more and many state factories closed. Rise in prices and a decrease in minimum wage emerged simultaneously, together with a rise in unemployment and poverty. As a result, the short-term middle class -that existed due to Gorbachev's first part of privatization that concerned small-scale enterprises- disappeared, as in many other cases were violent economic policies and austerity measures were imposed in our recent history. The concentration of wealth by the Oligarchs and income differentiations that emerged through state transformation, market function and privatization, opened the gap between the two main classes. Oligarchs were the ones to own the means of production as they possessed major enterprises and wealth sources and the ones to control labor power produced by the workers in the enterprises. The inequalities that emerged were because of different class interests between the oligarchs and the working class and class struggle resulted in that undermining for the workers situation. It is important to state that the high speed of transition and shock-therapy were crucial to advantage the dominant class.

A new, dominant ideology was trying to consolidate as the common way of life in a rapid way. Where socialism was trying to maximize bargaining power, capitalism was trying to maximize profit. Where the goal in socialism was redistribution and the relationship between the party center and people, in capitalism was to pay less wages and use less material. That power was evidently used in favor of Oligarchs and government's common interests, even in a way that they forced the election results in 1996. The consolidation of capitalism as an ideology was a complex story. On the one hand, the dominant ideology – especially when concerning private ownership – was at first popular. At the same time, cultural and social aspects of the dominant ideology were – and still are – grounded in Russian society. Hegemony of capitalism as the “new” common sense was introduced first through consumerism, with products that were not considered necessary in the Soviet times. Luxury, life-style, sex and prostitution were the symbols that implied wealth and were shown-off by the Oligarchs in every public or private appearance or promotion by the media. Conversely, income differentiations, extreme poverty and unemployment brought out drug abuse, trafficking and the major problem that thorns Russia till today, alcoholism. Ideological state apparatuses were in force in the transition, too, especially those of media and religion. The new economic elite that was also tightly connected with government possessed the vast majority of Russian media. Subsequently, it is important to take into notice every-day aspects of life in Russian society, that can be understood in Foucault's bottom-up view of power in human relationships. One such observation can be gender issues. In post-socialism, “women are no longer guaranteed work outside the home and, at the same time, social benefits are being eroded and motherhood is being redefined as a private institution and responsibility”, says Sarah Ashwin (Ashwin, 2000:2). At the same time, religion was a new element in Russian society, enforced by the dominant elite. It was possibly there to short off replace the

dominant ideology of Marxism-Leninism, as people had to believe in something. As Hann writes, “both the resurgence of traditional religious practices and the efflorescence of new sects and cults need to be understood in the context of the general loss of faith in socialism as an ideological system” (Hann, 2002:6).

The new Russian elite can also be understood in a sociological view through the exertion of substantial power and influence over the public. On the other hand, an elite can't be understood as a naturally superior group of people. The struggle between different groups in societies is the one to give birth to reclassifications and change of power relations. In the case of Russian Oligarchs, it is also difficult to distinguish between governing and non-governing elites. For a variety of reasons, it seems that both government and the oligarchs had common interests. The government's goal was to enforce market economy whatever the cost and the prerequisite was privatization. The new elite wanted to acquire as much wealth as possible by using any possible means. In a fast and non-transparent procedure, privatizations were held and the new Russians became billionaires. In Klein's words, “far from acting as a cautionary tale, the rise of Russia's billionaire oligarchs proved precisely how profitable the strip mining of an industrialized state could be - and Wall Street wanted more” (Klein, 2007:242). Afterwards, through a common path that was highly corrupted, some Oligarchs achieved a drive to the government. Corruption wasn't an intruder to Russia's free-market reforms. Klein states that “quick and dirty deals were actively encouraged by Western powers at every stage as the fastest way to kick-start the economy” (Klein, 2007:241). What shock-therapy left behind was a highly corrupted Russian society. An important aspect on the post-socialist Russian elite can also be found in power elite theory, that refers to coincidence of interest between those who control the major means of production and those who control the newly enlarged means of violence. In the present case, the Russian military was a proper example to show that violence was enforced to maintain an elite's power.

It is obvious that not all scholars understand and analyze in the same way the post-socialist period as well as the previous era. In the present study, the soviet state is not understood as a “totalitarian” regime and the post-socialist transition has not been identified as “democratic”. The reasons for the collapse of the socialist regimes emanate more from the bureaucratic centralism or even the inefficiency of the production process. In addition, the late years of the Soviet Union, the regime was sabotaged from inside with the emerge of second economy and the accumulation of property and power by the managers of former state enterprises. Subsequently, if we observe the international tendencies and power enforcement to post-socialist countries as well as the reforms implemented in Gorbachev's era, a perception for what lead socialist states to dissolve, is more complete. West's involvement was highlighted by Klein, who wrote that “for both the Clinton and Bush Sr. administrations, not to mention the European Union, the G7 and the IMF, the clear goal in Russia was to erase the preexisting state and create the conditions for a capitalist feeding frenzy, which in turn would kick-start a booming free-market democracy—managed by overconfident Americans barely out of school” (Klein, 2007:239).

Russian privatization has a variety and complexity that more adequate outcomes can emerge through fieldwork and observations conducted in the future. However, through the present study came out important outcomes. The privatization process held in three stages didn't achieve to revive Russian economy, on the contrary, it collapsed as it was based on loans. As Kagarlinsky notes,

“privatization did not assist in creating a competitive market, instead giving birth to uncontrolled monopolies that exploited the consumer” (Kagarlinsky, 1995:85). Consequently, huge inequalities emerged, poverty and unemployment increased. The state that was obliged to provide health and education services in a high quality and for free, didn't exist anymore. Alcoholism, trafficking and drug abuse emerged, and the effect was imprinted in children's welfare, with a vast increase in the number of homeless children. Russian population declined and organized crime was in rule.

To conclude with, privatization as a source of wealth acquisition by privileged elites remains a complex and a highly arguable matter that must be thoroughly examined. However, the present study illustrated a view that post-socialist transition was not held in democratic means, instead, state property was transferred in few Oligarchs without any public profit in a highly corrupted process. Russian economy and society suffered from the implemented policies and their outcomes are still vast nowadays. A further assumption that emerged during the current study is that, approaches of political economy, anthropology and sociology are perceived to interact successfully, in order to shape a more concrete analysis on elites and societies. The concept of inequality brings together class and elite theory and provides a comprehensive framework on the structure and analysis of the elites, complemented with anthropological observations that emphasize on elites practices and macro-societal problems of post-socialism.

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