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Privatisation and the emergence of new business elites in Russia

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P 01-004

PRIVATISATION AND THE EMERGENCE OF
NEW BUSINESS ELITES IN RUSSIA

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I. Introduction

Over the past ten to fifteen years, social scientists throughout the world have focussed a great deal of attention on the transformation of society in eastern and southeastern Europe. Initially, they concentrated on processes that had long been emerging and taking shape in Poland and Hungary. After 1985 the attempts to promote perestroika in the Soviet Union attracted increasing academic notice abroad. After the complete collapse of state socialism in eastern and southeastern Europe in 1989/1990, the accompanying processes of transformation became the subject of investigation from a comprehensive, national, and to some extent comparative perspective, primarily in empirical studies. The resulting literature now fills libraries and deserves generalising theoretical analysis.

Social science literature, including that of earlier decades, has provided theoretical and methodological milestones on the road to a general sociological theory of societal transformation, also relevant for the far-reaching current processes and the wealth of empirical material available on eastern and southeastern Europe. It has dealt with various forms of societal transformation like the shift from feudalism to capitalism (from Marx to Braudel's socio-historical studies), from capitalism to the Soviet type of socialism (from Bucharin's "Economics of the Transformation Period" and Sorokin's "Sociology of Revolution" to Wittfogel's "Oriental Despotism" and Djilas' "The New Class"), with changes taking place within capitalist economic and societal systems (from the vast literature on imperialism to Mannheim's "Man and Society in an Age of Reconstruction" and Polanyi's "The Great Transformation"), with the socio-economic dimensions of globalisation and with the world economy (Wallerstein), and with the development of a new, endogenous society, like Eisenstadt's "The Transformation of Israeli Society". To this extent, the transformation processes that eastern and southeastern Europe are currently experiencing are not only of academic interest in themselves. They give decisive impetus to a long-term line of research that is of both theoretical and practical relevance for the international social sciences.

Two geographical complexes in eastern and southeastern Europe affected by transformation have received particular political and scholarly attention in recent years: the first candidates from the area for accession to the European Union (Poland, the Czech Republic, Hungary) and, secondly, Russia and the other successor states to the USSR, particularly the Baltic countries and Ukraine.

The particular salience of Russia in the transformation of eastern and southeastern Europe arises from its former, continuing, and certainly future role in the international economy and international politics (geopolitical coordinates; natural, economic, and intellectual resources; the singularity of its historical development over the past century; the search for a new profile in the national economic and social order, and its international role).*

* Cf. also: H. Steiner; Die Herausbildung neuer Sozialstrukturen im gegenwärtigen Rußland. „Sitzungsberichte der LEIBNIZ-Sozietät“, Bd. 41. Jahrgang 2000, H. 6, S. 5-72

II. Social Structural Results of Gorbachev's "Perestroika"

The perestroika or restructuring of the Soviet social system initiated in 1985 by Michael Gorbachev pursued three essential objectives: first, the democratisation of political life, second a moderate replacement of political elites by open-minded and intellectual *nomenklatura* cadres, and, third, economic reform. In each field, decisions were made on the "trial and error" principle. This is apparent from the various moves towards economic reform:

1985

April 23 Communist Party Central Committee approves resolution to reform economic management.

1986

November 19 USSR Law on Individual Labour Activity allows some private enterprise.

1988

May USSR Law on Cooperatives allows private enterprises to be formed.

December USSR decree permits sale of state-owned apartments to individuals.

1989

April USSR decree allows leasing of state enterprises by their workers.

July 5 Gorbachev creates Commission on Economic Reform under Deputy Prime Minister Leonid Abalkin.

July 6 Gorbachev tells Council of Europe that USSR will not block reforms in eastern Europe.

October Abalkin Commission presents a programme emphasizing a market economy, freeing of prices, competition, a convertible currency, and stock exchanges.

1990

January Gorbachev tacitly allows the leasing of family farms.

February Grigory Yavlinskiy and others discuss a 500-day programme for transition to a market economy.

March Supreme Soviet of USSR passes law on property, with no mention of private ownership of land.

June 4 Supreme Soviet of USSR passes Law on Enterprises, emphasizing a market economy.

<i>August</i>	Group of economists under Stanislav Shatalin, convened jointly by Gorbachev and Yeltsin, develops 500-day plan for economic reform.
<i>August 9</i>	USSR Council of Ministers (cabinet) legalizes private ownership of business.
<i>November</i>	Russian Congress of People's Deputies adopts law authorizing family farms.
<i>December</i>	Russian Congress of People's Deputies adopts Law on Land Reform.
<i>December 25</i>	Russian Law on Enterprises and Entrepreneurial Activity allows sole proprietorships, partnerships, and closed and open joint-stock corporations, and eliminates restrictions on their activities.

1991

<i>January</i>	Wholesale prices are freed but retail prices remain unchanged and subsidies to consumers rise.
<i>April 1</i>	USSR increases consumer prices but also expands subsidies.
<i>June</i>	Soviet Union considers but does not adopt Draft Law on Fundamental Principles of Destatization and Privatisation of Enterprises.
<i>July</i>	Russian Housing Privatisation Act is adopted.
<i>July 3</i>	Russian Supreme Soviet adopts Law on Privatisation of State and Municipal Enterprises and Law on Personal Privatisation Accounts.
<i>August 10</i>	Gorbachev signs decree authorizing privatisation in USSR.
<i>August 18</i>	Delegation of antireform Communists tries unsuccessfully to persuade Gorbachev to declare a state of emergency.
<i>August - September</i>	Most Soviet republics declare their independence.

The highly contradictory and half-hearted privatisation and granting of economic autonomy in the years of perestroika produced the following end-of-year results:

1989	10,000 apartments privatised.
1990	53,000 apartments and 4,432 family farms privatised.
1991	175,000 apartments and 49,013 family farms privatised; 250,000 new small businesses founded.

It was the beginning of independent middle classes through small-scale businesses and business relations ("malyi bisness"), which were subsequently to grow and spread regionally, but which have still not managed to have a stable or stabilising, let alone innovative impact on the economic and social structure of Russia.

Numerous individual measures and decisions were taken to encourage and permit initiative and economic autonomy. But after decades of a total lack of any sort of private economic activity, the steps taken were concerned almost exclusively with promoting private agriculture for kolkhoz markets, with the retail and catering trades, and with services. At the same time, founding a business was often possible only if existing regulations were disregarded (e.g., how to open a restaurant while alcohol is completely prohibited?).

One economic experiment introduced in the first years of perestroika was to grant so-called "Komsomol enterprises" rights and powers going beyond the usual planning requirements, especially those of the state export trade and foreign exchange monopolies, that had hitherto been strictly followed. For a certain number of enterprises, extraordinary independent decision-making powers were transferred to groups of Komsomol functionaries via the Central Committee of the Komsomol, in particular in international relations with banks and foreign trade bodies.

On the one hand they were able to make direct use of these expanded, indeed unique preferential terms, and on the other they had a head start when privatisation was officially launched in 1991/92 and the market economy began. Above all, in buying and selling they were able to benefit from the different rates of exchange for the normal tourist ruble, the state clearing ruble, and the foreign exchange ruble, thus accumulating considerable assets in a short period of time.

It is not by chance that a striking proportion of the upper echelons of the new Russian economic elites have been recruited from the Komsomol nomenklatura.

Finally, in 1989/90 the Central Committee of the CPSU and all subordinate Party organs withdrew from management of the economy and their own economic activities. The powers of the economic sections of the Central Committee and of all subordinate units were transferred to state organs previously bound by instructions, i.e., the trade and industry ministries of the USSR government, the Union republics, and the relevant regional state organs. This was also the case for the business enterprises operated by the Party itself, such as the real estate, guest houses, vacation complexes, etc., usually in the best locations. The beneficiaries of these hasty and legally irregular transfers of ownership were Party and government politicians and functionaries and the managers of the enterprises and facilities concerned. To some extent the properties, guest houses and holiday accommodation were let to moneyed foreigners, resulting in the years that following in "Russian privatisation solutions" with covert foreign capital, which continue to affect ownership structures in the country.

Just how contradictory the approach to economic reform was in the perestroika period is illustrated by the answers to a retrospective question on the effectiveness of Soviet economic

management put in the 90s to executives from the oil industry, politicians, and members of the elites operating under Gorbachev.

Table 1:

The Oil Elite's Perceptions of the Oil Industry and the Type of Reform Required before Gorbachev¹

Perception	Oil Executives (N = 65)	Politicians (N = 30)	Gorbachev elite (N = 116)
Question: Considering the oil industry in the period before perestroika, before Gorbachev came to power: do you think the oil/gas industry at the time was ...			
Effective and almost no need for change	7.7	13.3	1
Effective but needing some reform	43.1	50	40
Generally not effective, but reforms could be carried out under state system	18.5	26.7	19
Completely ineffective and	23.1	10	40
No response	7.7	0	0

Columns in percentage, totalling 100 Columns in percentage, totalling 100

From an historical point of view, too, it is interesting that about 70% of business executives concerned, no less than 90% of politicians, and 60% of respondents from the Gorbachev elite believed the necessary economic reforms to be realisable within the Soviet state system. But 40% of the already modified Gorbachev elite considered the management of the (oil) industry to be totally ineffective and unreformable (only 23% of business executives and a mere 10% of the politicians in charge were of this opinion).

In all, after five years of perestroika it was clear that it had proved impossible to introduce effective economic reforms or to initiate an economic upswing by any other means.

¹ D. Lane (Ed.); The Political Economy of Russian Oil. New York - Oxford 1999, p. 82

III. The Official Beginning of the Transition Process Towards a Capitalist Economy and Society in the Yeltsin Period

Boris Yeltsin's ousting of Gorbachev and his complete assumption of political decision-making functions signalled the official transition from attempts at internal Soviet-socialist reforms to transformation into a capitalist economy and society.

The economic policy measures taken in the following five years from 1991 to 1996 were also marked by trial and error, but their aim was now purposeful transformation into a capitalist market economy. The privatisation of state property from 1991 became the key element in Yeltsin's economic and social policy. This is evident from the chronology of major events.

1991

<i>October 28</i>	Before Russia's Congress of People's Deputies Yeltsin announces radical economic reforms, including price liberalization, privatisation, and tight monetary and fiscal policies.
<i>November</i>	Yeltsin appoints Anatoly Chubais minister of privatisation and chairman of State Committee for Management of State Property.
<i>November 1</i>	Russian Congress of People's Deputies grants Yeltsin decree powers to implement economic reforms.
<i>November 4</i>	Soviet republic leaders agree to abolish all USSR ministries other than Defence, Foreign Affairs, Railways, and Nuclear Power.
<i>November 6-8</i>	Yeltsin becomes prime minister of Russia in addition to president; delegates economic reform to deputy prime ministers Gennady Burbulis, Yegor Gaidar, and Aleksandr Shokhin.
<i>November 15</i>	Russian decree on social partnership envisions tripartite agreements between trade unions, government, and employers. Additional decrees empower enterprises to determine their own wage levels and engage in import and export activities, and give Yeltsin control of all financial and economic activity on Russian territory.
<i>December 27</i>	Presidium of Russian Supreme Soviet unanimously adopts provisional privatisation programme.
<i>December 29</i>	Yeltsin issues decree on basic provisions of Programme of Privatisation of State and Municipal Enterprises in Russian Federation; decree on land reform, mandating transfer of property of collective and state farms; and decree on freedom of trade.

1992

- January 2* Prices are freed on most products and economic reform begins.
- January 29* Yeltsin issues decree to accelerate privatisation of state and municipal enterprises.
- February 27* Russia signs memorandum on economic policy with International Monetary Fund (IMF).
- March* Most food prices still under state control are freed.
- March 25* Yeltsin issues decree authorizing sale of land under privatised enterprises.
- April* Yeltsin announces that privatisation vouchers will be distributed at the end of 1992. Congress of People's Deputies defeats measure to permit the privatisation of land.
- April 3* Burbulis is sacked from the post of first deputy prime minister.
- May 30* Viktor Chernomyrdin becomes minister of energy and deputy prime minister.
- May 31* Anatoly Chubais, minister of privatisation, is appointed deputy prime minister.
- June 1* Russia becomes member of the International Monetary Fund.
- June 11* Supreme Soviet adopts the privatisation programme for 1992.
- June 15* Yeltsin appoints Gaidar acting prime minister.
- July 1* Yeltsin issues decree mandating corporatization of state-owned enterprises by November 1, 1992.
- July 17* Supreme Soviet appoints Viktor Gerashenko acting chair of the Central Bank.
- July 24* Chubais chairs government commission to accelerate pace of reform.
- August 19* Yeltsin delivers a speech on voucher privatisation.
- December* Voucher privatisation programme for medium-sized and large enterprises begins.
- December 12* Yeltsin dismisses Gaidar as prime minister.
- December 14* Yeltsin appoints Viktor Chernomyrdin prime minister.

1993

- April 25* Economic reform and Yeltsin receive narrow vote of confidence in national referendum.

- September 18* Gaidar rejoins government as first deputy prime minister and minister of economy.
- September 21* Yeltsin dissolves Congress of People's Deputies and Supreme Soviet.
- October 3-4* Armed uprising in Moscow; military units storm White House.
- October 27* Yeltsin issues decree on land relations and agrarian reform.
- December 12* Elections for Duma (new parliament) and referendum on new constitution.
- December 24* Yeltsin issues decree initiating State Programme of Privatisation of State and Municipal Enterprises.

1994

- January* Gaidar resigns as first deputy prime minister and minister of economics; Fedorov resigns as deputy prime minister and minister of finance.
- April 7* Government adopts post-voucher privatisation policies to sell state owned enterprises and unsold shares of privatised enterprises for cash.
- July 1* Formal end of voucher privatisation programme for medium-sized and large enterprises.
- July 22* Yeltsin's decree overrides Duma's veto of cash privatisation program.
- October 11* Ruble collapses on currency markets.
- October 14* Gerashchenko is sacked as chairman of Central Bank.
- November 5* Chubais is named first deputy prime minister in charge of economic affairs.
- December 12* Russia moves troops into break-away Republic of Chechnya.

1995

- February* Yeltsin appoints Sergei Belyaev as chairman of GKI.
- March 1* Commission on Securities and Capital Market acquires status of cabinet ministry.
- April 22* Chubais is appointed Russia's representative to World Bank and IMF.
- June 20* Belyaev announces 2,809 enterprises in which the government will not sell remaining state-owned shares until 1996 at the earliest.
- July 14* Duma passes land reform bill permitting lease of agricultural land but prohibiting its sale.
- December* Elections for Duma

1996

<i>January</i>	Yeltsin removes Chubais from all his positions in government.
<i>March</i>	Dmitry Vasiliev is appointed chairman of Commission on Securities and Capital Market. Chubais joins Yeltsin's presidential campaign team as senior aide.
<i>March 7</i>	Presidential decree entitles any agricultural worker to claim a share of land controlled by his or her collective farm, with power to sell, mortgage, and bequeath it.
<i>April 22</i>	Yeltsin signs Law on Securities Market.
<i>June 19</i>	Yeltsin fires First Deputy Prime Minister Oleg Soskovets and other opponents of reform.
<i>July 3</i>	Yeltsin wins presidential runoff election by a substantial margin; Chubais is appointed presidential chief of staff; Viktor Chernomyrdin is confirmed by Duma as new prime minister; Aleksandr Lebed is named national security adviser.

The respective end-of-year balance was as follows:

1992	18 medium-sized and large companies, 46,797 small shops, 2,788,000 apartments, and 182,787 family farms privatised; 3,485 industrial enterprises leased; and 503,203 new small businesses founded.
1993	8,509 medium-sized and large companies, 80,491 small shops, 8,592,000 apartments, and 270,000 family farms privatised; 784,509 new small businesses founded.
1994	16,462 medium-sized and large companies, 95,538 small shops, 10,975,000 apartments, and 279,000 family farms privatised; 779,462 new small businesses founded.
1995	17,937 mid-sized and large companies, 105,111 small shops, and 12,118,000 apartments privatised; 794,889 new small businesses founded.

After the hesitant and contradictory beginnings of an independent middle class in the perestroika period, the large-scale privatisation of state owned industrial enterprises, primary products, infrastructural facilities, scientific and technical facilities, etc., enlarged the issue of economic and human resources for the formation of a new Russian bourgeoisie.

The economic and social "gear change" in the transition from Gorbachev to Yeltsin is associated with the entry on the political scene of Yegor Gaidar and Anatoly Chubais and their rise to influence and power. Gaidar, the grandson of the legendary author of "Timur and His Team" was born into the family of the counter-admiral and military journalist Timur A. Gaidar during the 20th Party Conference of the CPSU in Moscow in 1956. He studied at Moscow University, where he gained his doctorate and habilitation. From 1980 to 1987 he worked in institutes of the Academy of the Sciences of the USSR. He was financial editor of the CPSU organs "Kommunist" and "Pravda" from 1987 to 1991. In early 1991 he became director of an Institute for Economic Policy, which he founded at the Academy of Economics of the USSR, and already in November 1991 - only three months after Yeltsin had come to power - he was appointed both deputy prime minister for economic policy and minister of economics and finance of the RFSR. Shortly afterwards he became prime minister.

Anatoly Chubais, born in 1955, also comes from a military family. He studied at the Leningrad Institute of Engineering and Economics where he gained his doctorate and where he taught until 1990. In 1990/91 he became first deputy chairman of the Leningrad Executive Committee under Mayor Anatoly Sobtchak, and in November 1991 - parallel to Gaidar's entry into the government - he became chairman of the "State Committee of the Russian Federation for Management of State Assets" with the rank of minister, and from 1992 deputy prime minister.

Immediately after Yeltsin seized power, the "shock therapy" of the official privatisation of state property began under the direction of Gaidar and Chubais. The legislation adopted in the autumn of 1991 by the Supreme Soviet of the Russian Federation provided the legal basis.

The people in charge of state economic institutions began with the strategic and - from a finance policy point of view - tactical "unscrambling" of the large combines. Efficient divisions were hived off under independent management, while those running at a loss were left in state ownership. Personal share certificates for all members of the workforce (so-called "vouchers"), issued at a nominal price, were intended to make the holders into co-owners by means of a sort of "people's share". The rampant inflation during this period rendered the nominal value of vouchers de facto valueless for the holders before they were able to function as co-owners. They offered them for public sale. In 1993/94 vouchers were sold for a pittance in underground stations and public squares. Although management were better "remunerated" anyway, they bought up vouchers from their fellow employees directly. With their major holdings they were thus able to operate not only as executive managers but, through and by means of their voucher packages, also as shareholders of the stock corporations.

Top and middle management in industry and - thanks to their influence and expertise - many high and top ranking ministry officials continued their careers in leading positions in industry

through the holdings in enterprises; i.e., they became independent managers at least with regard to capital, and often manager-capitalists.

Privatisation by voucher was basically completed in 1994. It continued through the classical procedures of setting up stock corporations and by auction. The banks, as state institutions with specific functions (foreign trade bank, credit cooperative, agricultural bank, etc.), were privatised directly, and the state institutions responsible for distributing capital and consumer goods were transformed into privately owned commodity exchanges for the product groups concerned. Here, too, it was the people who had held influential or executive positions in and about these institutions at the right time who became owners or shareholders.²

These few examples show where and how the new bourgeoisie in Russia has been recruited: primarily from the upper echelons of the former industrial *nomenklatura* of the CPSU and the state apparatus, from the "second and third row" (divisional directors, official junior cadres) in the trade and industry ministries and combines, and thus also from sections of the younger generation, including the pioneers of the so-called "Komsomol enterprises", as well as from among people who had developed into particularly flexible and individual entrepreneurs, operating more covertly than overtly with, for, or on behalf of foreign capital. The electronics professor Boris A. Beresovsky has become a symbol of this type of career, of the so-called "oligarchs."³

We are thus dealing not so much with an ambitious, independent, sovereign bourgeoisie operating as capitalist entrepreneurs but with a "trade bourgeoisie" whose prime interest is not to invest but to secure money, to some extent as representatives of foreign investors.

The repeatedly reported transfers of money abroad and the mafia-like Russian-international economic structures are not to be judged in moral terms. They are a "normal" aspect of an early capitalist economic mechanism under the current conditions of globalisation in the world economy.

It is interesting to note that a new type of leading politician has now emerged, especially in the economic sphere. Apart from Yegor Gaidar and Anatoly Chubais, it includes Grigory Yavlinskiy, Sergei Kirienko, Boris Nemzov, and Sergei Shojgu. Alfred Koch (*1961), for instance, who recently attracted public attention in connection with the takeover of the relatively independent NTW television station by Gasprom, was among the first to be involved with Chubais in Leningrad and with the Gaidar-Chubais shock therapy privatisation. All were socialised and educated in the Soviet era, but their rise to public and political prominence began largely during the perestroika period. All those mentioned were born

² Cf. int. al.:

- Strategija "Schocka" ili Postepenost? ("Shock Strategy or Progression?") Moscow 1993
- Metody Priwatisazii Krupnych Predpriyatij (Methods of Privatising Large Concerns). Moscow 1994
- St. Kordasch; Privatisierung in Russland. Frankfurt 1997
- R. Medvedev; Tschubais i Wautscher (Chubais and the Vouchers). Moscow 1997
- A. Siehl; Privatisierung in Russland. Institutioneller Wandel in ausgewählten Regionen. Wiesbaden 1998
- A. Chubais (ed.); Priwatisazija Po-Rossijski (Privatisation a la Russe). Moscow 1999

³ Cf. Klebnikov; Der Pate des Kreml. Boris Beresowski und die Macht der Oligarchen. München 2001 (New York 2001)

between 1952 and 1962, and embody the newly emerging type of politician from the nascent Russian bourgeoisie.

Privatisation to date has produced the following ownership structure in Russian industry:

Table 2:

Russian Industry by Ownership Type 1994 – 2000 (%)

	1994			1995			1996			Projection 2000		
	Shares	Output	Workforce	Shares	Output	Workforce	Shares	Output	Workforce	Shares	Output	Workforce
Private enterprises	72.1	15.0	22.6	72.3	18.9	27.0	88.2	21.8	25.6	92.0	25.0	28.0
Mixed enterprises	16.5	60.9	48.1	16.9	66.9	52.3	6.1	65.1	57.0	4.0	62.0	54.5
State enterprises	9.8	21.7	28.3	8.6	11.2	19.2	3.4	9.1	15.6	3.0	7.5	15.0
Joint enterprises	1.6	2.4	1.0	2.2	3.0	1.5	2.3	4.0	1.8	3.0	5.5	2.5

Own compilation on the basis of: P. Fischer; *Prjamyje Inostrannye Investizii dlja Rossii*. Moscow 1999, p. 264.

1. Thus, in 1996 no less than 88% of all operating units were in private hands, and for 2000 up to 92% are expected to be privately owned. However, in 1996 these enterprises employed only about 26% of the workforce and accounted for only about 22% of total industrial output. No marked rise is expected for 2000 (25% - 28%). Evidently the majority of medium-sized enterprises (whatever that might mean for Russia) have been fully privatised. If we also consider the information available on the small private sector in Russia (see table 3), the main industries affected are mechanical engineering and metal working (37% of operating units, 34% of workforce, 31% of production volume in million Rb, food and beverages: 12% - 17% - ca. 20%, forestry and wood processing, cellulose and paper: 13% - 13% - ca. 9%, light industry: 13 % - 14 % - ca. 7 %).

Table 3:

Small-Scale Private Enterprise in Russian Industry ⁴
 (1 July 1998) - in %

	Operating Units (138,000)	Permanent Employees	Output Volume (Rb. mio.)
Electricity	0.2	0.5	1.0
Heat supply	0.7	0.6	1.6
Ferrous metals	0.8	0.7	1.2
Nonferrous metals	1.0	1.1	1.7
Chemicals and petrochemicals (without pharmaceuticals)	3.9	3.5	11.3
Mechanical engineering and metal working	37.8	34.2	31.1
Forestry, wood processing, cellulose and paper	13.1	13.2	8.6
Construction materials	5.7	5.8	4.5
Light industry	12.9	14.3	6.5
Food and beverages	12.4	16.8	19.6
Medical equipment	2.3	1.5	3.1
Printing	2.7	1.7	3.3
Other sectors	6.5	6.1	6.5
	100.0	100.0	100.0

This means that, in 1998, these four groups of industries accounted for no less than 76% of operating units, about 79% of people in permanent employment, and about 66% of output volume of the total small private sector, i.e., of Russian small and medium-sized industry. In contrast, only one quarter of operating units, one fifth of the workforce, and one third of production volume of all small industry were to be found in power generation, metallurgy, chemicals, construction materials, medical equipment, printing, etc.

Overall, some 90% of privatised industrial enterprises are small and medium-sized companies, thus accounting for a much lower percentage of employment and output volume. Moreover, they are very unevenly distributed both within industrial sectors and regionally in the various territories.

2. In 1996, purely state enterprises accounted officially for only about 3% of all operating units. However, they employed about 16% of the industrial workforce and generated about 9% of output. The real share of the state in industrial ownership is, however, much higher owing to various hybrid forms and the grey area between state and private ownership.

⁴ "Statistitscheskij Bjulletin", Moscow, Nojabr 1998, N. 9 (48), pp. 5, 6, 7, 9

3. Table 2 thus shows that, in 1996, "mixed" and "joint" enterprises accounted for about 8% of operating units but 59% of employment and no less than 69% of output volume. Shareholders include the state, stock corporations, other incorporated firms, banks, labour collectives, and private persons. In various legal, half-legal, and illegal forms, this conceals foreign capital, on which little information is officially and unofficially available. In any case it can be assumed that domestic and/or foreign private capital has been invested in these "mixed" and "joint" enterprises in which the state has a majority or minority interest.

For economic, political, and military reasons, the state has a special interest in the enterprises comprising the military-industrial complex (MIC). They were and still are larger than average and are at a higher scientific and technical standard than industry as a whole in the Soviet Union and in present-day Russia. The safeguarding of state security interests, economic efficiency, and scientific-technical innovation in these MIC enterprises requires - from somewhere or other - capital to operate, innovate, and invest, and to uphold the supremacy of the Russian state (see table 4),

Table 4:

Ownership Structure of Non-State Enterprises of the Military-Industrial Complex (MIC)*⁵

Shareholder	Privatised enterprises				Total of MIC enterprises incl. state enterprises
	1995	1996	1997	1998	1998
State	24	20	21	15	51
Labour collective	47	37	38	37	21
Management	5	8	7	7	4
Investment funds	8	6	5	6	3
State enterprises	0	1	2	3	2
Private enterprises	7	13	13	12	7
Foreign owners	1	1	1	3	2
Banks	2	2	2	3	2
Individual Russian private persons	4	10	10	9	5
Others	2	2	1	5	3
	100	100	100	100	100

* The table is based on responses by managers of MIC enterprises to the question: "If you take the total capital of your enterprise to be 100%, how is it distributed among shareholders?"

⁵ R. W. Ryvkina, L. J. Kosals, J. A. Simagin; *Oboronnye Predprijatija Rossii, Gosudarstvo i Rynok: Problemy Sozialno - Ekonomitscheskogo Rassloenija*. Moscow 1999, p. 10

In order to survive this balancing act even after privatisation, the number of private companies in the MIC has been kept comparatively low ("private companies", Russian natural persons, foreign owners), and a wide variety of privatisation constructions are practiced, designed to ensure the maintenance of state control. Thus, the state (government, state enterprises) holds shares even in privatised companies, and management and labour collectives are registered as proprietors. Where the owners are banks and investment funds, too, this can mean state dominance.

In any case, the privatisation of MIC enterprises is another example of the special nature of the Russian privatisation process, which has produced a symbiosis between state and private capital, Russian and foreign capital, legal, half-legal, and certainly also illegal transactions, as well as the personification of all this in economic-political oligarchies.

This also applies in other economically, politically, and militarily strategic fields such as the oil and natural gas industries. The prototype of these privatised and nevertheless state-dominated enterprises, the natural gas group "Gasprom", stands out with its far-reaching political influence among the dominant oligarchies. Victor Chernomyrdin (*1938), chairman of "Gasprom", became prime minister of Russia in 1992, remaining in office until March 1998, the longest term of any head of government since 1985, to return to the Gasprom board of directors as "representative of the state" before being appointed Russian ambassador to Ukraine in May 2001. The political replacement of the management of the television station NTW by the controlling shareholder "Gasprom" in April 2001 is a recent, particularly public example of the wielding of societal clout. In loan, debt, and refinancing negotiations with the International Monetary Fund and the World Bank, it is therefore both economic access to the strategically important natural gas and the socio-political power of the group as a whole that repeatedly make "Gasprom" the object of growing desire on the part of these international capital institutions.

4. It is difficult to estimate the proportion of foreign capital in Russia today. But there is good reason to believe that, in various forms, it is far higher than recorded by official statistics. The question of taxation arrangements, only gradually entering the lawbooks and still unclear or even completely unsettled, the issue of profit remittance, and economic and political instability have not only caused foreign investors to hold back but have encouraged covert forms of commitment. In May 2001, the OECD reached agreement with the Russian government on conditions for "the Investment Environment in the Russian Federation. Laws, Policies and Institutions."

The corruption, economic crime, and mafia-like structures prevailing in Russia, which have received so much attention in the media, are phenomena of uncertain magnitude within Russia and internationally. They are not specific to Russia. Even official statistics estimate that, in 1998, the black economy in relatively traditional capitalist OECD countries accounted for about 15% of gross national product in Germany, 20% - 23% in Sweden and Belgium, and 28% - 29% in Italy and Greece.⁶ The figures have been much higher for national economies

⁶ Cf. I. Kijamkin, L. Timofeew; *Tenewaja Rossija Ekonomiko-Soziologitscheskoe Issledowanie*. Moscow 2000 - Cf. F. Schneider, R. Osterkamp; *Schattenwirtschaft in Europa. Unterschiede und Ursachen*. Ifo-Schnelldienst, 2000, N 30

in the throes of socio-economic transformation, with a wide range of legal, half-legal, and illegal transitional solutions in national and international transactions.

The relatively low official foreign investment in the Russian economy (see table 5) is no indication of the actual foreign economic relations and the real influence of foreign capital. For example, Germany, the United States, Japan, France, and Britain have all invested far more in the People's Republic of China than in Russia. Germany has even invested more in the Czech Republic, Hungary, and Poland than in Russia.⁷

Table 5:

**Percentage Shares of the Most Important Foreign Investors in Russian Industry
1996 – 1998⁸**

	1996	1997	1998
USA	26.1	24.1	19.0
Germany	4.4	13.4	24.2
Britain	7.5	19.6	13.5
Switzerland	20.3	14.3	3.5
France	0.6	1.7	13.1
Cyprus	0.5	8.1	7.8
Netherlands	15.1	4.4	7.5
Sweden	2.4	0.6	1.2
Austria	2.5	3.1	-
Japan	1.2	1.1	-
Luxembourg			1.9
Finland			1.6
Total	80.6	90.4	93.8

The difference to 100% is shared by various other countries, especially CIS successor states to the USSR.

In 1998 the absolute total of recorded foreign investment was \$11,773 million, of which \$ 9,658 million (82%) were loans of various types.

⁷ Cf. P. Fischer; Prjamye Inostrannye Inwestizii dlja Rossii (Direkte Auslandsinvestitionen für Russland). Moscow 1999, str. 352, 358, 365, 370, 375, 379, 383

⁸ Own compilation on the basis of:

- P. Fischer. Prjamye Inostrannye Inwestizii dlja Rossii. Moscow 1999, p. 273
- Rossija 1999. Statistitscheskij Sprawotschnik. Moscow 1999, pp. 54, 56

Table 6: Share of Foreign Capital in Russian Industry ⁹

	Share of enterprises with foreign investment	Output volume as % of total sectoral output	Foreign share in capital stock (%)
Total Industry	0.8	9.8	40.3
Electricity	1.4	6.8	11.9
Fuel	4.2	9.8	42.6
of which:			
Oil production			41.6
Refining			54.2
Natural gas			39.7
Coal			44.6
Ferrous metals	1.5	5.1	84.7
Nonferrous metals	2.6	8.9	28.4
Chemical and Petrochemical industries	1.7	15.7	41.9
Mechanical engineering	0.7	5.3	10.6
of which:			
Chemical plant construction and oil production equipment			55.9
Machine tools			77.3
Instrument manufacture			59.3
Automotive			3.7
Agricultural machinery			24.4
Forestry, wood processing.			
Cellulose and Paper	1.0	25.0	64.3
Building materials	0.6	8.7	72.4
Light industry	0.5	6.1	51.1
Food and Beverage	1.0	15.0	88.6

Table 6 makes an almost sensational revelation about the share of foreign capital in industries with growth rates and turnover ratios. For years official and semi-official statistics have published the information in the first and, at best, the second column. But only the third column given here in conjunction with the first two reveals the actual state of affairs. The big difference between the extraordinarily small share (0.8%) in the total number of enterprises, the 10% share of total output in economically and politically important and profitable sectors, and the high stake in these important areas (40.3%) demonstrate more clearly than other relevant statistics how entrenched foreign capital is in certain sectors of Russian industry. They include, in particular, strategic natural resources (energy sources, their tapping, processing, and the necessary plant and equipment construction), metallurgy, wood and wood processing, as well as light industry and food industries, which offer short turnaround times and continuity. Thus, the Russian market for tobacco products is controlled almost entirely by American, Japanese, and British capital. Brewing and confectionary are largely in Dutch, French, and Swiss hands. These data are published and officially confirmed (State Committee for Statistics, International Centre for Socio-Economic Studies), but foreign involvement is likely to be much greater owing to "covert business". Even the "legal shadow economy" (i.e.,

⁹ "Argumenty i Fakty", 2001, N 17, p. 5

excl. drugs, prostitution, etc.) is estimated at 41% of gross national product. The international dimensions of the "black economy" are unquestionable; even in such "economically civilised countries" as Germany and France it accounts for 14.9%, in Japan for 11.1%, in Britain for 13.0%, and in Canada for 16.2%.

5. We have so far concentrated on the primary products sector (Russia's main source of exports), processing industries, the MIC, banking and finance, and sections of the wholesale trade. In transport and traffic, the producing sector, science and education, the retail trade and services there are many more "spontaneous" forms of privatisation, of small businesses and business relationships (*malyj bisness*), characterised by high instability and family self-exploitation, and by a wide range of "legal forms". An economically and politically stable middle class can therefore not be expected.¹⁰

6. In agriculture, too, no clearly new social structures have developed. In 1999 only 6.9% of land used for agriculture was in the care of independent farmers ("fermer") with an average of 55 hectares.¹¹

In sum, privatisation in Russia has affected wide areas of the economy, but only rough information is available on the actual structure and holdings of the new owners. Furthermore, the state continues to hold extraordinarily extensive overt and covert interests - in the form of capitalised property. Finally, the one hundred biggest Russian enterprises are to be found in the fields of oil, natural gas, ferrous metals, nonferrous metals, electrical goods, shipping, and the processing of natural resources (petrochemicals and wood). High technology and even other processing industries are the exception. In other words, the one hundred largest companies in Russia do not reflect the characteristics of a modern economy, not even of a developed industrial country (see table 7). However much progress privatisation "à la Russe" has made, the expectations and hopes of economic efficiency have not been met. The reverse is true.¹² Not only the macro-economic data issued by GOSKOMSTAT but also surveys of business executives and politicians indicate that - taking the relatively flourishing oil industry as an example - great disillusionment prevails with the present economic system and the economic effectiveness of political reforms (see tables 8 and 9).

¹⁰ L. W. Babajeva, G. P. Lapina; *Malyj Bisness w Rossii w Epochy Ekonomitscheskich Reform* (Small Business in Russia in the Era of Economic Reform). Moscow 1997

- *Maloe Predpriprinimatelstwo w Rossii. Statistitscheskij Sbornik* (Small Entrepreneurship in Russia. A Statistical Omnibus). Moscow 1999

- *Srednij Klass w Sowremennom Rossijskom Obschtschestwe* (The Middle Class in Present-Day Russian Society). Moscow 1999

- OECD, *The Investment Environment in the Russian Federation Laws, Policies and Investment*. Paris 2001

¹¹ *O sostojanii selskogo chosjajstwa Rossijskoj Federazii w 1996 - 1999* (The State of Agriculture in the Russian Federation 1996 - 1999). "Statistitscheskij Bjulletin" N 8 (71), August 2000, str. 9. Cf. et. al.:

- A. A. Vosmitel, A. P. Karpov; *Stanowlenie Obrasa Schisni Rossiskogo Fermerstwa* (The Development of the Way of Life of Self-Employed Russian Farmers). Moscow 1994

- S. I. Kalugina; *Paradoksy Agrarnoj Reformy w Rossii. Soziologitscheskij Analis Transformazionnyh Prozessow* (Paradoxes of Agricultural Reform in Russia. A Sociological Study of the Transformation Processes). Novosibirsk 2000

¹² Cf. P. Fischer; *Prjamye Inostrannye Inwestizii dlja Rossii* (Foreign Direct Investment for Russia). Moscow 1999, str. 352, 358, 365, 370, 375, 379, 383

Table 7: The Top 100 Russian Companies by Market Capitalization 1996

	Company	Sector		Company	Sector
1.	Lukoil Group	Oil/gas	51.	Achinsk Alumina Komplex	Nonferrous metals
2.	Gazprom	Oil/gas	52.	Lenenergo	Electricity
3.	Unified Energy Systems (UES)	Electricity	53.	Nizhny Novgorod Sviazinform	Telecommunications
4.	Rostelekom	Telecommunications	54.	KamAZ	Automotive
5.	Mosenergo	Electricity	55.	Krasnoyarsk Metallurgical Plant	Nonferrous metals
6.	Norilsk Nickel	Nonferrous metals	56.	LUKoil Urayneftegaz	Oil/gas
7.	Lukoil Kogalymneftegaz	Oil/gas	57.	Red October	Consumer goods
8.	Surgutneftegaz	Oil/gas	58.	Sredneuralsy Copper Smelter	Nonferrous metals
9.	Yuganskneftegaz	Oil/gas	59.	Sverdlovennergo	Electricity
10.	Surgut Holding	Oil/gas	60.	Krasnoyarskenergo	Electricity
11.	Lebedinsk Ore Processing	Ferrous metals	61.	GUM	Retail
12.	Noyabrskneftegaz	Oil/gas	62.	Babaev Confectionary	Consumer goods
13.	Moscow Public Network (MGTS)	Telecommunications	63.	Nizhny Novgorod Petrochemical	Refining /Petrochemical
14.	Bratsk Aluminium Plant	Nonferrous metals	64.	Orsk-Khalilovsk Metallurgical Plants	Ferrous metals
15.	Novolipetsk Metallurgical Plant	Ferrous metals	65.	Samaranenergo	Electricity
16.	LUKoil Langepasneftegaz	Oil/gas	66.	Permenergo	Electricity
17.	Irkutskenergo	Electricity	67.	Northwestern River Shipping Line	Shipping
18.	Tatnet	Oil/gas	68.	Perm Uralsviazinform	Telecommunications
19.	Chernogorneft	Oil/gas	69.	West Siberian Metallurgical Plant	Ferrous metals
20.	Krasnoyarsk Aluminium Plant	Nonferrous metals	70.	Kaliningrad Morneftegaz	Oil/gas
21.	Megyonneftegaz	Oil/gas	71.	Ural Elektromed	Nonferrous metals
22.	Purneftegaz	Oil/gas	72.	Moscow Refinery	Refining / petrochemical
23.	Omsk Petrochemical	Refining/petrochemicals	73.	Chelyabinsk Metallurgical Plant	Ferrous metals
24.	Magnitogorsk Metallurgical Plant	Ferrous metals	74.	Varjeganneftegaz	Oil/gas
25.	Tomskneft	Oil/gas	75.	Achinsk Refinery	Refining/ petrochemicals
26.	Samaraneftegaz	Oil/gas	76.	Cheliabenergo	Electricity
27.	GAZ	Automotive	77.	Krasnodarneftegaz	Oil/gas
28.	Nizhnevarovskneftegaz	Oil/gas	78.	Northern Sea Shipping Line	Shipping
29.	Kondpetroleum	Oil/gas	79.	Svetogorsk	Others
30.	Novoship	Shipping	80.	Bashkirenergo	Electricity
31.	Far East Sea Shipping Line	Shipping	81.	Samara Sviazinform	Telecommunications
32.	St. Petersburg Public Network	Telecommunications	82.	Primorsky Sea Shipping Line	Shipping
33.	Permneft	Oil/gas	83.	Tebukneft	Oil/gas
34.	Kondopoga Pulp & Paper	Paper	84.	Irkutsk Electrosviaz	Telecommunications
35.	Cherepovets Metallurgical Plant	Ferrous metals	85.	St. Petersburg MMT	Telecommunications
36.	Komineft	Oil/gas	86.	LUKoil Volgograd-neftepererabotka	Refining /petrochemicals
37.	Sytyvkar Pulp & Paper	Paper	87.	Novokuznetsk Aluminium Plant	Nonferrous metals
38.	AvtoVAZ	Automotive	88.	Nizhnovoenergo	Electricity
39.	Bratsk Pulp & Paper	Paper	89.	Apatity Production Ass.	Chemicals
40.	Azot, Kemerovo	Oil/gas	90.	UAZ, Ulyanovsk	Automotive
41.	Sakhalinmorneftegaz	Oil/gas	91.	LUKoil Permnefteorgsintez	Refining /petrochemicals
42.	Orenburgneft	Oil/gas	92.	Murmansk Shipping Line	Shipping
43.	Sayansk Aluminium Plant	Nonferrous metals	93.	Sakhalin Sea Shipping Line	Shipping
44.	Oskol Electromed	Nonferrous metals	94.	Norilsk Gazprom	Oil/gas
45.	Udmurtneft	Oil/gas	95.	Voronesh Aircraft Construction Co	Aerospace
46.	Kirishi Petrochemical	Refining/petrochemicals	96.	Krasnoyarsk GES (Hydropower)	Electricity
47.	Kotlass Pulp & Paper	Paper	97.	Arkhangelsk Pulp & Paper	Paper
48.	Angarsk Petrochemical	Refining/petrochemicals	98.	Belomor-Onega Shipping Line	Shipping
49.	Nizhny Tagil Metallurgical Plant	Ferrous metals	99.	LOMO	Others
50.	Yakutenergo	Electricity	100.	Omskenergo	Electricity

Source: J. R. Blasi, M. Kroumova, D. Kruse (eds.); Kremlin Capitalism. The Privatisation of the Russian Economy. Ithaca-London 1997, pp 197-199.

Table 8: Effectiveness of Political Reforms since 1993¹³

Question: As a result of the political and economic reforms that have taken place since 1993, is the present political system ...

Perception	Oil Executives (N = 65)	Politicians (N = 30)
Effective with almost no need for change	4.5	0
Effective but needing some reform	27.7	10
Generally not effective, but reforms could be carried out under the present system	52.3	40
Completely ineffective and complete change is necessary	13.8	50
No response	1.5	0

Columns in percentage, totalling 100

Chi square = .003. Difference between the responses of the two sets is statistically significant.

Table 9: Effectiveness of the Current Economic System¹⁴

Question: The present economic system in the Russian Federation is ...

Perception	Oil Executives (N = 60)	Politicians (N = 30)
Effective with almost no need for change	1.5	0
Effective but needing some reform	32.3	10
Generally not effective, but reforms could be carried out under the present system	53.8	26.7
Completely ineffective and complete change is necessary	.7	50
No response	4.6	3.3

Columns in percentage, totalling 100

Chi square = .00011. Difference between the responses of the two sets is statistically significant.

¹³ D. Lane (ed.); The Political Economy of Russian Oil, New York - Oxford 1999, p. 83

¹⁴ Ibid., p. 83

The reasons are extraordinarily complex, and cannot be systematically discussed in this limited context. But at least certain aspects should be mentioned. First, in the survey by Lanes mentioned above, the same executives and politicians point with impressive emphasis to the diversity of contradictory economic and political, internal and external attempts to influence economic decision-making (see tables 10, 11, 12, 13, 14, and 15).

Table 10 Influence on Strategic Decisions: Role of Interests on the Board of Directors

Interests	1	2	3	4	5	6	7
Management	1.9	3.8	5.7	15.1	73.6	4.55	12
Financial interests	17.9	3.6	21.4	25.0	32.1	3.5	37
Other (nonfinancial companies)	24.1	27.6	24.1	6.9	17.2	2.66	36
Labour collective	41.9	22.6	25.8	9.7	0	2.03	34
Large personal shareholders	31.6	5.3	21.1	26.3	15.8	2.89	46
Foreign shareholders	33.3	14.3	19.0	9.5	23.8	2.76	44
Government representatives	8.8	17.6	5.9	20.6	47.1	3.79	36
N=65	%	%	%	%	%	index	N

Key: Columns 1 – 5 Five point scale 1 - not important; 5 – very important. Percentages of those answering the question. Column 6 Average scale / Column 7 No response (number of respondents)

Source: D. Lane (ed); *The Political Economy of Russian Oil*; New York – Oxford 1999, pp. 37,38

Table 11 Influence on Strategic Decisions: Interests External to the Company

Interests	1	2	3	4	5	6	7
Government (president/apparat/ministers)	14.3	17.9	25.0	19.6	23.2	3.20	9
Federal authorities	15.3	16.9	28.8	15.3	23.7	3.15	6
Regional authorities (governors/local interests)	19.4	21.0	22.6	19.4	17.7	2.95	3
Russian oil companies	23.3	25.0	21.7	26.7	3.3	2.62	5
Foreign oil companies	44.3	34.4	16.4	1.6	3.3	1.85	4
N=65	%	%	%	%	%	index	N

Key: Columns 1 – 5 Five point scale 1 - not important; 5 – very important. Percentages of those answering the question. Column 6 Average scale / Column 7 No response (number of respondents)

Source: D. Lane (ed); *The Political Economy of Russian Oil*; New York – Oxford 1999, pp. 37,38

Table 12 The Influence of Russian Institutions on the Russian Federation's Economy: Oil Executives' Views

	1	2	3	4	5	6	7
Parliament	18	23	39	18	3	2,6	3
President	3	10	32	34	21	3,6	3
Government RF	2	7	27	44	21	3,8	3
Regional authorities	5	18	44	18	16	3,2	3
State companies and enterprises	13	36	34	15	3	2,6	3
Private companies	7	23	38	24	8	3,0	5
N=65	%	%	%	%	%	index	N

Table 13 The Influence of Russian Institutions on the Russian Federation's Economy: Politicians' Views

Question: What is the extent of the influence on the economic structure of the Russian Federation of the following?

	1	2	3	4	5	6	7
Parliament	17	53	20	10	0	2,2	0
President	3	17	27	37	17	3,5	0
Government RF	0	0	47	37	17	3,7	0
Regional authorities	0	20	47	33	0	3,1	0
State companies and enterprises	10	47	27	13	3	2,5	0
Private companies	13	47	7	30	3	2,6	0
N=30	%	%	%	%	%	index	N

Key:

Columns 1 - 5 Five point scale 1 - not influence; 5 - very much influence. Percentages of those answering the question.

Column 6 Average scale

Column 7 No response (N)

Source: D. Lane (ed); The Political Economy of Russian Oil; New York - Oxford 1999, pp. 38,39

Table 14 The Influence of Foreign Institutions on the Russian Federation's Economy: Oil Executives' Views

	1	2	3	4	5	6	7
International organizations (IMF; World Bank)	5	20	30	33	13	3,4	4
Foreign oil companies	13	27	50	10	0	2,6	5
Government of Western countries	9	23	47	16	5	2,9	8
N=65	%	%	%	%	%	index	N

Key:

Columns 1 - 5 Five point scale 1 - no influence; 5 - very much influence. Percentages of those answering the question.

Column 6 Average scale

Column 7 No response (N)

Table 15 The Influence of Foreign Institutions on the Russian Federation's Economy: Politicians' Views

Question: Estimate the degree of influence on the economy of the Russian Federation by the following (five-point scale)

	1	2	3	4	5	6	7
International organizations (IMF; World Bank)	10	0	27	40	23	3,7	0
Foreign oil companies	10	23	20	30	17	3,2	0
Government of Western countries	7	47	27	20	0	2,6	0
N=65	%	%	%	%	%	index	N

Key:

Columns 1 - 5 Five point scale 1 - no influence; 5 - very much influence. Percentages of those answering the question.

Column 6 Average scale

Column 7 No response (N)

Source: D. Lane (ed); The Political Economy of Russian Oil; New York - Oxford

Second, the Russian privatisation programme and, still more so, its political implementation, have been oriented almost exclusively on transferring title. Only to a limited extent, belatedly, and without regard to a systemic whole has it been directed towards a new economic system.

Marx' "Capital" explains the development of the new capitalist private property through the historical and systematic development of the capitalist economic system in its mode of operation as a whole. The retrospective account of the Russian privatisation programme given by the conceptual and practical actors under the leadership of Anatoly Chubais (Bojko, Vasilev, Evstafev, Kasakov, Koch, Mostovoj) deals only with privatisation and the complicated debates conducted on the subject and not with the associated problems of the new economic order.¹⁵ It is "merely" the transformation of large-scale state enterprises in a process of "top-down privatisation" (Viniecki). Kornai, like Balcerovicz, by contrast, have from the outset embraced a concept of privatisation that includes creating the economic prerequisites for the development and operation of private companies.¹⁶ Cohen und Schwartz put it as follows. "Ownership structure is an important element in modern capitalism, but it is only one of many institutions which influence corporate behavior and performance." ¹⁷

Last but not least, it should not be forgotten that the new capitalist development of Russia -whether since 1985 or after 1991 - is no more than a "second in history" compared with the centuries of development that Britain, France, Germany, and the United States have experienced. In such an "historical instant" no socio-economic mechanism could have developed, even if theoretically consistent concepts had been available and coherent practical action taken.

The quest for such theoretical concepts and coherent political action is all the more important now and for the future.

¹⁵ Cf. A Chubais (red.); *Priwatisazija Po-Rossiskij*. Moscow 1999

¹⁶ Cf. J. Kornai; *The Principles of Privatization in Eastern Europe*. Discussion Paper N 1567. Cambridge (Mass.) 1991

- L. Balcerovicz; *Sozialism, Capitalism, Transformation*. Budapest 1995, russ. Moscow 1999

- E. Siehl; *Privatisierung in Russland*. Wiesbaden 1998

¹⁷ St. Cohen, A. Schwartz; *The Tunnel at the End of the Light: Privatization in Eastern Europe*. Berkeley 1992, p.16

IV. Emergence and Characteristics of the New Russian Economic Elites

The decades of economic and social development in the Soviet Union and the nature of Russian privatisation have determined how new economic subjects (in various types of self-employment) and, in particular, how new self-employed and managerial business elites have developed.

I have already discussed the many-faceted beginnings of new independent middle classes since perestroika ("minor privatisation") and the "Komsomol enterprises" with their extensive, independent powers. There was no alternative to the transfer that began with large-scale privatisation from 1991 of powers and rights over property to the former managers of major concerns, to ministry officials and functionaries in subordinate state institutions and in the economic sections of the various bodies and at various levels of the CPSU. These people had the indispensable expertise, insider knowledge, and personal networks, and faced no structural challenge from alternative counter-elites. The key new business elites in Russia have been recruited largely from among Soviet *nomenklatura* cadres. A degree of differentiation between areas (e.g., the military-industrial complex on the one hand, the media on the other) should be mentioned. The recruitment pattern shown by Lane's sample from the oil industry, banking and finance is typical (see table 16).

Table 16 **The Origin of Economic Elites; by Sector**

Occupation/Status	Oil	Banking/Finance
Industrial executives	54	11
(chief engineer, factory director)		
Professions (doctor, lawyer, lecturer)	9	14
Students	7	14
Officials (in Soviet economic organizations, e. g., Gosbank)	4	21
Researchers	0	9
Entrepreneurs	7	5
Government position holders	8	10
Party and Komsomol apparatus members	6	8
Full/candidates CPSU CC members	0*	7
Others	5	7
Total	100	100

Positions held August 1981 - December 1988. Figures refer to percentage of time spent by all members of elite in the given occupational category

* Expressed as zero due to rounding

¹⁸ D. Lane (ed.); *The Political Economy of Russian Oil*. New York - Oxford 1999, p. 80

It is striking that in the more traditional oil industry more than half the members of the new business elites come from the former management of the industry, whereas in the new banking and finance system, which by comparison has grown and diversified, only about 21% come from the existing state financial sector, the majority being recruited from a wide variety of other sectors.

This has been shown even more clearly by the studies I have undertaken together with my colleague Oskar Vogel. The data basis was the 2000 edition of the Russian "Who is Who?". While in 1993 the first edition recorded a very small business elite, the 2000 edition, which lists a total of 15,000 people, identifies 2,530 prominent figures in the Russian economy.¹⁹ They include not only the leading Russian politicians in the field, but also the presidents and chief executives of large stock corporations, entrepreneurs - owners and managers -, business people from a broad range of sectors including extractive and processing industries, the new banking and finance sector, science and technology, agriculture, the new media, and services. Biographical data is uniformly structured, and, in comparison with other international "Who is Who" publications, is detailed and comprehensive. Information is provided on both important social structure aspects and on the careers of the people concerned from the Soviet period before and during perestroika, and in the Yeltsin period from 1991 to 1999. Table 17 gives an overview of the 2,350 leading personalities in Russian economic life, differentiated in terms of age group and activity in the various sectors. It shows the percentages, and the absolute numbers of people from each age group and sector at the end of the columns and lines.

¹⁹Kto est Kto w Rossii i w blischnem sorubesche. Moscow 1993. Sowremenija Politischeskaja Istorija Rossii (1985 - 1999 gody). Tom 2: Liza Rossii. Moscow 2000.

Table 17 Russia's Business-Elite in 1999
by economic sectors and age groups (in percent)

all persons born	Industry	Raw Material Industry ¹ Ind.	Banks and savings banks	Finance groups ²	MIC ³	Science Techno- logy ⁴	High Technology ⁵	Services ⁶	Trade	Agrar production	Media	% in the whole management	total number
until 1929	2,5	1,2	0,6	2,2	21,	10,3	18,4	2,2	0,9	0,9	1,5	3,1	78
1930 – 35	11,7	11,8	4,7	2,8	15,	22,2	18,4	7,8	4,8	6,6	4,9	9,5	241
1936 – 39	19,0	14,6	6,8	8,3	19,	19,5	7,9	8,6	12,3	22,6	7,4	13,6	344
1940 – 45	17,2	17,9	12,1	10,5	5,9	15,1	15,8	13,9	15,9	12,3	11,3	14,5	368
1946 – 49	16,3	19,9	15,5	17,7	17,	11,9	7,9	20,3	16,8	27,4	12,3	17,0	429
1950 – 55	19,8	17,5	21,7	21,6	11,	11,9	15,8	19,8	26,4	19,8	19,7	19,4	491
1956 – 59	5,7	8,1	12,1	13,3	5,9	3,8	13,2	10,9	8,6	7,6	15,8	9,0	228
1960 – 65	6,6	7,3	18,6	15,5	1,9	4,3	2,6	12,8	12,3	2,8	19,7	10,5	266
On or	1,2	1,3	7,8	8,8	-	1,0	-	3,6	1,9	-	7,4	3,4	85
% in whole	29,0	9,7	12,7	7,2	2,0	7,3	1,5	14,2	4,2	4,2	8,0	100,0	
total	732	246	322	181	51	185	38	359	107	106	203		2530

¹⁾ Gas- and oilfields, refineries; coal-mining; ore-, gold-, diamond mining; quarries

²⁾ Invest- and finance companies; bank-holdings; credit societies; finance corporations

³⁾ Military – industrial – complex

⁴⁾ Drawing offices; scientific-productive companies; scientific-technological establishments (belonging to big enterprises)

⁵⁾ Micro- and optoelectronics; space technologies; kryogen technology

⁶⁾ Assurance companies; private chancelleries (lawyers); security services; hotels and catering; private training – and cultural institutions

Percentage of (persons) pensioners (older than 60 years) : 26,2%

Source: Sowremennaja Polititscheskaja Istoria Rossii, (1985-1999 gody). Tom 2: Liza Rossii;
Moskwa 2000 Evaluation of biographics from 2530 prominent CEO's in Russia's economy

Table 18 shows the share of women separately. There are so few involved that calculating percentages would be pointless. Only absolute figures are given, percentages being given only for whole age groups and sectors. At least in the lower age groups and in the newer sectors (banking and finance, media, and services) the proportion of women is slightly higher than in older age groups and traditional industries.

Table 18 Russia's Business Elite in 1999
Women in CEO positions by economic sectors and age groups

all persons born	Ind.	R. M. Ind.	Banks S.-B.	Fin. groups	MIC	Science Techn.	High Tech.	Serv.	Trade	Agrar prod.	Media	total number		women's share (%)
												female	male	
before 1929	1	-	-	-	-	-	-	-	-	-	-	1	77	1.3
1930 – 35	1	-	-	-	-	2	-	4	-	1	-	8	233	3.3
1936 – 39	5	-	3	-	-	-	-	3	-	1	3	15	329	4.4
1940 – 45	5	-	4	1	-	-	-	8	4	1	2	25	343	6.8
1946 – 49	4	1	6	1	-	-	1	7	-	1	3	24	405	5.6
1950 – 55	2	-	13	-	-	1	-	9	2	4	6	37	454	7.5
1956 – 59	2	-	-	3	-	-	-	7	-	1	2	15	213	6.6
1960 – 65	2	-	5	2	-	-	1	8	4	-	7	29	237	10.9
On or after 1966	-	-	-	-	-	-	-	1	-	-	5	6	79	7.1
total number female	22	1	31	7	-	3	2	47	10	9	28	160		
Total number male	710	245	291	174	51	182	36	312	97	97	175	2370		
Women's share (%)	3.0	0.4	9.6	3.9	-	1.6	5.3	13.1	9.4	8.5	13.8			

Women's quota in the Russian business elite: 6.3 %

Women's quota in the Russian elite (in all): 8.5 %

Source: Sowremennaja Polititscheskaja Istoria Rossii, (1985-1999 gody). Tom 2: Liza Rossii; Moskwa 2000 Evaluation of biographies of 2,530 prominent CEOs in Russia's economy

On the basis of the total information, figures 1 to 8 present specific characteristics.

Figure 1 shows characteristic stations in the careers of the older generation of industrial managers (skilled worker, technical college studies, political socialisation in Komsomol and Party positions, managerial positions from middle to top levels in major enterprises, sometimes positions in high party and parliamentary bodies, in and after privatisation entrepreneurs and managers, members and advisers of political parties and groups, trade associations, parliaments, and state institutions). They are most strongly represented in large industrial enterprises, in extractive industries (oil, gas), and in the military-industrial complex.

Figures 2 and 3 illustrate characteristics of the business elites in banking and finance and in agriculture in a different way. The pattern is the same as in industry.

Apart from the specificities of the banking and finance profession, it is striking that this "new" sector offers far more younger people and somewhat more women career opportunities.

Figures 4 to 7 show examples of professional, educational, and political stations in the lives of the managers and politicians Chernomyrdin, Beresovski, Chubais, and Kirienko. Coming from different generations (born respectively in 1938, 1946, 1955, and 1962), they embody the unity and mobility of education and qualifications, industrial management and political responsibility in the highest government and party positions in present-day Russian capitalism.

Finally, figure 8 compares the age structure of business elites in industry, in science and technology, and in the military-industrial complex with those in service industries, finance management, and the media. The second group, which includes the newer sectors of the economy, there is a markedly higher proportion of younger people. This is also the case with the female minority, again shown as a whole.

At the present time it is not possible to give a final assessment of Russian capitalism. It is still in its infancy. Even privatisation as a property relationship has only been realised at the formal, legal level, and still needs to be given political-economic and sociological form. The business elites, too, are characterised by a high measure of both continuity and discontinuity. And although the passage of political leadership from Yeltsin to Putin at the beginning of the 21st century was a signal of the will to apply law and order to the chaotic capitalism of the 90s, the outcome is still limited to stronger involvement by the Russian state.

Figure 1

**Schematic depiction of typical biographies of
Russian top managers (industry) in 2000**

(all persons born 1935 – 1949)

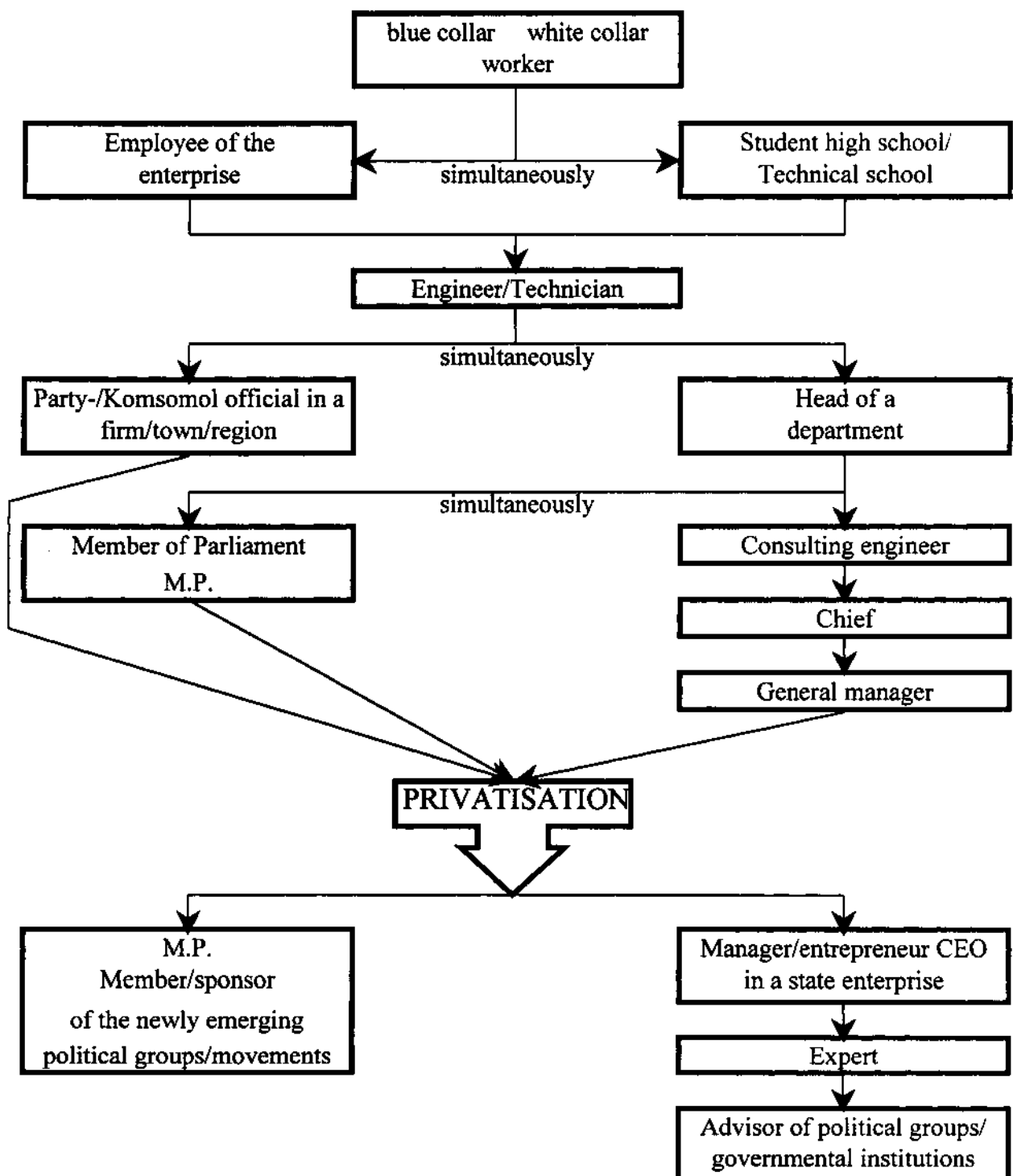


Figure 2:

BANKING-FINANCE-ELITE of RUSSIA (professional career)

Fields of activity/
Professional career

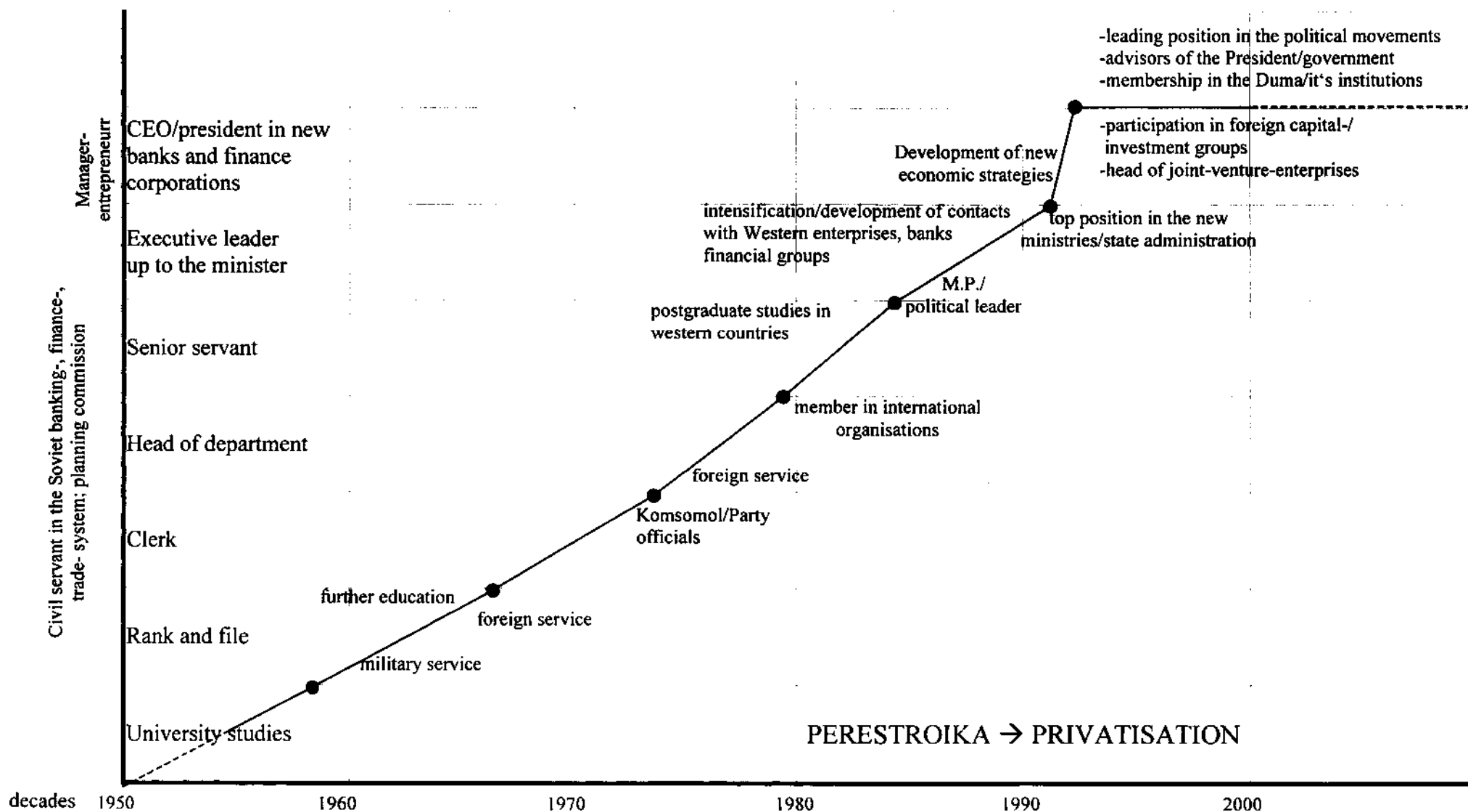


Figure 3:
Fields of activity/
professional career

AGRARIAN-ELITE of RUSSIA (professional career)

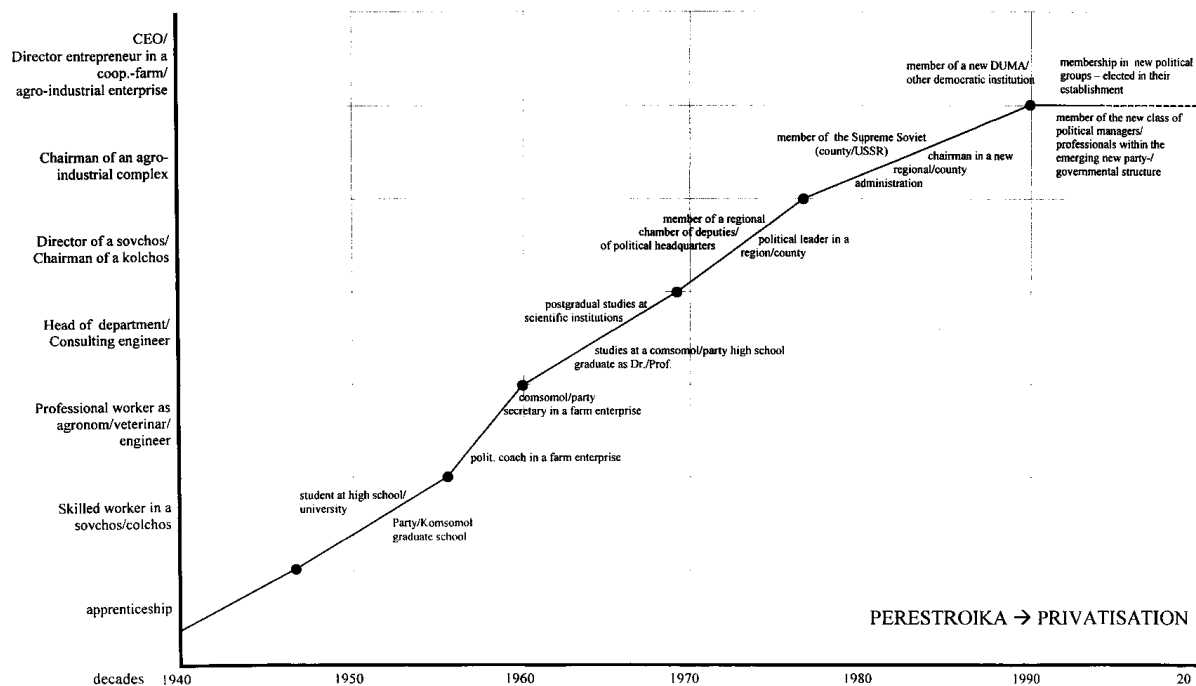


Figure 4

Professional Career of Chernomyrdin, Victor S. (born 1938)

Year	Profession	Education	Field of activity
	Workman	technical school	locksmith military service
1957	operator	technical high school	
1967	party professional		official in the town headquarter of Communist Party
1978	director of enterprise		head of a gas-processing enterprises
1982	party professional		Central Committee-instructor for heavy industry
1985	politician		deputy minister MP RSFSR/MP USSR /member of Supreme Soviet head of the industrial union oil/gas industry <i>Glawtjumengasprom</i>
1989	top politician CEO in the industry		minister oil/gas industry, Communist Party Central Committee member elected as chairman of the board of GASPROM
1992	politician		deputy prime minister RF, prime minister of Russia
1994	founder of the party "Nash Dom Rossia"		prime minister of the Russian Federation
1998			retire as prime minister MP Duma RF
1999			representative of the state on GASPROM board
2001-			envoy (minister) of the president of the Russian Federation (to Ukraine)

Figure 5
Professional career of Beresovski, Boris A. (born 1946)

Year	Profession	Education	Field of Activity
		studies electronics hardware construction	
1967	scientific career		researching institute at the ministry of equipment making
1968		post gradual studies at the Academy of sciences	hydro-met. researching centre
1970		Prof. Dr. corr. member of the Academy of Sciences	institute of management problems at the Academy of Sciences
1989	career as businessman/ politician up to the first Russian oligarch		CEO of the private limited company LOGOWAS
			CEO of the „All-Russian Automobile Alliance“ (AVVA)
			chairman supervisory board of the ORT (state TV)
1996	retirement from business posts		appointment as member of the Security Board of the Russian Federation
1997			Deputy Secretary of the Security Board (S.B.)
1998			Executive Secretary of the S.B. (SNG)
1999			M.P. Duma of Russian Federation

Figure 6
Professional career of Chubais, Anatoly B. (born 1955)

Year	Profession	Education	Field of Activity
1977	scientific career	studies engineering economics	
1982		sc. assistant	
1990	career as politician and top manager in the transition period	lecturer	dept. chairman of the Executive Comm. of Leningrad
1991			<ul style="list-style-type: none"> - chairman of the State Commission for the administration of the state property - Russia's chairholder in the Internat. Valuta Fonds, Internat. Bank of Reconstruction/Development; - the Multilateral Agency for the Guaranty of Investments
1992	Deputy Prime Minister		<ul style="list-style-type: none"> - head of the commission for securities and fonds market
1996	replaced as Dept. Prime Minister		<ul style="list-style-type: none"> - president of the fund for the defence of private ownership - M. P. Duma R.F., member of Duma commissions - member in the supervisory board of the ORT (state TV) - chairman supervisory board of the Club Jurists - dept. chairman of the temporary special commission at the President to improve the tax – and budget discipline - head of the presidential administration - member of the council of defence and security
1997	First dept. prime minister		<ul style="list-style-type: none"> - minister of finance
1998	retirement as Dept. Prime Minister		<ul style="list-style-type: none"> - special representative of the president for the cooperation with intern. finance-org. (with the rank of dept. prime minister) - chairman supervisory board of the state limited company "United Power Stations System"

Figure 7**Professional Career of Kirienko, Sergei Vladilenovitch (born 1962)**

Year	Profession	Education	Field of Activity
1984	shipbuilding engineer	studies at the Technical High School	
1986	former in a shipbuilding enterprise		Komsomol secretary in the enterprise
1991	President of the limited company KONZERN AMK		Komsomol Secretary for Gorki district
1994		postgraduate studies at the Acad. of management economics at the government of Russia	
1996	career as politician and political leader		chairman of the board of directors of the Nishegorodski Commercebank GARANTIA President of the NORSI-OIL corporation
1997			- deputy minister of fuel and energy - state representative at GASPROM
1999	retirement together with the government		- First Dept. Prime Minister - Russian chairholder in the Russian – USA Commission for the economic – technological cooperation - Prime Minister - top official in the SPS parliamentary group - head of the political movement „New Power (Nowaja Sila) - M. P. Duma of Russian Federation

Figure 8

The Business – ELITE of Russia 1999

Age structure of selected sectors of the economy

