

BUSINESS AND POWER IN RUSSIA

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Abstract

10 years ago the whole wealth of Russia was gathered in the hands of Boris Berezovsky, Roman Abramovich, Vladimir Gusinsky, Mikhail Khodorkovsky ... The aim of this Thesis is to find why the oligarchs were more powerful during Yeltsin's era than they are during Putin's era. During Gorbachov's and Yeltsin's presidency as the result of their reforms such as "perestroika" and "privatization", oligarchs (or elites as they call themselves) gathered in their hands quite large amounts of wealth with the help of which they could manipulate political elites. This was possible because, during those years, the ruling class consisted of the nomenklatura, among which oligarchs entered the scene during Gorbachov's reforms. But the power base in Russian politics changed when people from the KGB, including Putin came to power. After coming to power Vladimir Putin announced his new policy towards the oligarchs. This policy was to make oligarchs "equidistant" to power, which totally changed the rule of the game. The oligarchs were allowed to do their business but under one condition that they will not engage in politics. Those who did not accept this policy were arrested or forced to leave the country. Putin filled their places with his own familiar oligarchs who are not engaging in politics but only involving themselves with their businesses.

Özet

10 yıl önce Rusya'nın bütün serveti Boris Berezovsky, Roman Abramovich, Vladimir Gusinsky, Mikhail Khodorkovsky'in elinde toplanmıştı. Bu Tezin amacı oligarkların neden Yeltsin'in döneminde Putin'in döneminde olduğundan daha güçlü olduğunu araştırmaktır. . Gorbachov ve Yeltsin'in başkanlığı dönemindeki perestroika (yeniden yapıma) ve özelleştirme reformları sonucunda oligarklar ellerinde oldukça büyük miktarda zenginlik topladılar ve bununla siyasi elitleri manipule ettiler. Bu, Gorbachov'un reformlarıyla birlikte oligarkların da yöneticiler arasına girdikleri nomenklatura sayesinde mümkün oldu. Ama güç tabanı Putin'in de içinde olduğu KGB kökenli yöneticilerin iktidara gelmesiyle değişti. İktidara geldikten sonra Vladimir Putin, oligarklara yönelik yeni politikasını açıkladı. Bu politika oligarkları uzaklaştırmaktı ve bu yeni politikayla oyunun kuralları tamamen değişmiş oldu. Onların iş yapmasına izin verildi ancak siyasette yer almamaları şartıyla. Bu politikayı kabul etmeyenler ya tutuklandı ya da ülkeyi terk etmek zorunda kaldı. Şimdi iş adamları siyasete değil, hükümet iş adamlarına karışıyor.

Abbreviations

USSR- The Union of Soviet Socialist Republics

CPSU- The Communist Party of the Soviet Union

Agricultural CC- Agricultural Central Committee

NEP- New Economic Policy

RSFSR- The Russian Soviet Federative Socialist Republic

ORT (RPT) - Russian Public Television

Gazprom - Gazovaya Promyshlennost (Gas industry)

RAO UES- Unified Energy System of Russia

CIS - The Commonwealth of Independent States

FIG - Financial- industrial group

KGB- Committee for State Security

FSB- Federal Security Service

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Introduction

The problem of the formation of the business elite as a new country actor and its relations with the political elite take significant place in the research agenda of the Russian public. During the last two decades in Russia some qualitative changes were taking place that have affected all spheres of public life. However, the most noticeable they were in political and economic sphere. Oligarchs gathered in their hands quite huge amount of wealth and political power during transition era, but their political power had changed when president Putin came to power. So, why the oligarchs were more powerful during Yeltsin's era than they are during Putin's era? In order to answer this question I looked through the three periods of Russian history. They are mainly Gorbachev's (1985- 1991), Yeltsin's (1991-1999) and Putin's presidency (2000-2008; 2012-present) periods.

First of all I want to give the definition to the word "Oligarchy" in the world and Russia. This word was first used by Plato and Aristotle over 2000 years ago. Oligarchy (Greek. Oligarchia) - domination of the few over the majority. This rule, based on an assessment of the property, so that it is dominated by the rich and the poor do not participate in management. According to Plato, everything that is done too much, is rewarded with the great change in the opposite direction: "This is what happens ... on the boards: an excess of freedom should lead individual, as a policy, not to anything else as to slavery" (Plato 1926, p. 563).

According to Jowett oligarchy for Aristotle is a self-serving domination of a minority consisting of the rich.

"There are generally thought to be two principal forms: as men say of the winds that there are but two- north and south, and that the rest of them are only variations of these, so of governments there are said to be only two forms- democracy and oligarchy" (Jowett 1999, p.6).

In Russian, the word “oligarch” often refers to anyone who has the power and privileges. This is the post-Soviet synonym of *nomenklatura*¹ or mafia and sometimes replaces both concepts (Zudin, 1999). During transition era *nomenklatura* and mafia was connected to each other. The word “oligarchy” displaced its predecessor; “*nomenklatura*” which was to describe a new ruling class.

According to Fortescue (2008), oligarchs need three things to survive: maintaining dominance in the economy (in Russian case it is nearly 80 percent of economy); succession procedure in the class of oligarchs and a real opportunity to apply for political power. Oligarchy and oligarchs themselves usually do not seek or can not get an official political power. Here Russia and other post Soviet republics (Ukraine, Azerbaijan) are exceptions. In these cases, a formal ruling oligarchy can and want to represent the interests of the rest of the oligarchy. In other cases the ruling oligarchy were accused that they have highly personal or family interests. The oligarchs are vulnerable in this respect, that their economic power, even if significant, tends to a high concentration. This situation makes the oligarchic structure easy prey for the expropriators when the political opposition is able to mobilize (Fortescue 2008 p.24). Nevertheless, much remains unclear and above all - what is the “oligarchy” in Russia?

“In its current meaning in Russia, the term “oligarch” denotes a large businessman who controls sufficient resources to influence national politics. It is not clear who first used the term oligarch to describe the newly emerged class of Russian tycoons. Kommersant (2003) refers to a pro-market politician Boris Nemtsov (then a governor of Nizhny Novgorod region, later to become a deputy prime-minister) and a journalist Alexander Privalov (Izvestiya daily, currently Expert weekly), both introducing the term in 1994-95”(Guriev and Rachinsky July 2004, p.34).

As a rule, it is a narrow group of executives of the largest financial and industrial structures, possessing close ties with the government. Sometimes it is depicted as a “new owner”

¹ The *nomenklatura* was a category of people who had keys to administrative positions.

of the Russian state (Zudin 1998 p.5). According to Pavroz, when Soviet Union collapsed there was established business with bureaucratic market principles:

“...which implies indivisibility of economic and political power, and the permanent conversion of power into property and property to government. Such a situation has led to the establishment of the economic oligarchy - class of political entrepreneurs who preferred to compete in the political rather than the economic sphere. Thus, hypertrophy of the social and political influence has allowed these political entrepreneurs occupy a dominant position in the economy, to concentrate in their hands a considerable part of the national wealth and turn the state into an effective tool for the realization of their own interests” (Pavroz 2009 p.72).

In sum, in Russia oligarchy it is the people who came from nomenklatura, gathered in their hand big amount of economy through corruption and mafia and had influence on state policy. Mostly this influence showed itself in lobbying which according to Aslund the major reason that allowed lobbying in parliament in USA, Ukraine and Russia is that “parliamentary elections are dominated by one-man constituencies. That means that individual candidates need to mobilize their campaign financing on their own, which is much easier to do if each contribution is relatively large or the candidate himself” (Aslund 2008 p.22). Other means of influence are buying court decisions, owning mass media. Although the group of oligarchs had some clashes within itself (as I describe in the second chapter) in some political situations such as presidential elections they were operating together until Putin's presidency.

“What makes this group unique is not only the extent of their power, influence and wealth in Russia, its republic and increasingly internationally, but also that these are two distinctly different groups, operating sometimes independently, sometimes in common” (Richard L.Palmer 1997, p.5).

This thesis is divided into two parts, where the first part describes how business influenced into politics and economy of the country when in the power structure was nomenklatura, and the second part shows how everything has changed when KGB came to power. The first part consists of two chapters which describes the periods of Gorbachov and

Yeltsin when oligarchs had formed and gained economic and political power. The first chapter observes the period of Gorbachev when he in order to save the country from the economic crisis started new programs, such as “perestroika” and “new thinking”. They intended to make big changes in the economy and politics of USSR with these reforms. These changes in the country took place from 1985 till 1991. He tried to integrate the country to world market. Here, the main aim of these reforms was the destruction of some ideologies such as “communism” and “socialism” and drive the country to the new “beginning”. “Perestroika” included some laws such as permission to “individual activities” or “cooperatives”. The law about cooperatives was crucial point what makes Gorbachov’s presidency the first step in the formation of oligarchs. This law for the first time in the history of USSR allowed every individual to form their cooperatives and future oligarchs such as Khodorkovsky, Gusinsky, Smolensky, Berezovsky, Vinogradov, Fridman and Potanin benefited from this law, formed their cooperatives, such as women accessorize cooperative, car vehicles or just finance or lending (banks) cooperatives.

But ideologically Gorbachov’s policy was very weak. His reforms were very ineffective in economics, which then led to deficit in the country. Those reforms that he adopted in order to prevent crisis and chaos in the country, caused more chaos and even in some regions had been started movements for independence. These led to the August coup which was between the “Emergency” committee which was formed to prevent the dissolution of the USSR and the president of the RSFSR Boris Yeltsin who wanted the independence of Russia from USSR. The result was that on 8 of December of 1991 Belarus, Russian and Ukrainian leaders signed the “Belavezha agreement” according to which USSR stopped its existence.

However, the formation and early operation of the system patronage -client relationships, better known under the name of “oligarchic capitalism” can only be spoken from the mid 90s

when formed a system of financial and industrial conglomerates which I discussed in the second chapter. Boris Yeltsin gathered around him young reformers, such as Gaidar and Chubais (Appendix 1) after the dissolution of the USSR. The main aim of them was to prevent communism to strengthen and replace it with capitalism and free-market economy. They tried to implement “shock therapy” which consisted of several stages such as liberalization of foreign trade, liberalization of prices and privatization. The first two stages were headed by Gaidar, but he was dismissed from his post by Yeltsin after turned out that his policy was not so effective. Millions of Russians lost their savings, the amount of poverty raised.

Then, privatization started which was conducted by Chubais and was held from 1992 till 1994. The main idea of privatization was to transfer state property to private hands, but it turned out in the hands of few. Potanin, Berezovsky, Gusinsky, Smolensky, Khodorkovsky, Fridman and Vinogradov (Appendix 1) were those seven oligarchs managed to gather in their hands most of the property. In 1995 the economic situation was not very stable. Government needed funding, but the main banks of the country were in the hands of the oligarchs who received them as a result of the privatization. So, government decided to make an auction where Russian banks would lend the government money, and in exchange own shares of government-owned companies. But the government could not pay back the loans that’s why the shares of the biggest enterprises of the country gathered in the hands of these few oligarchs, who started to play the main economic role in the country and had an impact in the political decisions.

The oligarchy in Russia received a powerful impetus to the development in 1995, after the government's decision to transfer to private business shares of the largest industrial enterprises in exchange for financial support to budget (Krishtanovskaya 1998). This means that, after the loan auctions in 1995-1996 came the stage of development of the Russian business elite,

which allows to speak about the presence of the oligarchy. State and business cooperated so closely that sometimes it was difficult to distinguish the officials from entrepreneur in the Kremlin corridors. These people then, until 2000 controlled at least 50% of the Russian economy (Proskurnina, Vedomosti 2009). The main reason why these people managed to concentrate so much economic power in their hands was that during Gorbachov and Yeltsin's period in power structure was nomenklatura. Although during Gorbachov's period nomenklatura was consisted of different layers of population especially Communist party members, it also included people from agriculture, industry (Khodorkovsky, Gusinsky), education (Berezovsky, Chubais, Gaidar), during Yeltsin's period nomenklatura had changed its name but the people who were in the power structure remained the same.

Transition to a different model of interaction between business and the state was declared in the early 2000s by Vladimir Putin which is described in the third chapter of the thesis. Here came a different period in Russian history where the members from security services such as KGB (FSB) came to power. That changed the type of the relations that were during the period when nomenklatura was governing the country.

"Contrary to Yeltsin's relations with the oligarchs, Putin created a centralized hierarchical system of relations in which the government assumed the dominant position. At the same time, following the unwritten 'deal of equidistance', the state appeared to guarantee the inviolability of the oligarchs' businesses and immunity from prosecution over privatization as long as they stayed loyal to the Kremlin and did not interfere with politics" (Vasilyeva 2008 p. 108).

Putin's main policy was to be "equidistant" to oligarchs. Oligarchs shouldn't interfere into politics but only must engage in business. This political course has received broad public support, and its conduct in life was backed up with the use of power capacity of the state (tax police, the Attorney General, the Federal Security Service, etc.). There were some oligarchs who opposed this policy and dared to enter into an open confrontation with the Kremlin. Those were

Gusinsky, Berezovsky and Kodorkovsky, who were later isolated, subjected to numerous sanctions and forced to leave the country. The ones who accepted new rules Putin promised not to start the investigation process about the legality of privatization. Thus, the establishment of a new model of interaction between government and business has led to a radical weakening of the influence of big business, the subordination of business to the state, and incorporation of oligarchic groups into a single presidential power-management structure (Yakovlev 2005 p.25).

In sum, why those people became oligarchs and gathered more than half of Russian wealth and had political influence was because that time they relied on nomenklatura. Oligarchs were necessary for nomenklatura for the preservation and retention of the power of those groups, which under the guise of democracy came to rule the country in 1991. It was easy to make oligarchs from those people who were already among nomenklatura during Gorbachov's presidency (who already formed their cooperatives thanks to their ties with nomenklatura). But during Putin's presidency everything had changed because nomenklatura was replaced with the members from KGB. When the people in the head of Putin came to power the rules of game had changed totally. Now oligarchs engage only in business and the ones who did not accept these rule were isolated.

Chapter 1: Creation of the oligarchs

The Soviet Union was one of the world's leading powers of the twentieth century. The country pioneered in space, defeated fascism. It was a socialist state expressing the will and interests of the workers, peasants and intellectuals, workers of all nations and nationalities of the USSR. Mikhail Gorbachev came to power, ended the Cold war, started some reforms, and pushed his country from communism towards capitalism. But what was his role in the formation of oligarchs? In this chapter I will try to answer this question.

By the early 1980s, the Soviet system weakened due to the Cold War. In the country penetrated more information about life abroad, including the well-being and prosperity. This system had been criticized by many experts: it was obvious that it was not able to provide further development of the country. Further, the existed for 70 years system pushed the country to a deadlock, crisis, and chaos occurred. It was hard to compete with developed countries especially with the United States. It could no longer support the imperial grandeur of the country and its claim to be the superpower due to the impact on many countries, also weakened the military, political and international potential of the Soviet Union.

The Soviet Union crashed in the years and months, when on the top of the country was Mikhail Gorbachev, directing it to the course of “perestroika” (restructuring) and “new thinking”. So, this ideologies based on the destruction of all basic ideas of the Marxist-Leninist theory, the concepts of “socialism”, “communism”, “totalitarianism”. In 1985 Mikhail Gorbachev became the CPSU General Secretary. “By the time Gorbachev came to power there were a lot of problems inside the country that required the urgent solutions. The First one was the excessive centralization of management which reduced the role and responsibility of the regions”

(Brooks 1988, p.23). It worked like this: National budget was hundred percent financing enterprises (regions) and all hundred percent of income and taxes gained from these enterprises went directly to national budget. These enterprises gained only ten percent of profit. The excessive centralization of administrative power increased the stability of the social system, reduced economic efficiency at all levels: macro, micro, and regional in the former USSR (Lepekhn 1998, p. 228). The second, the retail prices of foods remained unchanged for several decades and were below its original cost. For example rise was 0.88 ruble, bread 0.16 ruble in 1961 and these prices remained unchanged until 1990. The need for economic reform was evident (Sogrin 2001, p.265). Taking into consideration all these problems Gorbachev started some reforms such as perestroika, galstnost, and open borders with the help of which he wanted to decentralize the economy. Gorbachev also was planning to integrate the country into the world economy.

So, let me explain what perestroika was and what reforms it actually included. It is a collection of reforms that were for big changes in economy and politics of USSR. It's been started in 1985. Modern scientists divide it into 3 stages: 1985-1986; 1986-1988; 1989-1990. During the beginning of perestroika, from 1985 to 1986 there were not any significant changes in the organization of governance. In 1986 was prepared a law that allowed Russian citizens "individual activities" (Plokker 1990 p.407). The Law on Individual Labor activity of November 1986 permitted housewives, pensioners, invalids, students and other persons not required to work in the state sector to engage in a variety activities such as hairdressing, private taxis and etc. (Pavlov 2012, p.403). The main idea was that to allow people to become private entrepreneurs. For example teachers could teach or give private lessons to their students legally (Hoffman 2007).

The more crucial step taken by Gorbachev was made in a speech of 1986 where he drew attention to cooperatives (Gorbachev 1995). In English, the word “cooperative” has a socialist connotation, but in fact the cooperatives, as they were reinvented by Gorbachev, became the first private businesses in the Soviet Union (Hoffman 2007, p.99). It was a step into a new era. The law sets out rules for the functioning of the cooperative sector, including consumers' and producers' cooperatives (Brooks 1988, p.4). It was one of the main radical steps that set a foundation to oligarchs in achieving their wealth. This law was adopted in 1988. It allowed cooperative ownership of enterprises legally.

“Now the need for a plurality of sources for the provision of services - public, co-operative and individual - is recognized. Up to now, these have been provided mainly by the government - public laundries, hairdresser salons, cleaning offices, TV repair shops etc. Now it is intended that some will be provided by the State, but others by cooperatives and individuals” (Skorov 1987, p.14)

But in this law was a little line² that nobody paid attention and that blow up all the plans of Communists and some oligarchs for example Smolensky (in that time it will be appropriate to call them future oligarchs) used this line to become rich. It allowed to form cooperatives that will do finance or lending - in other words, banks (Gorbachev 1995). Of course that does not mean that anyone could create his own bank and become rich in just a couple of days. In the Soviet Union you had to have either good close ties with authorities or allow corruption and be the part of this corruption. Future oligarchs used both ways. For example Khodorkovsky acknowledged in 1991 that all the ventures could be succeeded only if people had good political sponsorship and strong connections with high-ranking people (Hoffman 2007).

The money was also one of the crucial points in this period. In the 1920s, when the Soviet Union was held "New Economic Policy" (NEP), the currency was the “market” and

² Law on Cooperatives in the USSR allows cooperatives to engage in financial and credit businesses (Law of the USSR “On Cooperation in the USSR” on May 26, 1988 N 8998-XI)

included cash and non-cash payments (Pavlov 1974). These two kinds of payments were in this period also. The cash included banknotes and coins but the non-cash money was like virtual money that had been distributed to some factories as government subsidies. Each enterprise had these two kinds of money. Non-cash money was just an accounting figure and in budget it was three times greater than cash money. They were acting as a permission to use material resources. But enterprises could not turn them into cash money. People were not interested in non-cash money, because with them nothing could be done and it was hard or impossible to turn them into real money. But the future oligarch Khodorkovsky and his team acted differently. After creating his own cooperative enterprise with his team he started to collect non-cash money. Khodorkovsky said that he knew someday these assets will be useful. In the further stage of his life he found some foreign trade companies and exchanged non-cash money into the hard currency that was much more than Khodorkovsky paid to people that he got them from (Tochilnikova 2014). As I mentioned above non-cash money gave a permission to use material resources and this was very profitable for foreign trade companies too.

Major changes began at the end of 1987 when the main difference was shown in freedom, the development of art. There were some programs on television that was promoting reform ideas. At the same time, the political struggle clearly exacerbated. A major transformation was in the field of state power. However, the most sharp was the third period of perestroika in the USSR. In 1989, the Soviet troops were completely removed from Afghanistan. In fact, the Soviet Union ceased to support the socialist regimes in other countries. Mikhail Gorbachev's coming to power marked not only the beginning of perestroika (restructuring) in the country but in the nomenklatura system. The nomenklatura included people occupying positions that were subject to the approval of the Political Bureau and Secretariat of the Central Committee of the Communist Party. This made them the elites of the Soviet system (Krishtanovskaya 2002 p.54).

If during previous leaders of the country general secretaries, coming to authorities began to put together around them a team of dedicated people, everything had changed during Gorbachev's period, he wanted to change all the cadre in the nomenklatura. The future oligarchs typically originated in the Soviet nomenklatura (notably the cadres of the youth communist organization Komsomol) and started accumulating their wealth in the course of Gorbachev's Perestroika of the late 1980s, profiting from insider information and access to the financial resources of the communist party, coupled with waning state control and partial trade liberalization (Vasilyeva 2008, p.105).

Putting forward in the 1987 - 1988 years the slogans of democratization, Gorbachev acted too hastily. He never had any clear program of political reform. As Rustow mentioned democratic regime is a complex system of relationships, procedures and traditions, which can not appear in a country at the request of its leaders. Democratic power structure is much more complex than the structure of authoritarian, and democratic leader is much more difficult than a dictator or monarch (Rustow 1970, p.339). This is a realistic approach. It is impossible in one or two years to establish a democratic regime. The ideology of the Soviet Union was one of the main pillars of society and the state, and every major reform needed the ideological justification. Gorbachev's ideological helplessness caused discontent in the ruling circles of the CPSU at all levels. Unable to solve the ideological problems of "perestroika" or give her any convincing ideological justification, Gorbachev failed to create a strong team of leaders who can help him in governing the country and the party (Razueva 2010). Along with the end of the 80s began to develop democratic movement. It is primarily those who have been cut off by bureaucracy, such

as Boris Yeltsin, who later headed this movement. The USSR consisted of several countries³ and each of them was headed by one person and, Russia was headed Boris Yeltsin. These forces have led the fight for a more radical version of reform. At the same time they were fighting not only for economic reform, but also for political reforms, namely the "strengthening of Russian statehood," that is, for some obscure Russian independence from the Soviet Union.

By 1990, the idea of perestroika had shown that it hadn't got strong ideological base. The new parties had started to form; mainly it was the anti-Communist wing. In the spring of 1990 the government there lost the power over the regions. When economic reforms have been ineffective, and furthermore led to the collapse, in particular increased sorts of deficits- these comparisons evoke strong discontent of the population towards the policy of the USSR. At the beginning of 1991, Gorbachev's perestroika fizzled out - instead of major innovative projects, in the Kremlin's policy began to dominate the endless discussions.

During perestroika period there was a clash between different groups of nomenklatura; it was the struggle between the various social collisions of this period. Most active role played by the groups of liberals (Gorbachev, Yakovlev, Shevardnadze) and conservatives (Ligachev, the State Emergency Committee) nomenklatura (Politiceskoe obozrenie, Komolov 2010). Around the same time, there were some young reformers, who, according to the official propaganda, long before the economic reforms had already expressed some innovative ideas and almost 10 years before they already had their own views on the fate of the country. They were representing democrats in the nomenklatura with the head of Yeltsin. At this point, these mostly little known people were on the top positions in the state. In fact, the first Russian government was mainly

³ USSR consisted of 15 countries: Russian Soviet Federative Socialist Republic, Ukrainian SSR, Uzbek SSR, Kazakh SSR, Byelorussian SSR, Azerbaijan SSR, Georgian SSR, Tajik SSR, Moldavian SSR, Kirghiz SSR, Lithuanian SSR, Turkmen SSR, Armenian SSR, Latvian SSR and Estonian SSR.

consisted from them. They have carried out the necessary, the only possible in this case changes, without which the country could not do, and that there was no alternative. In fact the reforms were "shock therapy", which has been reduced to a depreciation of household savings in the Savings Bank, a hundredfold depreciation of the ruble, and almost the same price increases and then followed the mass privatization. Ideological leader of the reformers was Yegor Gaidar, later Anatoly Chubais became the de facto leader. Gaidar believed that only "shock"⁴ can help his country to defeat communism and will help to transfer to market economy. He mainly wanted to implement shock policy of Augusto Pinochet. Pinochet was a dictator of a Chile and his shock policy was based on liberal economic ideas with strong dictatorship.

The main thing is that, there was a struggle between the young reformers, liberals, democrats, on the one hand, and the communist system - bureaucrats and supporters of totalitarianism, that relied on the Soviet party, government agencies and business structures - on the other (Fortescue 1995 p.57). These communist bureaucrats felt a real threat from young reformers. On August 19 of 1991 a group of high-ranking officials (Communists) started a coup d'état. Officials felt that Gorbachev at least physically could not control the country. They created State Emergency Committee headed by the Vice-President of the USSR Gennady Yanayev, a number of leaders of the CPSU, the USSR government, the army and the KGB of the USSR. The Emergency Committee proclaimed itself as the body that will govern the country. Although the members of the Emergency Committee said that their main aim was to prevent the USSR from the dissolution, actually it was just an attempt to take control from Gorbachev taking advantage of his illness and absence.

⁴ Shock therapy- it is mainly refers to stop government intervention in the economy in order to establish free-market relations (Sachs 1997).

One and the most dangerous of the opponents of the Emergency Committee was political leadership of the RSFSR headed by Boris Yeltsin. In order to suppress Yeltsin and his team troops of the State Committee were brought to Moscow. Boris Yeltsin arrived to the "White House" (Supreme Council of RSFSR) and organized resistance. These resistances were in the form of meetings in Moscow near "White House" and in Leningrad (St. Petersburg). Almost all of the countries of the USSR supported Boris Yeltsin. On 21st of August of 1991 Gorbachev returned to Moscow and all members of Emergency Committee were arrested. A series of ultimatums were addressed to Gorbachev by Yeltsin and other countries of USSR and as a result he was forced to agree - Gorbachev dissolved Communist party and resigned as a chairman of the Central Committee of the CPSU.

These events had accelerated the dissolution of the USSR. Despite the fact that the members of the Emergency Committee wanted to prevent the disintegration of the country, they in many respects provoked it. In August Latvia, Lithuania and Estonia left. Gorbachev was forced by law to accept the decision of the Baltic republics. The final step was on December 8 of 1991 in the Belavezha Forest. The leaders of the three Slavic republics - Russia (Boris Yeltsin), Ukraine (L.M.Kravchuk) and Belarus (S.S.Shushkevich) announced the termination of the agreement on the formation of the USSR. This is a common and in many ways a very simplistic way of events of 1985 - 1991 years.

Thus, the main point: the territorial disintegration of the USSR –“it is only a consequence of the collapse of communism and the transition to capitalism. The rejection of communism means the emergence of a new political figure - the owner - rights that were above the rights of other entities” (Rostov 2013). “So, the essence of the collapse of the Soviet Union lies in the rejection of communism. It did not survive in any European "Eastern bloc" - and not preserved

even in Mongolia, Vietnam, Cambodia, Kampuchea, even in China in the Maoist form” (Avchenko 2005 p.26). As I see this is a systemic crisis of communism, that is, something objective and not related personally to M.S. Gorbachev. From this point on, the interpretation of the activities of Gorbachev became highly controversial. “According to the population, he carried out a powerful breakthrough to the future, allowed the Soviet Union to transform itself into a normal democratic state based on market economy” (Bunic 1994 p.101). For example, one of the leading newspaper columnists of “The Washington Post”, Robert Kaiser wrote:

“In just over five years, Mikhail Gorbachev transformed the world. He turned his own country upside down. He ended the Cold War that had dominated world politics and consumed the wealth of nations for half a century” (Kaiser, 1991 p. 160)

But people evaluating the activities of Gorbachev in this way, become less and less. Other, group of people estimated Gorbachev’s actions as a betrayal, as the destruction of their country, a catastrophe. Russian authors, the supporters of Gorbachev wrote not only about his decisive role in crushing totalitarianism, its great historical feat, but that in the end he still failed in his endeavors, destroyed the country and the system that he wanted to reform. Some said that the law about cooperatives had led to the collapse of communism and automatically territorial disintegration of the USSR. Stalinists in the Kremlin assumed that it is not allowed to joke with the property. Loss of control over the property is equivalent to the loss of political power. Because communism - is when the property is owned by the bureaucracy. Gorbachev himself in the interviews said that the only one who must be blamed in the collapse of the country it is nomenklatura. ““Some people come together to benefit from this, but in our case nomenklatura broke up the union, the ready state and broke Russia” (Smirnov, Komsomolskaya Pravda 2014).

In sum, the idea of socialism and communism had exhausted itself long before Gorbachev came to power. The development of the society depends on finance of this country.

In communism there is no finance. The USSR was a quite centralized country with no development (change) in the system from 1945. Although Gorbachev's new programs such as "perestroika" and "new thinking" did not give the results that he wanted and ended up with chaos, at least it pushed country to one step closer to capitalism. "New electoral law" that he adopted in 1989 allowed to create new parties other than Communist party. For the first time in the history of the USSR he allowed ordinary people to own property, to start their business and to form cooperatives. This was the first step for people that further will become oligarchs. The struggle between liberals, conservatives and democrats in the nomenklatura ended with the victory of democrats who were young reformers such as Chubais and Gaidar and young Komsomol members (Khodorkovsky, Berezovsky, Gusinsky, Aven and Smolensky) with the head of Yeltsin. Although the structure of nomenklatura had changed, it continued its existence during Yeltsin's period.

Chapter 2: Nomenklatura as the ruling class

In the history of every country in the transition period always comes a moment when the initial collection of capital is started. The same happened in Russia. In Russia in 1991 group of liberal nomenklatura (Yeltsin, Gaidar, Chubais) came to power defeating the faction of conservative nomenklatura and taking a course to neo-liberal economic reforms. They conducted “shock therapy” and “privatization” which finished the formation of oligarchic group and gathered in their hands the most part of the state properties of the Russian Federation. These financial groups had concentrated so much power that they began to influence state policy.

2:1 Boris Yeltsin and his team

OLIGARCHS - large businessmen, who behind the scenes dictate their will to ministers and presidents (Boris Nemtsov, 1997).

After the dissolution of the USSR there was one main issue in the country, to overcome the economic crisis. In 1991 Boris Yeltsin offered Parliament that he can cope with the economic crisis and restore healthy system if they would give him endless authority, with the help of which he could issue decrees without ratification (Bradman 1998). Parliament gave him one year to implement his plans, so he gathered the economists and reformers among which were Gaidar and Chubais. Yeltsin accepted the ideas of Gaidar about “shock policy”. The State Duma deputy Alexander Korzhakov in his interview to journal “Tribuna” said that Yeltsin made a “fatal mistake” by accepting this policy. He also mentioned that without state control over this process that included price liberalization, liberalization of foreign trade and the privatization of the state-owned enterprises, could lead to hyperinflation (Korzhakov 2004).

They started this policy only in 1992. First of all they started with the liberalization of the foreign trade. They canceled the restrictions on import and set a zero import tariff, which played

a huge role in the development of the private market trading. Now, everyone could be a part of a foreign trade without any permission documents.⁵ The next step was the liberalization of prices.⁶ The good side of this reform was that in the first year markets filled with the different kind of consumer goods. The bad side was that it led to hyperinflation: a sharp drop in living standards. In just one year “shock therapy” devastated the country, millions of Russians lost their savings, and workers did not receive their salaries for months. There was a technical degradation of the economy, reduction of modern technology. Although liberalization of prices removed the problems of shortages in the market, it caused a decline in living standards.

In this year a division occurred in the “anti-communist” opposition that was formed against USSR and communism and consisted of Yeltsin’s team and parliament. Most of the democratically oriented forces stopped supporting the reforms because people started to demand a ceasure of the reforms. In 1992 Parliament voted for the resignation of Gaidar, in 1993 took from Yeltsin the authority with the help of which he could issue decrees without ratification (Lepekhn 1998).

From this point the confrontation between Yeltsin and parliament started. Yeltsin wanted unlimited power but parliament deprived this from him. In 1993 he signed the decree about the dissolution of the deputies of Parliament. Yeltsin was preparing a coup. He raised the salaries of officers in two or three times. The coup that started in September, in early October led to a natural result - the execution of the building of the Supreme Soviet of the RSFSR. Many large Russian companies took considerable benefit from the conflict of the authorities. They shied away not only from the budget payments, but also from the monitoring of their activities.

⁵ During Soviet era it was very hard to leave the country without permission from the government structures.

⁶ The liberalization of prices - a shift from appointed public prices to the system of free market prices.

Yeltsin's victory over the parliament led to the approval of the 1993 Constitution. It was the Yeltsin's Constitution lifted presidential power to an unattainable height, placed it above the separation of power and thus transformed into an authoritarian state of the Russian Federation (Levitsky and Way 2002, p.65).

After the dissolution of parliament, a new Constitution was written, Yeltsin and his team of reformers decided to implement the rest of the reforms immediately. It is very important to mention what kind of group was near Yeltsin. Beside Gaidar and Chubais who was a part of liberal nomenklatura Fortescue (2008) divided oligarchic group into two categories saying that the first group belonged to black market and the second one were people from nomenklatura. People from black market were those who involved with unofficial buying and selling of goods, which can be regarded as self-employment that brought some financial returns. Such activities expanded during Gorbachov's presidency when he allowed to form cooperatives. People from black market were mainly Gusinsky and Smolensky who made quite good capital with the help of which they could start serious entrepreneurial activity in the post-Soviet period.

The next category was nomenklatura which included Khodorkovsky, Potanin and Berezovsky. Working in Komsomol or in other Study (research) work making you a part of nomenklatura and was a mean to improve the status, gain influence and even get some wealth. Maybe in nomenklatura structure they occupied modest positions nevertheless that positions helped them to start their entrepreneurial career (Fortescue 2008, p.62).

There were three main features of the old nomenklatura and new. First in both were presented the same people. The same people who bossed the nomenklatura in the late '80s and early' 90s as a result of the interception of democratic slogans and economic reforms took them

even to higher positions. Under the guise of fighting with the communist nomenklatura, reinforced its monopoly on power, and Berezovsky was one of the main participants in this process (Inosmi, Pimenov 2013). Second, the shape and structure of power remained from Soviet times. It was a three-level hierarchical pyramid, the first layer the owners, the second layer - the sectoral and regional financial groups, and over them - the oligarchic group of “seven bankers” (Bunic 2005, p.238). Finally, the third feature, oligarchic system used the same methods of government which enjoyed its predecessor – old nomenklatura system. Everything was done in the form of prohibitions and permissions. That is, the presence of prohibitions was the main element of this system. There were a group of people who could prohibit or allow (Bunic 2005, p.239).

In August of 1992 Yeltsin’s team started privatization, but the debate about how to carry it out, were held during a fight between B.N. Yeltsin, his cabinet, and Parliament. Infrastructure for handling the privatization process was superbly created by Chubais with the help of American advisers in 1992 (Broadman 1998 p. 47). It was the process of transformation of the state property of the Russian Federation to the private property. Naturally, the privatization was to create a base for the middle class, make it impossible for a return of communism. At this stage, national property has to be partially transformed into the state and partly in private. Reformers proposed such privatization schemes that would ensure the most rapid transition of government property into private hands. Because after the privatization the shares had to be freely traded, the reformers did not care who would get the assets. “If they are good owners, they could preserve and increase the value of the assets. Otherwise, they will sell shares” (Fortescue 2008, p.107).

If before nobody could pretend to national wealth, now they had a chance to make brighter future and put it under the banner of democracy, reforms, privatization ...At the same time the ideas of reformers coincided with the interests of financial groups that formed cooperatives during Gorbachev's "perestroika", gained endless support from KGB, authorities. There is a lot of criticism about privatization, claiming that it was privatization created oligarchs who due to their personal ties with officials owned property.

How privatization actually worked? First of all it consisted of several stages. The first stage was voucher privatization. It was held from 1992 till 1994. The first idea of this was that the government should create personal accounts in banks, where they will transfer the money from the state property attributable to each person. But this plan was not implemented. Instead they created vouchers. People should pay for each voucher 25 rubles and the nominal value of vouchers was 10 thousand rubles. People could exchange them with the company shares, or invest in an investment bank or just simply sell (Hoffman 2007 p.83-88). Population did not know or understand what to do with the vouchers. And if the workers of good companies have the opportunity at least to invest vouchers in their company, then very large group of people - state employees, workers in industries where there was nothing to be privatized, were at a loss. What could be privatized, for example, in school? So, people began to sell their vouchers. In order to help this process government allowed to form Voucher investment funds. Most of them were formed by companies that were trying to buy their own shares. It actually worked like this: These funds bought vouchers from the population, and then participated in the voucher auctions where they could buy shares of enterprises for vouchers.

With the idea of voucher privatization that was originally created by Chubais, he realized the banal transfer of property to the right people. Potanin, Berezovsky, Gusinsky, Smolensky,

Khodorkovsky, Fridman and Aven were those “right people”, those seven bankers who later in an interview were called as "seven bankers". Jeffrey Sachs (an American economist, one of the policy-makers of "shock therapy" in Bolivia, Poland and Russia.) was a hard supporter of monetarism,⁷ whose ideas were embodied by Gaidar, in 1998, negatively assessed a number of actions of the Russian reformers. As he said in his interview there was a huge gap between what reformers said and did. They thought that business of the state is to serve the interests of few. This was not a “shock therapy” (Sachs 2000 p.47).

The economic reforms had such a devastating effect on ordinary Russians on the one hand, and corruption on the other that Boris Yeltsin’s popularity had dropped. Presidential elections were coming and reformers and oligarchs scared of new one who will replace Boris Yeltsin, because that new president could start re-nationalization program. That is why they needed to make a plan with the help of which they could again strengthen Yeltsin in power. In 1991 some of the Chechen-Ingush republic decided to secede from Russian Federation and declare itself as a new independent republic. During 3 years there was no intervening by Boris Yeltsin. But in 1994 he signed a secret decree about sending troops to Chechnya. Since 1996 Berezovsky had worked with Chechen militants, actually sponsored them. The tricky part here was that Yeltsin sponsored this war with the help of Berezovsky and Gusinsky, gaining the reputation of a peacemaker, and for the militants the abduction and the further release of hostages brought the money (Ibragimov 2006 p.67).

“But Yeltsin could not rely on re-election, before he finishes the Chechen war. Communists that will come to power did not promise anything good for Chechens also. So, Chechens decided to sign an agreement with Yeltsin, on disarmament of the separatists and the withdrawal of the federal troops from the Chechen Republic” (Valiulin&Zakripova 2006 p. 34).

⁷ Monetarism – believes that the money supply is the chief determinant in macroeconomic circulation (Jahan and Papageorgiou 2014)

The outcome of the war was the signing of the Khasavyurt agreements and the withdrawal of Russian troops from Chechnya. Chechnya has once again become the de facto independent, but de jure unrecognized by any country in the world. They had several reasons to start the war in Chechnya. As popularity of Yeltsin had dropped they need to start a war where Yeltsin will be a hero as he was during August coup. In order to implement it they needed to find an enemy, and to find an enemy would be easier inside the country than the outside. Because they took loans, credits from foreign countries, Chechnya suited perfectly. The second reason was that people had already negative energy towards Yeltsin's administration. That is why Yeltsin and his team needed to address their negativity by another subject. In other words to distract their attention from one subject to another. Finally the last reason was that they wanted to show that the money that "disappeared" during "shock policy" was spent to this war. Although the war ended quite good to both sides that did not raise the popularity of Yeltsin.

The next stage was loan auctions. It started in 1995. The ongoing war in Chechnya required funding. In these circumstances, the country's leadership had not found a better way than to apply for loans to the banks. These loans were secured by the shares of the state's large companies. These banks put one condition if state couldn't return the money then these banks will save the shares on loan auctions. Before the auctions took place there was not any billionaire in Russia. But these auctions created a new level of people with huge wealth and power which people further will call as oligarchs. I have to mention that these people already were businessmen with different kind of business but especially most of them specialized in banking sphere. For example Potanin (ONEKSIM-bank), Khodorkovsky (Menatep bank), Smolensky ("Stolichniy" commercial bank), Gusinsky (Most-Bank), Berezovsky (United bank), Fridman and Vinogradov (Inkombank). The idea to hold this auction was forwarded by Vladimir Potanin

who was the owner of the ONEKSIM- bank. The government, especially in the face of Chernomyrdin the Prime Minister and, of course, Chubais, quickly agreed to the proposal of Potanin and start working on loan auctions to quickly implement them.

In the autumn-winter 1995, all these loan auctions were held. As a result, bankers such as Khodorkovsky received YUKOS, Potanin Norilsk nickel, Berezovsky Sibneft and Aeroflot, Gusinsky Media-most, Smolensky Sidanco, and Fridman Slavneft. At that moment it was clear that the government was certainly not going to give the money back and gradually these shares finally became the property of the creditors. In the hands of oligarchs concentrated such a huge economic power that to stop them to gain huge political power could be only with authoritarian methods (which I will mention in the next chapter). After a decade of privatization and redistribution Chubais's reformers got what they wanted. In the country were large, strong private companies that demonstrated a high degree of vertical and horizontal interests (Fortescue 2008, p.111).

Naturally, it was hard to call them as auctions, since it was known beforehand who will be the winner of this auction. Because neither government nor most of the population of Russia had money. Naturally, when auctions were held, the price was set quite arbitrarily; it absolutely did not correspond to the actual market prices. The prices and the amounts stated in the auction were just ridiculous. For example the oil company YUKOS was sold for 309 million dollars, now it brings approximately 3 billion dollars each year. "Only a small number of enterprises were in the hands of a very small number of oligarchs. Nevertheless loan auctions were the main means of strengthening of the oligarchic power in Russia" (Aslund 2001, p.13). The bizarreness of these situations was not only that the shares were sold less than its actual price but also that these shares were bought with public money. In the process of cooperation between politicians

and businessmen about loans many ministries transferred huge amount of money to the private banks that oligarchs created. Then Banks conducted these auctions where they also participated. The money by which they bought shares was the one that ministries invested to their banks. According to Sachs (2000):

“So what happened was that in 1994, and even more in 1995 and '96, some of the most valuable natural resource deposits which had been put into these corporate forms were simply given away, in essence, to those people we now call the oligarchs who became billionaires overnight. They were on the inside circle of the Kremlin and be able to grab one of these resource companies”.

As I mentioned earlier due to these process the popularity of Yeltsin dropped and even the war in Chechnya couldn't help. At that moment there was a standing issue, the presidential elections of 1996 - the election of Yeltsin for a second term. Then Chubais again together with his new friends, who were given the best companies and were thus concentrated controlling shares of the entire economy of Russia (the oligarchs), turned to anti-communist propaganda (Hoffman 2011). By that time Berezovsky and Gusinsky became the owners of the main Russian TV Channels such as ORT and NTV. With these process implementations of the oligarchs in the media occurred, especially in television.

During election campaign the main opponent of Yeltsin was Zyuganov. Zyuganov was a chairman of the Central Committee of the Communist Party of Russian Federation. In the first round the aim of the Yeltsin's team was to introduce him to the second round. As Gennady Zyuganov was the most popular among the opponents of Yeltsin they prepared two PR campaigns, black PR for Zyuganov in order to belittle his image and good PR for Yeltsin. This campaign was not limited with the creation of the positive image of Yeltsin. The hidden advertising was everywhere. This was made possible thanks to the fact that in the hands of the Yeltsin's "new financial friends" were truly incredible amounts and opportunities. When Zyuganov went to Davos for the next Economic Forum, the global capitalist elite met him as the

next president of Russia. It is interesting that Chubais and whole company of the oligarchs were in Davos, and it was there, in Davos, made historic decision that oligarchs will support Yeltsin in the elections and struggle against Zyuganov (Kotz & Weir 2007).

On July 3, 1996, Yeltsin won the elections with 53.82 percents of votes, and Zyuganov lost with 40.31 percents. Many said that Yeltsin's "friends" falsified the results of elections. For example Avchenko in his book mentioned that the popularity of the Boris Yeltsin in the beginning of 1996 was immeasurably lower than four years earlier, and the fact that this applicant was able to win the elections, represents a significant development of "manipulative mechanisms" (such as corruption, media manipulation) in Russia (Avchenko 2005 p. 47). Dimitry Medvedev the President of Russian Federation during 2008-2012 also said that the results were falsified. "It is unlikely that someone has doubts about who won the presidential elections of 1996. It wasn't Boris Yeltsin" (RiaNews 2011).

2:1:1 The features of oligarchic system

So, here I want to list the main features of oligarchic system that have come and fixed as the resulting of loan auctions of 1995, presidential elections in 1996. These are the following features of the oligarchic system:

First of all, it is the ultimate monopoly (I mentioned this group as one player) in the economy. This wasn't a secret to most of the Russians that after the "shock policy" and especially privatization oligarchs controlled in fact most of the Russian economy. During the time when everybody started to define them as "seven- bankers" Berezovsky in an interview to Financial Times that was published on 1st November, said that more than 50% of Russian economic resources were in the hands of just seven financial oligarchs who not only control the economy, but also solve the political problems of the country such as presidential elections (Financial Times 1996).

Huge concentration of financial resources in the hands of a few individuals allowed them to spend a lot of money on government to provide absolute dependence on them. So really all public authorities: and representative bodies, judicial, and executive power completely controlled by oligarchs who made all of these branches of government financially dependent and as a result acquired literally totalitarian influence on all processes, and also the media, who by this time were funded again by this group.

The next feature was that oligarchs tried to suppress dissent. According to Mlechin (2012) this tendency was started during the USSR and continued after its dissolution, saving this feature in countries such as Russia, Ukraine, Kazakhstan, Azerbaijan. Oligarchs as the people who was born and raised in this period just continued what was started long before. Anyone who tried to tell the truth about the oligarchic system cuts off, and if someone from a reputable people trying to criticize the system, against him were used various methods of suppression: the criminal cases, using black PR, physical elimination, which also was practiced often enough (Mlechin 2012).

Another feature was that the group was fully closed. Formed completely closed to outsiders, who had no contact not only with the rest of the people, and even with entrepreneurs. The next feature is that oligarchs tried to export the capital that they attained after the privatization. The main reason was that before privatization took place there wasn't any person in Russia (USSR) who could define himself as millionaire or billionaire. After privatization took place several people in almost one night became the richest people in the country with the most profitable organizations in the country. People began to ask how it all happened and they felt "cheated" (Khinstein 2007). Some of the oligarchs knew that someday when Boris Yeltsin will be replaced by other president, that president could change everything and not necessarily to their favor. That was the reason why oligarchs preferred to invest their money in other countries than in Russia.

Another feature is the sharp increase in the debt of Russia. It turned out that the main money of Russia was collected in the hands of this group, so country was dependent on the oligarchs. This group knew this and it was one of the ways with the help of which they influenced the decision making processes. The next feature of the oligarchic system - the total post (position) trading, which during this period flourished. All positions were sold: ministers, deputy ministers, and heads of departments - anyone could not be assigned without the consent of various kinds of oligarchs, without their direct financial participation; public authorities have been used for direct manipulation. To this feature I can also add nepotism. Nepotism flourished in many regions especially in those where the oligarchs directly were interested. For example in Chechnya Berezovsky had quite good relations with its authority. During Russian-Chechen problem throughout years they invited Berezovsky for negotiations. This makes the oligarchic

system with the Soviet nomenklatura system relative to each other in which there was exactly the same order, sometimes in certain scales.

And the last feature was the West element in their life. The west was the place where they invested their money and they understood that in the case of failure they could escape and use west as a “roof”. What actually Gusinsky and Berezovsky did when Putin left them no choice (I will explain it in the next chapter). So those were the main features of those seven bankers that I thought make them similar to each other because all of these were seen in each of them during Yeltsin’s administration.

2:2 The last stage

After 1996 the formation of oligarchic system was completed. The stage came when nothing was threatening them. These “seven bankers” almost financed the presidential elections of 1996 showed that their already acting as a formulated institute as other political parties. Oath ceremony of the president was conducted according to the rules of the coronation. But those who provided him the victory did not let him forget who made it. Oligarchs brought to power their president, sick, unpopular and unavailable to hold the power. That was not Yeltsin’s victory that was their victory. And they were openly celebrating this victory.

They were given new positions in government, and also they were appointing new ministries. For example Chubais was given the post in the presidential administration, Potanin has been delegated to the government by oligarchs and became the deputy prime minister in charge of finance, and finally Boris Berezovsky became Deputy Secretary of the Security Council (Bunic 2005). Former Finance Minister Alexander Livshits, in a documental film about oligarchs said that “The influence of the people that you call oligarchs, I felt in the 1996. After I

was appointed as Minister of Finance, I was invited. They invited me... and told everything. They were 8-9 people. They all came together in one of the largest bank. And one of them said to me directly – “we made Yeltsin as president, this is our country, and you'll do what we will tell you ...” I asked what exactly they need. They presented a list of demands including coordination all of the decisions with them, appointments of all ministries (The oligarchs after the inauguration of Boris Yeltsin in 1996, 2011).

But almost after the formation of this group started to happen some clashes between its members. These clashes mainly took the form of the struggle for the appointment and influence over the president Yeltsin and his administration, was between the group of Berezovsky, that focused very powerful resources, for example, the controlled TV channels and Potanin who controlled huge financial flows and property. During this period Yeltsin had some problems with his heart and couldn't actually govern the country. On September 19, 1996 Boris Yeltsin signed a decree № 1378 “On the temporary acting as a president of the RF” where he temporarily gave all presidential power to his Deputy Chairman of the Council of Defense, Chernomyrdin (Zudin 2003).

In 1997 Yeltsin return to government and decided to change everything in government. In order to create a balance between financial groups and government Yeltsin formed the opposition in the government where he replaced oligarch Potanin with Chubais and Nemtsov. They were both (Chubais and Nemtsov) appointed as a first deputy Prime Minister. From this point had been started the main struggle between Chubais and Boris Berezovsky. They both wanted to have more power in president administration than other one. Chubais wanted to change the rules by which the Russian oligarchs had acquired power and wealth.

During the short period when the Kremlin was dominated by Chubais and Boris Nemtsov, Berezovsky's business career had received two severe downs. The first of them was with the main oil company of Russia – Gazprom. In 1997 Berezovsky convinced Chernomyrdin to appoint him as a chairman of Gazprom and Chernomyrdin agreed. Berezovsky prepared all the documents but in the last moment Nemtsov refused his request (Khlebnikov 2001 p.277). In his interview Boris Nemtsov said that “Over my dead body. He several times threatened, blackmailed me” (Kravchenko&Rozhkova,Vedomosti 2015).

The second down in his career was the incident with “Svyazinvest”. It was the Russian state telecommunications company, was created in 1994 in order to ensure the flow of foreign and domestic investments in the telecommunications industry. Gusinsky and Berezovsky wanted to buy "Svyazinvest", in order to fully control the situation in the country. The fact is that the TV channels themselves at a loss, because they are not able to recoup the cost of signal propagation, but if telecommunications finally ended up in the hands of Berezovsky and Gusinsky, they could themselves sell signal (Bubnov 2008). Government had discussions about partially privatization of this company. First of all government tried to sell 45 percent of shares of the company to Italian telecommunication – STET. But several problems appeared and they stop this deal. Gusinsky offered government not to sell state property to foreign investors and government agreed to his suggestion.

However, Chubais again intervened in their plans, and it was decided to privatize the only blocking stake (25 percent +1), to sell it at auction to the person who will offer the highest price. There were two competitors. The first group was consisted of Vladimir Potanin and Fridman and the second one were Gusinsky and Boris Berezovsky (Khlebnikov 2001p.278). The auction was held on 25 July 1997. The government expected to gain at least 1.2 billion dollars, but the results

of the competition exceeded expectations. By offering 1.875 billion dollars “Onexim Bank” of Potanin won the auction (RiaNews 2011). The logic, of course, here was: Only to impede Berezovsky and Gusinsky from gaining it, they did it another way, gave it to another group to avoid the concentration of power in the same hands. This is how Chubais explained the transmission of "Svyazinvest" to Potanin (Chubais 2000).

After these two events where Berezovsky failed, namely “Gazprom” and “Svyazinvest” he wanted to “punish” Chubais. George Soros in his interview to Gaurdian said:

“Berezovsky saw the world through the prism of his personal interests. He had no difficulty in subordinating the fate of Russia to his own. He genuinely believed that he and the oligarchs had bought the government by paying for Yeltsin's re-election and that the government had reneged on the bargain by allowing a genuine auction for Svyazinvest. He was determined to bring down Chubais for betraying him. When I warned him that he was pulling down the tent around him, he answered that he had no choice; if he showed any weakness he could not survive” (Cobain, Guardian 2014).

Actually the war between these groups started. The most striking manifestation of this war was the so-called “case of writers” when the authors of the book “The history of privatization in Russia” (including Anatoly Chubais) were accused of receiving unreasonably high fees; actually it was 90 thousand dollars for each author. The TV channels of Berezovsky and Gusinsky broadcasted this news several times a day. As a result of this scandal President Boris Yeltsin took his post as minister of finance, but the post of first deputy prime minister was saved. After these events the “war” between these two groups stabilized. They no longer were fighting with each other, as adhering to a kind of non-aggression pact.

But the most important issue that also arose in 1997 simultaneously with the end of sharp clashes between the oligarchs - a problem of the further fate of the Russian state, namely: who could replace Boris Yeltsin in his departure, as it was clear that he is physically no longer able to lead the country and it is unlikely that he can once again stand the election marathon. At this point, they had several possible candidates. One of them was Moscow Mayor Luzhkov, who was, at first, well-promoted, had enough popularity and only recently won the mayoral election in Moscow with a brilliant result - 90% of votes (Krishtanovskaya 2005). Another possible candidate could be Viktor Chernomyrdin. He was very long in the shadow of Boris Yeltsin, but managed to concentrate in his hands all the levers of economic and financial impact, enjoyed the support of such corporation, as "Gazprom".

Before the elections took place in State Duma activated some people especially people from KGB and started to make real danger to oligarchs. For example one of them was Primakov who worked as Prime minister for 8 months and tried to raise the issues about the legality of privatization. Yeltsin and "Family" (Chubais, Berezovsky, Yeltsin's daughter- Tatiana, Nemtsov, Khodorkovsky...) were looking for a person from this security structure who will guarantee their safety. Among these candidates was also one person – Vladimir Vladimirovich Putin. He was a lieutenant-colonel from KGB who worked as an assistant near Sobchak who was the mayor of the St.Petersburg. Chubais until 1991 also worked with Sobchak, and during one of their meeting Chubais, Berezovski and Putin got acquainted. "They did not rely on Primakov, who was considered too influential, and whom hated the oligarchs, preferring instead Putin, believed that he was more pliable," (Libération 2009). On August 9, 1999 he was appointed as a first deputy and acting chairman of the Government of the Russian Federation. Several days after Boris Yeltsin in his speech named him as his successor. At the same time some Chechen terrorists

activated in Dagestan. Government started large-scale operations here and in the head of these operations was Putin. By September 15 terrorists were completely driven out of Dagestan. After these events the popularity of Putin began to grow rapidly. Oligarchs thought that he will perfectly replace Boris Yeltsin. As reported in a sensational article, *La Repubblica*, "Family", consisting of Tatyana Dyachenko, Anatoly Chubais, Boris Berezovsky, and Roman Abramovich realized that it is time to find a replacement to "grandfather", "best suited for this a small gray man - Vladimir Putin". He had to protect the "Family" from the endless attacks by the prosecutor Carla Del Ponte and other "enemies of the new Russia" (*Le Repubblica* 2001). Putin was not the only candidate who was from security services. There were several others who were from KGB, FSB, SVR, but Putin was the one who already had ties with the "family" especially with Boris Berezovsky. The main question here was that who came up with the idea to make the person from the security services as a president. According to Feltshinskiy people who surrounded Yeltsin, did not believe in democracy or in laws, legislation, and the country's Constitution. They are very afraid of losing power, and with power even money. And as in the good old days, they suddenly realized that the best way to protect the power (and money) they can with the help of special services such as FSB (KGB). And they were sure that they will come to the same point and agree with FSB (Felshtinskiy 2009).

Yeltsin also began to search for a successor to ensure his and his family's immunity. What was needed was a strong hand that can protect and even from the Duma. But who has the strongest hand in the country that could resist even Duma? Of course it was KGB.

2:3 The political regime of Boris Yeltsin

Here I want to clarify the regime of Boris Yeltsin because I think it gives clear understanding of the situations in 90s.

Most political analysts and politicians agree that the political regime at the first President of Russia was not a dictatorship, but at the same time it can hardly be called democratic. In the first stage of Yeltsin's presidency the country was between two regimes, whether it will be dictatorship or parliamentary democracy. The idea about Parliamentary democracy disappeared with the 1994 events when Yeltsin signed a decree about the dissolution of the deputies of Parliament and adopted new constitution according which president became the main power in the country. The center of the regime became president with a lot of authority. During his presidency hybrid regime emerged where there were democratic, authoritarian and oligarchic elements. One of the features of his regime was its inability. Although president had a lot of authority, most of the time he couldn't make effective decisions. As the results he was forced to seek help from the groups (oligarchs), promising them power and property in exchange for their support and loyalty. For example there was a mass distribution of property after this group promised to support Boris Yeltsin in the presidential elections of 1996.

The political regime established under Boris Yeltsin, had a dual focus: on the one hand, the desire for democracy and international integration (membership in the Council of Europe in 1996), less bureaucratic and a true market economy; On the other hand, he inherited, continued and even developed many features of the past. For example the war in Chechnya showed that Yeltsin's regime had more past elements such as authoritarian approach in decision making process than democratic. The decision that was accepted later to start military actions in Chechnya wasn't based on public consent. The large group of the government was supporters of the political settlement of the conflict. In 1994 they also acted against the solution of the problem

with the help of the war. A few months later after the war started deputies of State Duma sent to the Constitutional Court three requests to verify the constitutionality of all decisions related to the start of military operations in Chechnya. In other words there was no consensus among country's leadership on such an important issue as the beginning of military operations in the territory of the Russian republics.

As Razueva said in her lecture about Yeltsin's regime, the conflict in Chechnya has highlighted the sharpest problems of Yeltsin's political regime: strengthening authoritarian methods of government, serious contradictions and differences on many issues among leadership of the country. The most complicated problems about relations with Chechnya were discussed and resolved only with the narrow circle of individuals who were close to the president. The adoption of presidential decrees on such an important political issue, such as the beginning of military operations in the territory of one of the Russian republics, was not accompanied with any normal democratic procedure (Razueva 2010 p. 145).

There was also one specific side of Yeltsin's regime. It had multiparty system, and also they held parliamentary and presidential elections all over Russia. But most of the parties that were created couldn't win the elections and the result was that the interests of almost half of the Russians that voted for them were not represented in the parliament. The Constitution of 1993, which expanded presidential power, weakened the role of parliament. With the switching to multiparty system, political parties lost the opportunity to influence the executive branch and be responsible for its activities. Mostly only those political parties participated in elections that were loyal to presidential side. Thus, the most of the opposition parties were eliminated from elections. That was the evidence that elections that were held in 1993 were not fully free.

The objective side of Yeltsin's regime was that during his presidency was formed a layer of bureaucracy who got the opportunity to get state property. This layer was interested in the preservation of this regime, thus they could influence political events in the country. Relying on these events, V. Nikitaev (2004) qualifies this regime as "oligarchic-democratic" with the components of comprador oligarchy and democracy. The democracy was acted through the election of authority by public, but oligarchy was acted secretly, realized their interests through corruption and bribery of the same officials (Nikitaev 2004).

In conclusion, it was in Yeltsin's period oligarchs fully developed. Although it was Gaidar who created "shock therapy" in Russia he did not participate in the process when financial groups owned state properties. Actually it was Chubais whose privatization finished their formation process. From the beginning privatization was supposed to demonopolize the economy, but it actually turned out to be privatization in the hands of few. These financial groups further owned the main TV channels of Russian Federation which made them easy to influence public opinions. Although these groups had some clashes between each other, their main aim was the same: to influence the policy of the country. Actually it was easy to influence state politics because behind oligarchs was always nomenklatura in the face of Gaidar, Chubais and even some of them such as Khodorkovsky, Potanin and Berezovsky.

Chapter 3: KGB as the ruling class

Most of the oligarchs who were close to Yeltsin thought that the lieutenant-colonel from KGB Vladimir Putin would be the perfect replacement of Yeltsin because they shared the same ideas; but everything changed when Putin came to power. If before the elections “Family” and some oligarchs thought that only the person from security services such as KGB could guarantee their safety, this idea quickly disappeared as soon as the elections took place. Having chosen Putin, Yeltsin shifted power from the nomenklatura to the siloviki (KGB).

3:1 Vladimir Putin, the new president from KGB

In 1999 Boris Berezovzky became the deputy of the State Duma after this, the post of prime minister was replaced by the officer, grown in KGB, lieutenant-colonel – Vladimir Putin. In the beginning the majority did not believe in Putin. Oligarchs in the head of Berezovsky knew that they need successor who will replace Yeltsin and will continue to implement their plans. But two people namely Luzhkov (Mayor of Moscow) and Primakov (Prime Minister who was replaced by Putin) who was supported by people did not suit to interests of oligarchs because these two people tried to raise the issue about the illegality of privatization. So, the majority of the oligarchs chose Putin. But the chances of Putin remained low. People did not know him. Only a small but victorious war could help him. This war happened in the south of Russia. Chechen terrorists bombed houses, hundreds of people died. People were in a desperate situation.

“We will destroy them”- promised the Prime Minister Vladimir Putin (Kommersant 2007, p.14).

After this speech and the war in Chechnya his rating gradually increased.

On the New Year eve the president Yeltsin during his speech in Russian TV channel said that he leaves his post and announced that Putin will be his successor. According to Berezovsky , “ Putin did not really want power, he really with great difficulty made this decision, and agreed only then when president Boris Yeltsin persistently asked him” (Korzhakov 2004, p.34). Boris Nemtsov (2007) further in his book mentioned that he was really surprised with the choice of Yeltsin. He couldn't understand how people voted for the person who started his political career with the presidential elections. He reasoned his surprise with the fact that Putin was not well-known either in KGB or in state.

“Now I understand what happened and why suddenly appeared Putin. Yeltsin did not trust Primakov, Luzhkov or Chernomyrdin. People around him (financial group) convinced to pick a president who will provide him personal safety. They did not care where the new president would lead the country, they thought of themselves. They looked for a man who would be obliged to them all, reliable” (Nemtsov 2007 p.45).

Before Putin's elections the power outside Kremlin was already divided between powerful men and after the elections they were going to “bargain” with Putin the price of their political influence. But Putin did not bargain with them. He just separated a sense of personal gratitude and state interests. In previous chapter I had already mentioned about struggle between Nemtsov and oligarchs. Here is a little part of the conversation between Nemtsov and Putin after his election as president, Putin said to Nemtsov about this situation:

“You know what was your mistake? You struggled with the real rulers. Not having enough power, you fought with those from whom power depended. It was necessary first to get the power, and then deal with the oligarchs” (Nemtsov 2007 p.63).

I think this conversation with Nemtsov showed that Putin long before the elections was not planning to cooperate with oligarchs, and left them to know that there was not nomenklatura

anymore. After the elections that took place on 26 of March, the first thing that Putin said was that he will not meet with the oligarchs *tete-a-tete*. He said "I know how it ends they will ask or demand something and I don't want it" (Nemtsov 2007, p.75).

Putin had three points of support: the federal bureaucracy, security services and non-oligarchic business. Steps towards these three groups (raising the status of federal officials, a significant increase in funding of the Army, the Federal Security Service and other law enforcement agencies; revision of the tax legislation and reducing the tax burden) helped to strengthen the position of the Federal power (Yakovlev 2003, p.37). When Putin came to power he laid the foundation of the formation of the vertical power⁸ in Russian Federation. There was a change in the main scenario of relations between business and the state. There were new principles in the Putin's messages. Equidistance the state from business, depolitization of relations between state and the business, transparency of business, restoration of the main role of state in economics (Balzer 2003 p. 323). When he became a president he had two policies towards oligarchs: one of them was equidistant them from power and the second one the liquidation of the oligarchic control over the media (Borzunov 2011, p.65). In order to show how he achieved these policies, I will provide examples from specific cases in the following subsections.

3:1:1 Gusinsky and Putin

The second half of the 90s was a time when oligarchs, first of all, Berezovsky and Gusinsky controlled the media (both print and electronic), by which influenced the government policy. And Berezovsky and Gusinsky did not intend to give up the possibility of further pressure on the government. In order to regain the authority that the oligarchs misappropriated, it was

⁸ A figure that depicts vertical power in Russia - http://ross.vc/misc/SX_1200x6032u.jpg

necessary to eliminate the oligarchic control over the media. First of all Putin started with Gusinsky.

Actually everything started from the day when Gusinsky had decided that he did not want to be just businessman; he wanted to be in Media. Besides, for the years spent in the business, he quickly realized that for the West businessman from Russia - nobody, but independent media magnate - a figure (Pavroz 2009). He made a big profit from NTV, the newspapers such as Eco of Moscow, and Seven days. But with other projects he lost quite big amount of money. His relations with the authorities deteriorated after he lost (along with Berezovsky) the battle over "Svyazinvest". Gusinsky felt offended. He demanded compensation, but only irritated authorities. That was the reason why during parliamentary elections in 1999, Gusinsky and his TV channel NTV was on the side of the main political opponents of Putin - block Yuri Luzhkov and Yevgeny Primakov. He wanted to show Yeltsin and Prime ministers Chubais and Nemtsov that he and his TV channel could impact the election process. Maybe that was the reason why Putin started his policy of "equidistance" from Gusinsky (Vedomosti 2009).

His Media Holding was experiencing financial difficulties. Mainly because it was built on borrowed money. The main creditor was "Gazprom". Gusinsky had dept in 210 million of dollars (Ria News 2011). In the summer of 2000, after the failure to pay on time the loans that Gusinsky had taken from Gazprom, had started the procedure of recognition NTV as bankrupt and its return to public ownership. The arrest of Gusinsky was made "on suspicion of committing a crime under Article 159 of the Criminal Code" ("theft of another's property on a large scale by deception or abuse of trust") (Kommersant 2001). He was arrested for financial impropriety for following month (Caso 2000 p.100). Gusinsky was "suggested" to give the TV channel. Gusinsky was released only when he promised that he will sign the document according to which

he will give TV channel to government. But he left Russia for Spain without signing any document. As a result on December 6, 2000, the Russian Interpol asked International Bureau of this organization to assist in the capture of a businessman. V.Gusinsky was subsequently arrested several times abroad - first in Spain (in 2000), followed by Greece (in 2003), but the authorities in both countries are not considered sufficient grounds for his extradition to Russia (Goldman 2003).

In 2007 Gusinsky became citizen of Spain to protect himself from prosecution in Russia. Spain, in accordance with the laws of this country, does not extradite its citizens to other countries, who are accused in committing criminal offenses (Kommersant 2000). As a result, of these events Gusinsky finally signed the documents and the company NTV became the property of the holding company "Gazprom-Media". After these events Berezovsky said that because Gusinsky had not enough finance, he began to search other levers to raise money for mass media. That's why he began depending on others and he thought economic claims against Gusinsky were fair enough. But the pressure that Gusinsky experienced was not because he was a businessman but because he was the owner of the mass media (Berezovsky 2010).

As Volkov mentioned in his article unprecedented nature of events associated with Gusinsky was that for the first time in post-Soviet history arrested person belonging to a new kind of "untouchables". In the political history of Russia of the last decade were examples when governors, ministers and even the Attorney General were arrested. But no representative of a small group of super-rich Russian oligarchs do not fall into a such difficult relationship with law enforcement and the rule of law (Volkov 2000 p.87).

3:1:2 Berezovsky and Putin

The next step was taken against Berezovsky. Putin and Berezovsky first met in 1991 in St. Petersburg when Putin was a Chairman of the Committee on Foreign Affairs and was working with the mayor of St. Petersburg Anatoly Sobchak. From this point Berezovsky met Putin in different meetings and places and liked this young man with his different kind of view to situations in the country (Khinstejn 2007). Boris Berezovsky was one of those who actively supported Putin's candidacy during presidential elections. He believed that Putin and he shared the same ideas (such as Berezovsky would give the instructions and Putin will implement them). Their first dispute began when Putin was Prime minister. He was heading the operation in Chechnya against terrorists. When Putin with his army approached Terek (region in Chechnya) Berezovsky said him that he should stop. During interview to Masha Gessen to her book, Boris Berezovsky said:

“Because a victory - it's not a flag over the pick. A victory - is the mental superiority. And the Chechens have already admitted that they lost the second war, so you need to stop and change priorities from military to political. He did not agree - it was the beginning of tension in our relationship” (Slon 2013).

Actually after the presidential elections Berezovsky was quite satisfied with the results. Here is a little part of the dialogue between Nemtsov and Berezovsky: “I remember Berezovsky came to my office in parliament - glad. We sat, drank tea, and he said: “In general, we elected Putin. Everything is under control”. I said: “Boris, don't be so sure. Very soon Putin will change. He'll never forgive the fact that you saw him weak”” (Nemtsov 2007, p.83).

“Berezovsky was one of the most influential people in the transition of Russia from what it was during the Communist era, to what it has become now - in all respects, good and bad. He helped Yeltsin to win the communists. He helped to stop the Chechen war, which was his greatest achievement. But then he made a major mistake in his life: he brought Putin to big politics” (Inosmi, Goldfarb 2013).

The next tension between them appeared when after the death of the nuclear-powered submarine "Kursk"⁹ on the ORT channel, 49% of which belonged to Berezovsky, was criticized Putin's policy. They actually blamed Putin saying that he was in resort in Sochi while people were dying. Putin returned from Sochi 5 days after the crash happened (Bushkov 2013). After this event took place Putin offered Berezovsky to sell his shares. Berezovsky refused. Then State charged his company in grabbing money from the main Russian airline Aeroflot¹⁰. As a result his friend Nikolay Lushkov who was deputy director in “Aeroflot” was arrested and was charged with fraud and embezzlement of foreign currency. After his friend's arrest Berezovsky signed the documents and gave the shares to government. During the meeting when Berezovsky signed the documents Putin said that it was Berezovsky who asked him to become a president, to which Berezovsky just replied that he thought that they share the same ideas (Russian News 2013) . After Berezovsky left Russia for London.

⁹ On 12 August 2000 this submarine sank in the Barents sea, as a result of the crash that happened in 108 meters of depth. All the members died.

¹⁰ According to official version Boris Berezovsky created his lobby in Aeroflot. One of his companions was Glushkov who was deputy director in Aeroflot. With his help they transferred 80 percent of foreign exchange earnings of Aeroflot to the Swiss company “Andava” (Ria news 2007).

3:1:3 Khodorkovsky's case

After Gusinsky and Berezovsky left the country and state owned two major TV channels Putin decided to organize a meeting with oligarchs where he intended to say about his new policy towards them. The first official meeting of businessmen with the new president was held on 28 July 2000 in the Kremlin. It was held behind closed doors; it lasted three hours and discussed many different issues. The President stated that he would like to discuss issues related to "some moments" of relations of a number of commercial structures with law enforcement bodies (Sogrin 2001 p.34).

Putin said them if they had chosen business then they had to do business. Then he made it clear that he will not start the process of nationalization and that they will sharply reduce taxes, but the oligarchs had to start to pay taxes. In Russia, there is so-called "flat" income tax, which means that regardless of the amount of profit the owner pays the same taxes to the state, not exceeding 13% (Russian Taxation Courier 2012 p.13). For comparison, I can say that in the US income tax increases, depending on the size of the profit, sometimes reaching 50% or more (Roach 2010). But even in this situation many financial groups avoided to pay taxes.

In this meeting he made it clear that he would start to "equidistant the oligarchs from the power structures". As Khinstein (2007) mentioned the main rules of Putin were first, not to engage with politics, do not take money to offshore and the third, the money that they already took they had to bring back to country. After this meeting during 2000 - 2002 years there was a relative balance of power in the relationship between the state and business with the gradual

strengthening of the position of the federal authorities. However, the new model of relationship with its characteristic of "checks and balances", which was built in three years, fell with the "Yukos affair" or "Khodorkovsky's case" (Khinstein 2007 p.46).

Everything started on 19 February 2003 at another meeting of oligarchs with president where he mentioned that government lost 50 billions of dollars on corruption which is 10-13 percent of GDP of Russia (RIA News, 2003). Before such meetings, government plans what issues will be discussed in the next meeting. They decided to devote this meeting that will be on February 19 to issues about corruption in Russia. Mikhail Khodorkovsky was offered by financial group to make the report about corruption. Mikhail Kosyanov who was Prime minister during 2000-2004, in his interview said that Mikhail Khodorkovsky has demonstrated that decisions which public companies made were not very transparent. And in confirmation of this Khodorkovsky had given an example such as the state company "Rosneft" bought private small company "Northern Oil". And Khodorkovsky has indicated that the company was bought by the state in a highly inflated price. All businessmen in this meeting knew that it was really inflated price with the corruption component (Territory of publicity 2013 p.12).

Khodorkovsky said, there is huge competition in those universities that teach officials especially tax and customs officials, and in the "oil industry" less competition. This means that people are hoping to earn more with different ways (corruption) in civil services rather than in the most prestige business. All the notes that made Khodorkovsky were met by Putin with his strict answer: "How did you own your company YUKOS? Not with the same way?" (Novaya Gazeta 2003). On this point meeting ended but everything started for "YUKOS case". At the same time Khodorkovsky was a sponsor of the political party "YABLOKO". This political party introduced a program on democratization of Russia in Western model. As the answer to

journalists about businessmen's representation in state Duma and politics he just replied that he personally does not engage in politics, he just had been lobbying the interests of his company in the State Duma (Perekrest 2008).

According to Vladimir Borzunov (2013) Kremlin feared most to be face to face with the opposition, which has the financial strength and Western support. The financial support of Khodorkovsky for political opposition parties, apparently, increasingly concerned Putin, according to the court decision (Vedomosti 2014). According to Boris Nemtsov, Putin personally demanded from Khodorkovsky to stop funding the opposition parties, which he refused to do (Grani 2004). Putin decided to bring down this very real and dangerous competitor in the struggle for power in the autumn of 2003, when the next elections were coming to the State Duma.

In order to keep other oligarchs away from this Putin started investigation about privatization process that was held during Yeltsin's presidency. He instructed Accounting Chamber to hold this process. The investigation process included 10-year period mainly from 1993 to 2003. They have found a lot of violation of legislation during privatization process. Press got information about this investigation. But Putin did not allow to this information to be published. As Borzukov wrote "Soon, the authority and the press tried to forget about this report, which it is clear as day, was simply to intimidate businessmen so that they do not cause problems to the Government during the Khodorkovsky case" (Borzunov 2013 p. 6).

On 3 October 2003 they started with the mining and processing plant "Appatit" which from 1994 was headed by Khodorkovsky. After investigating its privatization process government charged Khodorkovsky with tax evasion in a large scale and illegal acquisition of public shares of

company "Appatit". A few days later the same charges was against another company of Khodorkovsky, the second oil company in Russia "YUKOS". First of all they arrested Platon Lebedev who was Chairman of Directors of the International Finance Association of "YUKOS". After Lebedev's arrest many suggested Khodorkovsky to leave the country. But he refused to leave. On 25 October 2003 when Khodorkovsky's plane landed to the airport of Novosibirsk it was blocked by the FSB (Federal security service) officers. They arrested him. Many responded to the arrest of Khodorkovsky with indignation. The Prime Minister Mikhail Kasyanov had publicly condemned the detention. Putin then asked to "stop all the speculation and hysteria on this subject", and recommended to the government "not to get involved in this discussion". It was clear that these words were addressed to Kasyanov, who was later dismissed (Vedomosti 2014).

In 2005 he was sentenced to 8 years of imprisonment and his oil company "YUKOS" became a property of state oil company "Rosneft". The press rightly points out that this whole bunch of charges could be brought against any big Russian businessmen, but in this case it was not about the application of law to an entire class of oligarchs, but only of exponential one of them as a warning to others (Borzunov 2013 p.12).

"Mikhail Khodorkovsky, made a few mistakes. First, he made a business transparent. In 2003, he clarified the question of his political preferences and openly began funding opposition parties, the next mistake - the union of "YUKOS" and "Sibneft", the authorities did not need such a powerful and independent company"- said Aleksey Kandaurov the deputy of the State Duma (Grani 29 June 2004).

Khodorkovsky was released on 20th of December 2013. After his release Khodorkovsky said that he will not engage in business and politics and will not fund the opposition anymore.

3:2 The sanctions against Russia

After the elimination of three oligarchs Berezovsky, Gusinsky and Khodorkovsky, Putin made it clear that:

“Power and money should exist separately, this also applies to party lists, those people who are under the banner of the party can be elected as deputy of the State Duma ... Representatives of big business - it certainly respected people, and, of course, they are able to contribute to the work of the party, and not only the financial ... But do they need to be personally on the party lists, to be MPs, doing big business at the same time enjoy parliamentary immunity?” (NewsRu 1 October 2007).

Those oligarchs that accepted these new rules now financially much stronger than during Yeltsin's period, but those who did not, lost almost everything that they gained after privatization. Among the oligarchs that accepted new president with his new rules were Roman Abramovich, Oleg Deripaska and Potanin. For example a major oligarch like Vladimir Potanin, owner of "Norilsk Nickel". He is now part of the inner circle of President Vladimir Putin, as was a major investor in the construction of the Olympic ski resort "Krasnaya Polyana". He even went with Putin in Guatemala, where it was a question about the venue of the Winter Olympics in 2014. (Kommersant 1999). In 2013 he was in the seventh place among 200 Russian wealthiest men (Forbes 2013). Roman Abramovich a billionaire who after Putin came to power doubled his wealth, owned English football club "Chelsea", won "Sibneft" from Berezovsky.

“When I started to earn decent money, of course, wanted to show: here, started a new life, we can pay taxes, declare, we are open ... While one man named Tarasov demonstrated it: paid all taxes, has made all party contributions ever made honestly, openly ... And what do you think?! There is started! All shouted: "It's a disgrace!"; "A person cannot earn so much!" As a result, man flew to England.

I remember it well. The next person who showed the same thing - that he has an open business, that taxes are paid, etc. - It was a man by the name of Khodorkovsky. I understood this lesson well: to speak publicly about their business - it's no good and will cause only problems” (Neyaskin 2011)

The thing is that the wealthiest businessmen of the country understood, how correctly observed Abramovich, the government holds the key to fully private businesses, especially large. Putin replaced most of the “old” oligarchs with his “new” ones from St.Petersburg: Gennady Timchenko, Yury Kovalchuk, Boris Roterbergs. The crucial point in understanding who really depends from the other, were the sanctions that were applied by EU and USA against Russian businesses and officials. In February 2014 there were some protests in Crimea especially by Russian-speaking population against the supporters of Euromaidan which came to power in 2014. From 2010 the president of Ukraine was Victor Yanukovych. There was lack of economic growth, huge amount of corruption in Ukraine. In order to provide funds to Ukraine was planned to sign an association agreement with the EU. Instead Yanukovych signed a treaty with Russia and stopped the process of signing an Association Agreement with the European Union. This decision led to a mass protest in Ukraine known as Euromaidan. As the result Yanukovych left the power and radicals, supporters of Euromaidan, came to power.

This process started the protests in the Autonomous Republic of Crimea against “unconstitutional change of government in Kiev and the coming to power the radicals” and the results of this protests the Crimean peninsula was actually separated from the Ukraine (Inosmi 2014). Russia actually supported Crimea and refused to recognize the government in Ukraine as legitimate and was involved in the invasion process of the Crimean Peninsula. On March 6, 2014 Supreme Council of Crimea has decided to enter into the Russian Federation as a new entity. USA and EU several times warned Russia that “any violation of Ukraine's sovereignty will be deeply destabilizing, and this is not in the interests of neither Ukraine, Russia nor Europe” (Voice of America 2014). As the result all of these processes USA and EU implemented several sanctions against Russian individuals and companies and prohibited the companies of these

countries to maintain business relations with the companies and individuals of Russia whose name was on the list. They consider the joining of Crimea to Russia as an annexation and accused Russia in starting the armed conflict in the eastern of Ukraine. The sanctions that implemented to Russia deeply affected its economy and made a huge impact in the financial crisis of 2014-2015. Vice-Chancellor and Minister of Economy of Germany, Sigmar Gabriel expressed the requirement that EU sanctions should be aimed at wealthy business elite (oligarchs) of Russia. "First and foremost we have to touch the oligarchs. The Russian policy actually stands in the shoulders of the oligarchs" – said Sigmar Gabriel to Spiegel (InoTV 2014).

Political science professor at the University of Cologne Thomas Yeager in his interview to Focus said that Western economic sanctions against Russia will have an impact on Russian politics. He suggested two possible scenarios. And which scenario is true will be the answer what relationship is between Putin and oligarchs. The first scenario is that Putin is the Russian president in the chair as long as he can serve the economic interests of the oligarchs. The political logic of this move is the following: as soon as the oligarchs understand that under Putin, they have not a successful economic future and well-being will be reduced, they will put pressure on the president to change political course. That was the first possible scenario of the events that would happen after the sanctions. The second scenario is that, Putin - is the king, and no one around him dares to express views that differ from his. Those who dare to it immediately lose all influence in politics. And if to take into consideration this scenario then it is not Putin depends on them but their existence depends on the president (Inforesist 2014). In this situation the second scenario is more possible. As Paul Rodrigo said in his article in Forbes, the Russian oligarchs are actually "unhappy" with aggressive policy of the president, because it cost them more than \$ 60 billion, equivalent to a quarter of their wealth. But they couldn't resist him.

“But Putin does not afraid that the oligarchs may unite against him because of his old friends from the KGB who controlled all power structures. And in case of disobedience, each of Russian billionaires, who the president allowed to enrich themselves illegally last 15 years, may repeat the fate of Vladimir Yevtushenkov, who came under investigation for refusing to give his oil company. Thus, 21 oligarchs who control most of the wealth of Russia, in fact, are helpless because the dictator can take away their wealth at any time” – wrote Rodrigo (ZN.UA 2015).

Vladimir Yevtushenkov is one of the Russian billionaire with the wealth around 9 billion dollars, refused to give 3 billion dollars to government which Putin demanded during his meeting with 40 oligarchs in order to save country from crisis (Komsomolskaya Pravda, Smirnov 2014). When he refused, was started investigation process against him. He was accused in money-laundering in oil company Bashneft and was house - arrested. Many connect this case with the YUKOS case. “Of course, it's all very similar to the “YUKOS number two,”- said to Interfax the head of RSPP, Alexander Shokhin. Shokhin believes that the “SYSTEM” (Yevtushenkov’s company) was a fair purchaser, and if in privatization of Bashneft violations were occurred, it was not a reason to bring charges ... in the next phase of the asset (Forbes, Levinsky 2014).

Putin actually ordered to oligarchs to gather their money from European banks and bring them bank to country in order to increase the value of the ruble. “The US and EU were hoping that Putin's oligarchs would affect his position. Especially when they begin to lose their assets”, - says Focus economist Vladimir Mau, Rector of the Academy of National Economy under the Government of the Russian Federation. “However, Moscow's first reaction to the sanctions showed that success was not achieved” (Focus 2014). Alexander Clement said that Russian oligarchs continue to depend on President Vladimir Putin more than he depends on them.

“I think that now the oligarchs are still more dependent on Putin than he depends on them. Such a situation was established after he came to power in the early 2000s, and it has become one of the most important changes in the life of the country: in the nineties the government did not have money and airtime on TV channels, because money and other stuff it received was from the oligarchs. Putin changed all that, and now oligarchs depend on him” - said Clement (Kommunist, 2013).

In sum, if the summer of 1996 can be considered as the highest point of the rule of the “oligarchs”, then by the summer of 2004 the political pendulum had reached the other point where power had absolutely dominated the business. The YUKOS case was the end of a certain stage in the relations between government and business and the start of a new period where government has an impact on business instead of business on government. If during Yeltsin’s Russia the oligarchs divided the spheres that they would affect in business and politics, then in Putin’s Russia political groups control the most important companies and strengthened the centralization of the political system. In Russia, guarantees to the right of big business and the property became a matter of agreement between government and business. The State guarantees the inviolability of property rights and the balance between different interest groups and business structure guarantees loyalty to the state. All of this has been called the “new social contract” (Delfi 2014). And at last the main difference was that Yeltsin always relied to nomenklatura but Putin to power structures such as KGB. It was one of the main reason why oligarchs cannot resist him even during the situation where they lost most of their wealth because of the European sanctions against Putin’s policy.

Conclusion

This thesis tried to answer the question why the oligarchs were more powerful during Yeltsin's era than they are during Putin's era? In this thesis I introduced and discussed two stages of the oligarchy when in the first stage country was ruled by nomenklatura and in the second stage by the security services such as the KGB. During these two stages oligarchs' power (economic and political influence) had totally changed from dominant position in the country to the just important figures in the economy.

As first chapter attempted to demonstrate the economic situation in the country was not very good, that is why Gorbachov adopted new programs such as "perestroika" and "new thinking" with the help of which he tried to overcome the economic difficulties. One of the crucial points of "perestroika" was that it allowed to form cooperatives. With the law about cooperatives was laid the first stone in the foundation of oligarchs. The oligarchs such as Smolensky, Gusinsky, Berezovsky, Khodorkovsky, Potanin, Fridman, Vinogradov were those who formed their first cooperatives and made their first "big" money in the base of this law. These were the people who already had familiar people in government and nomenklatura which helped them in the formation of their cooperatives and individual activities. Although Gorbachev's new programs weren't so successful and couldn't provide increase in economics, it made a new step from communism to capitalism. It is during his presidency appeared new reformers such as Gaidar and Chubais who were gathering and making seminars about the future economic situation of the country. As Graham mentioned (2000) it was Gorbachov's half-steps in market-oriented reform set the oligarchic structure. Real money encouraged the rise of the financial sector which then integrated into the existing oligarchic structure (p. 327).

In 1991 USSR broke up. There were several reasons which made the dissolution of the USSR real. One of the reasons was the new members of nomenklatura that came to power and had personal interests about the wealth of the country. According to Cohen (2006) one of the several "subjective" factors that broke USSR up was property-seizing Soviet bureaucratic elites, the nomenklatura who were more interested in privatizing the state's enormous wealth than in defending it. Oligarchs became really powerful and wealthy after the dissolution of USSR, when in the head of the Russian Federation was Boris Yeltsin. He gathered around himself new young reformers in the head of which was Yegor Gaidar, who believed that they could defeat the communism only with the help of "shock therapy". In almost every country in the transition period to capitalism was a moment of initial collection of capital. And in order to prevent communism to come back and strengthen they tried to implement the plan according which the state property goes to private hands. Although it was Gaidar's "shock therapy" he did not participate in the distribution the state property to private hands. It was Chubais who realized a transfer of property to the right hands mainly, Potanin, Berezovsky, Gusinsky, Smolensky, Khodorkovsky, Fridman and Vinogradov. These seven, rose from the banking sector, has emerged in the sunset of the USSR but real assets they possessed as a result of loan auctions. With the help of these auctions they gathered in their hands the most powerful companies of the country for hundreds time cheaper than its actual price. As the most of the wealth of the country was gathered in the hands of these people government became economically dependent on them. From this point oligarchs mainly Berezovsky, Gusinsky and Khodorkovsky started lobbying in the State Duma. That is how they began to influence the state politics. Actually in 90s Russia was ruled by this small group. In this part it is necessary to mention that although the nomenklatura had changed its ideology, and struggled against communism, actually as Goble

(2015) mentioned in his interview, it was victory of conformists over non-conformists and everything else was the same, the same Russian ideas and values.

Many say that Yeltsin himself lost the control over the government. He authorized the first “shock therapy” and the Chubais’s privatization, allowed him to create a powerful financial empire and allowed Berezovsky and Gusinsky to take control over the media which also played a huge role in the impact over the society and government. Berezovsky acknowledged that his power was based on his control over TV channel ORT. 90% of all TV influence is concentrated in the top three channels: ORT, RTR and NTV (Stack April 14, 2015). But actually the “oligarchs” were already a part of nomenklatura and as Bunic (2008) mentioned in his book nomenklatura quickly conducted mass privatization and gave all the best companies to the people among them and then it was necessary to consolidate the achievements and they hold auctions and invented oligarchic groups. So, it was nomenklatura which created the oligarchs, and made them powerful enough and even Berezovsky, Khodorkovsky and Potanin were a part of nomenklatura and played a huge role in decision making process and especially in presidential elections.

Since Vladimir Putin came to power the opinion that during Yeltsin's presidency business oligarchy ruled Russia seemed completely buried. During Yeltsin’s last years of Presidency State Duma had changed and new people from the KGB started to come to power (such as Primakov). They made a danger to oligarchic groups and Yeltsin and his “Family”, making statements such as the legalization of privatization. It was obvious that Yeltsin could not be elected as president again because at least he had health problems, so needed new person. It was planned by Yeltsin and “Family” to elect a person from the KGB, and with this step they thought that they will guarantee their own wealth.

But Putin changed the plans. In the first half of the new decade Yeltsin's successor, Vladimir Putin, began a long campaign against the oligarchs. He chose to tighten the screws slowly, against one oligarch, then another. It ended with that Vladimir Gusinsky and Boris Berezovsky were forced to leave the country, Mikhail Khodorkovsky was in jail, and the rest were told: either they will cooperate with the Kremlin, or they will lose everything that they possessed during privatization. Alexander Smolensky sold the remnants of his banking business in Russia and virtually disappeared from view. Anatoly Chubais remains as an important figure, mainly because he was one of the members of the "Family" who brought Putin to power and after this he never opposed Putin's policy. Vladimir Gusinsky left Russia, but has not lost traction to entrepreneurship. He sold his remaining shares in NTV to "Gazprom" for fifty million dollars and went into business in New York and elsewhere. He never returned to Russia. Berezovsky also left Russia for London where in his further life lost most of his wealth and 2013 he died (most newspaper for example "The Guardian" wrote that he was really depressed because of his bankruptcy and committed a suicide (The Guardian March 26, 2014) with 100 million legal bills.

The most difficult fate awaited Mikhail Khodorkovsky. Out of the six characters, he reached the greatest wealth. But as he was lobbying in the State Duma and funding the political party "YABLOKO", the main opponent of the "Yedinaya Rossiya" (United Russia), Putin decided to get him out of his way. In 2003 Khodorkovsky was charged with the huge amount of fraud and in 2005 was sentenced for 8 years. After Putin forced Gusinsky and Berezovsky to leave Russia, and arrested Khodorkovsky, he came to mutual understanding with the rest of the oligarchs: do not interfere in the affairs of the Kremlin, and you can keep the profits of the mad capitalism of the 1990s.

As Krishtanovskaya (2003) mentioned, the influence of business on politics associated not only with the capabilities and resources of magnates themselves, but also with the state of the state machine. The weaker the state, the more active is business. As it was during Yeltsin's presidency. Conversely, the more political power, the more modest political role played by entrepreneurs, focusing on economic issues. Political ambitions of entrepreneurs are a kind of barometer of the state and Putin's policy kind of a proof to Krishtanovskaya's opinion. Putin has three points of support, the federal bureaucracy, siloviki, and non-oligarchic business. Strengthening all these three positions the state itself became stronger.

The power of money is always and everywhere manifested in the control of the media, in the financing of elections, assistance to parties, buying Deputies and lobbying (Krishtanovskaya 2003 p.3). As I already mentioned Russian oligarchs used all these methods to achieve political power and Putin eliminated them from all of these in order to keep them away from politics. There was a question through several years that do really oligarchs impact the politics. The President of the Russian Institute of Contemporary Development Igor Yurgens answered this question like oligarchs haven't got any impact on politics since 2003, when Putin arrested Khodorkovsky. According to Zudin (2001), a serious decline in the political weight pushes the oligarchs to the adoption of new rules of the game in the relationship between business and government.

Of course, today's oligarchy is somewhat different from the former one, from the late-Yeltsin's and early-Putin's periods. If 10 years ago, it could be argued that the country was de facto ruled by 15-17 FIG (Financial- industrial group), today the exact number of subjects of power cannot be accurately counted. The central figure of modern Russia is still Vladimir Putin as a key symbol of the country, the system and the era. Putin is a businessman and friend of big

business. Putin did not eliminate the Yeltsin's oligarchy (just those who's interfered in politics). On the contrary - the same Yeltsin's oligarchy under Putin has become stronger and richer. But the main difference is that they are active only in business sphere.

Many say that Putin removed all the "old" oligarchs who were in the ruling position during Yeltsin's period and appointed his own oligarchs but in my mind he removed just those who really were a danger to the authorities and mainly danger to him. There are some "old" oligarchs near Putin also, for example, Roman Abramovich (who had mutual business with Berezovsky and Khodorkovsky during Yeltsin's period), only without interfering in politics but having an important role in the state economy. They cannot resist Putin, his policy and the proof was the sanctions that America and EU implemented to them. Here the main idea was that America and EU thought that with these sanctions oligarchs could impact to Putin's policy. But although they had lost almost half of their wealth because of these sanctions they could not change Putin's policy. As I think the main reason is that Yeltsin always relied on nomenklatura that is why it was easy to impact his policy but behind Putin are KGB and other power structures, which he is almost every year increasing their salaries. And the terrible examples (Khodorkovsky case) make tycoons to fear of the consequences. Perhaps that is why oligarchs, with rare exceptions, cease to be actively reaching out to power, and address all their financial strength to profitable investments, maintenance of existing assets and charity. And even under such economically difficult situation as now with the "sanctions" they cannot do anything just implement that the president says.

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Appendix

Vladimir Gusinsky

Gusinsky was born in 1952 to a Jewish family. He opened his first business during Gorbachev's presidency. He opened cooperative "Metal" where he started to sale some women accessories. Then in 1989 he formed the enterprise "Most", which further was enlarged into "Most-Bank". As other oligarchs he could not create his own cooperative without good relations with the people who were already in power structure. One of those who helped Gusinsky in his startups was the mayor of the Moscow Luzhkov. In the beginning of 90s in order to distribute state property to private hands there were privatizations. Gusinsky took place in this privatization and with the help of it he became an oligarch. With his bank he participated in the loan auctions where he got most of his wealth, especially, NTV. In 1997 he got further and headed holding "Media-most" which consisted of different TV channels and magazines. He became an influential media-magnate. But in 2000 he was charged with large-scale fraud and was arrested. Despite the fact that most of the oligarchs supported Putin's candidacy, Gusinsky never supported him. Maybe that's why many resources show that Putin started his policy of "equidistance" from him. He was released from prison eventually but his company "Media-most" was taken by the government. Gusinsky left Russia for Spain. He never returned to Russia.

Boris Berezovsky

Boris Berezovsky was born in 1946 to a Jewish family in Moscow. Although he in university studied applied mathematics he worked and specialized as an engineer. In late 80s he entered to nomenklatura as the member of the Institute of Science. He also as other oligarchs took the advantage of the perestroika and earned his big money after he formed in 1989 his own cooperation which based on the car business. During privatization process Boris Berezovsky

became the owner of the ORT one of the main channel of the Russia, after which he had a great impact on politics through media. In 1996 he participated in the auction (loan for shares) where he got Sibneft the sixth largest oil company of the country, which captured the bulk of his wealth. After this he became the member of the Yeltsin's "Family" which gave him the great advantage in participating in the country's politics. After Vladimir Putin came to power (Berezovsky played the crucial role in this) their relations got worse as a result he lost ORT and Sibneft and was forced to leave the country. Berezovsky died in 2013 in Berkshire. In 2008 he had 1, 3 billion dollars (Forbes 2014). In 2013, Berezovsky at the time of his death was bankrupt, with debt up to 309 million pounds (News 2013).

Mikhail Khodorkovski

Mikhail Khodorkovsky was born in 1963 in Moscow. As previous two oligarchs Khodorkovsky's father also was Jewish. He studied chemical engineering in University. He was working as the deputy secretary in the Institute of the Committee which gave him the advantage to use Gorbachov's law about cooperatives. In 1987 with the beginning of the perestroika Khodorkovsky and his young friends formed a cooperative Center for Scientific and Technical Creativity of the Youth with the help of which they further formed a bank "Menatep". As Khodorkovsky mentioned they didn't meet any negativity from the government which was quite strange enough for that period of time (Hoffman 2011). Of course the fact that Khodorkovsky had "friends" in nomenklatura and KGB he did not mention. During privatization this bank was participating in the loan auctions where it got "YUKOS" one of the biggest oil company of Russia, for 300 million dollars which was very low price.

From 2000 he started lobbying in the State Duma in order to represent his and his company's interests there. He also was funding the radical political party "YABLOKO" which made their relations with Putin bad. In 2003 started the investigation about privatization of "YUKOS" and in that year he was charged with fraud and tax invasion and arrested. In 2005 he was sentenced to 8 years of imprisonment. In 2013 he was released after which he promised not to engage neither in politics nor business.

Vladimir Potanin

Vladimir Potanin was born in 1961 in Moscow. He graduated from International economic relations, also acquired two foreign languages such as English and French. During perestroika years he was engaged in the foreign trade. In those years he met one of the main businessmen of those years Mikhail Prokhorov, who helped him to enter to the nomenklatura. With the help of Prokhorov, Potanin in 1993 became a president of the "ONEKSIM bank". When Yeltsin came to power he was among new liberal nomenklatura and had good relations with Chubais and Gaidar. He was one of the initiators of the loan auctions which started in 1995. And as the result of this auction which Potanin entered with his "ONEKSIM" bank, he got 51 percent of shares of the "Norilsk nickel". In 1996 he with the help of reformers such as Chubais and Nemcov won "Svyazinvest" from Gusinsky and Berezovsky. He never went into the confrontation with the Putin and accepted his new policy towards them. Now he is still in Russia and doing his business with the wealth of 14 billion dollars.

Roman Abramovich

Roman Abramovich was born in 1966. He graduated Industry Institute from the Faculty of Forestry. Between 80s and 90s he was doing small business. Then he turned to the oil

industry. He also had some ties with the members of nomenklatura, especially with Berezovsky. During privatization years he with the help of Boris Berezovsky owned "Sibneft". But he never participated in political decisions as other oligarchs such as Potanin, Berezovsky, Khodorkovsky or Vinogradov. He just always was among them and accepted their decisions. He also accepted Putin's new policy. In 2003 he got English football club "Chelsea" and in 2005 became a governor of the Chukotka. His wealth was estimated at 9, 1 billion of dollars.

Alexander Smolensky

Alexander Smolensky was born in 1954 in Moscow. He worked as an engineer from 1971 till 1984. In 1987 he was one of the first owners who led the building cooperatives in Moscow. He had not got any "friends" in nomenklatura but he was cooperating with the KGB. Smolensky's administrative superiors ordered him to form a cooperative. In 1989 he created "Stolichniy" bank, which he became a president in 1994. He was one of the seven bankers who supported Yeltsin's candidacy in 1996 elections. As other oligarchs that I mentioned earlier he also had an impact in the media. He was an owner of the largest newspapers such as "Kommersant" and "Novaya Gazeta". In 2003 when Putin came to power Smolensky announced that he was leaving the business and left everything to his son. At that time he had 230 billion of dollars.

Vladimir Vinogradov

He was born in 1955 in Ufa. During 80s he worked in Komsomol, that helped him to be in nomenklatura. He was one of the leading member of the Communist Young organization. In 1988 he was one of the first oligarchs who established his own bank Inkombank. Despite the fact that he always was participating the meeting with the president Yeltsin he never actively was into

politics. He supported privatization as other oligarchs but during privatization he got crossed with Berezovsky, Smolensky and Khodorkovsky. The reason was that he wanted to privatize two oil companies such as YUKOS and Sibneft, but in the first case Khodorkovsky and his bank acted too quickly and in the second case Berezovsky with Smolensky spread rumors in the Media that the financial situation of Inkombank was not very stable. That is how he was the only oligarch who could not privatize anything during privatization. In 2000 he declared that he is bankrupt and after several years in 2008 he died from heart problems.

Yegor Gaidar

Yegor Gaidar was born in 1956 in Moscow. He also graduated from Economics in Moscow State University. In 1991 he met Anatoly Chubais who held different seminars about economic and market reforms of Russia. Together they created some reforms about further development of market economics in Russia. In 1990 he became a member of the Communist party. In 1991 after August coup he left this party.

He was one of the young reformers who were near Boris Yeltsin during the dissolution of the USSR. They defeated old conservative nomenklatura and formed new liberal nomenklatura where Gaidar and Chubais were one of the leaders. In 1992 in order to transfer to market economics with Yeltsin's permission Yegor Gaidar started his "shock therapy" which included reforms such as liberalization of trade, liberalization of price and privatization. First two reforms had bad impact on economics than it was expected. With the pressure of people Boris Yeltsin was forced to dismiss Gaidar. In 2009 in age 53 Gaidar died from heart attack.

Anatoly Chubais

Chubais was born in 1952 in Odessa in Belarus. In 1977 he graduated from economics in St. Petersburg. In 1987 he was one of the founders of the "Perestroika" club of the new reformers. In 1991 he met Gaidar who also was participating in these seminars. Chubais was a member of the Communist Party but he left this party in 1991 during August coup as did Yegor Gaidar. After Yegor Gaidar was dismissed from his post Chubais continued his "shock therapy". The main idea here was to transfer state property into private hands but also it was necessary to transfer property in the hands that were closer to them, to the people who were already in nomenklatura (most of them). In 1996 the "privatization" that was conducted by him collected most of the wealth of Russia in the hands of "seven bankers".

Chubais was one of the members of the Yeltsin's "Family". He was the one who supported Putin's candidacy and was sure that the person from KGB could run the country better and after presidential elections Putin did not touch him and his wealth. From 2011 till now he is one of the advisors of the Council of Foreign Relations.

Boris Nemtsov

Boris Nemtsov was born in 1955 in Sochi. He graduated from radiophysics. During presidential election in 1991 he was right hand of Boris Yeltsin in his city. In 1997 he came to Moscow. In 1998 he became one of the Prime ministers of the Russian Federation. He was also part of the liberal nomenklatura. Although in 1999 Nemtsov was sure that Putin's candidacy was the right one in 2000 he said that it was mistake. From this year he became one of the critics of Putin. In 2015 he was killed near Red Square in Moscow, was shot four times.

Victor Chernomyrdin

He was born in 1938 in Cherni Otrog. In 1961 he became a member of the Communist Party. From 1989 till 1992 he was a chairman of the Gasprom. In 1980 he met Boris Yeltsin and they became friends. When Boris Yeltsin came to power he appointed Chernomyrdin as a Prime Minister of Russia. During Yeltsin's health problems he served as a President for 23 hours in 1996. His attitude towards oligarchs was not always positive that is why most of them especially Berezovsky and Khodorkovsky did not support his candidacy during the presidential elections and supported Putin. He was dismissed in 1998. He died in 2010.