The Russia You Never Met

Matt Bivens and Jonas Bernstein

After staggering to reelection in summer 1996, President Boris Yeltsin announced what had long been obvious: that he had a bad heart and needed surgery. Then he disappeared from view, leaving his prime minister, Viktor Chernomyrdin, and his chief of staff, Anatoly Chubais, to mind the Kremlin. For the next few months, Russians would tune in the morning news to learn if the president was still alive. Evenings they would tune in Chubais and Chernomyrdin to hear about a national emergency—no one was paying their taxes.

Summer turned to autumn, but as Yeltsin's by-pass operation approached, strange things began to happen. Chubais and Chernomyrdin suddenly announced the creation of a new body, the Cheka, to help the government collect taxes. In Lenin's day, the Cheka was the secret police force—the forerunner of the KGB—that, among other things, forcibly wrested food and money from the peasantry and drove some of them into collective farms or concentration camps. Chubais made no apologies, saying that he had chosen such a historically weighted name to communicate the seriousness of the tax emergency.[1] Western governments nodded their collective heads in solemn agreement. The International Monetary Fund and the World Bank both confirmed that Russia was experiencing a tax collection emergency and insisted that serious steps be taken.[2]

Never mind that the Russian government had been granting enormous tax breaks to the politically connected, including billions to Chernomyrdin's favorite, Gazprom, the natural gas monopoly,[3] and around $1 billion to Chubais's favorite, Uneximbank,[4] never mind the horrendous corruption that had been bleeding the treasury dry for years, or the nihilistic and pointless (and expensive) destruction of Chechnya. None of this was criticized, or even mentioned, by the same Western financial institutions so upset by the tax shortfall. Chubais, a forty-two-year-old redhead who speaks fluent English and is closely associated with Harvard University, was the American government's number one ally in Russia. If Chubais

Matt Bivens is the managing editor of the *Moscow Times*. He has been working in Russia as a journalist for seven years. In 1995 he covered the war in Chechnya for the *Los Angeles Times*. Jonas Bernstein worked as a journalist in Russia for more than five years. From September 1995 to February 1998 he worked for the *Moscow Times*, first on the business desk and later as a political reporter and columnist. He currently lives in Washington, DC.

said it was so, then so it was: The problem was slack tax law enforcement, not irresponsible government.

But Chubais soon made clear something that ordinary Russians had understood from the start, for the name was not exactly a subtle thing—the Cheka was not only about taxes. On a visit to St. Petersburg in October 1996, days before Yeltsin's heart surgery, Chubais announced that the Cheka was not "temporary," as it originally had been labeled (Lenin's Cheka was also at first labeled "temporary"). Nor was its mandate only tax collection: the Cheka, Chubais announced, would enforce better obedience to *all* laws and decrees. Chubais went on to tell journalists cryptically that the Cheka was part of a program of "consolidating power" because "the consolidation of power—instead of constant mutual intrigues, instead of public discussions, instead of endless arguments—is exactly what the country needs."[5]

What was this about? The answer was clear: The regime was preparing for Yeltsin's death—a quite possible outcome of this risky surgery for a heavy-drinking sixty-five-year-old. Under the Russian constitution, new presidential elections would have to be held three months after Yeltsin's death; the winner in fall 1996 would have been General Alexander Lebed. With his talk of ending "public discussions" and "endless arguments" (i.e., democratic debate) and "consolidating power" in his own hands, Chubais was signaling the ruling elite's intention not to hold those elections.

"All is being prepared for the moment Yeltsin dies," opined Sergei Markov, a Russian political analyst with the Carnegie Endowment for International Peace who is often cited in the Western media. "The task is to thwart outsiders who might come to power through elections."[6]

Chubais's remarks were widely reported in Russia. America's various Moscow correspondents were able to see or hear them in Russian, and even to read them in English the next morning in the English-language *Moscow Times*, which also offered the same interpretation from Markov. Surprisingly, few thought it news. Of major American newspapers, only the *Christian Science Monitor* reported Chubais's thinly veiled threat to rule by junta upon Yeltsin's death—and even they put a strangely positive spin on it, as "the latest example . . . of Chubais's use of nondemocratic means to further economic reform."[7]

The *New York Times* and the *Washington Post* did note the creation of the Cheka. But like other major American media, both characterized this as a positive development. Soon after the founding of the new Cheka, the *Washington Post* ran a 1,300-word profile of Chubais that approvingly described his efforts "to impose an iron grip on this weakened post-Soviet state."[8] A month earlier, the *New York Times* had offered its own Chubais profile on the front page, under the headline: "Rising Star in the Kremlin: An Ardent Pro-Capitalist." "Deep inside the Kremlin, Anatoly B. Chubais is plotting how to carry out the next stage of Russia's democratic revolution," the article begins. It goes on to describe how "the ardently pro-capitalist Mr. Chubais" was trying to turn Russia into "a disciplined state." Hence the need for a stern new Cheka, of which a clipped, neutral description is offered in the twenty-fourth paragraph.

The *Times* concedes that Chubais has critics, and cites one, Grigory Yavlinsky, leader of the liberal Yabloko party, who calls Chubais "a Bolshevik . . . [who] believes the ends justify the means." The article continues with what can be seen as the *New York Times*'s rebuttal to Yavlinsky: "Mr. Chubais now waves off such complaints with the annoyed air of a parent who is being challenged by a spoiled child."[9]

Yeltsin survived his heart operation, and the Cheka faded away like a bad dream. But had Yeltsin died, Russia would have waked up to find itself under the rule of a junta—a committee named for Lenin's death squads.

How Could America Not Know This?

How could Russia be so close to an oligarchical dictatorship, and so frankly public about it, yet Americans not know of it? For an answer, one has to scroll back through the years of Russia's chaotic rebirth from the ashes of the Soviet Union—both as it happened and as it was described by the White House and the American media.

Six years earlier, ordinary Soviet citizens were all but unanimous in their desire for political and economic freedoms. Many eyes then turned toward *Amerika*. The Russians have long had an affinity and respect for Americans. And paradoxically, the cold war brought us even closer: Just as the United States can take pride in the Marshall Plan that underwrote the restoration of much of Europe following World War II, or in the postwar revival of U.S.–occupied Japan, so can we take pride in the work of the government-funded Voice of America (VOA) and Radio Liberty, which beamed international news into the Soviet Union. By speaking directly to the Russian people, VOA and the like won Americans enormous reserves of gratitude, not to mention moral authority—reserves that still are not depleted.

Russians also knew of American asylum for one of their greatest writers, Alexander Solzhenitsyn, and of American support for another moral beacon, physicist Andrei Sakharov. Even today the Russians have a saying—*Eto tebe ne Amerika*, "This isn't America for you"—a retort thrown back to people complaining of unfair treatment.

So as Russians eked out a limited, if stable, existence, they also imagined another life, described by VOA, by *samizdat* underground publications, and by friends of friends who had been abroad. Millions dreamed wistfully of a nation where they could own their own business, go to their grandparents' church, read a newspaper that contained real news, own a nice car and nice clothes, even save their wages and visit Paris.

But while some pressed for change—for democracy and capitalist freedoms—others followed a more worn path. Corruption has been a part of life in Russia ever since Peter the Great's favorite Prince Alexander Menshikov embezzled from government grain delivery contracts, took massive bribes, and parked 9 million rubles "off-shore" in an Amsterdam bank (at a time when the average monthly salary was 18 rubles).[10] Arguably, corruption grew worse under the commissars: The Soviet Communist Party funded the coup d'etat that brought it to power with bank robberies and never looked back.

"Bold" Reforms Wipe Out a Nation

Much like America in 1776, Russia in 1991 was a new country where democratic ideals had won the day—and now needed to be consolidated. The country needed to replace its Brezhnev-era constitution, hold new elections, and eliminate, or dramatically downsize, the KGB. Yeltsin had an overwhelming mandate to do this. But as with most men of ambition, the last thing on his mind was sharing power—or risking it. Instead, he appealed for more, calling on parliament to grant him emergency powers for one year. Parliament agreed.[11]

Yeltsin promised bold market reforms, most controversially a "one-time changeover to market prices" from prices set by the state.[12] This was a key element of the "shock therapy" some economists—most notably Anders Åslund of the Stockholm Institute and Jeffrey Sachs of Harvard, both of whom advised the Russian government at the time—prescribed.[13] Shock therapy was orchestrated by neoliberal economist Yegor Gaidar, then thirty-seven, who since has said he knew it would never work, but insists "we couldn't just keep doing nothing."[14] Gaidar freed prices on 2 January 1992. He and Yeltsin had both reassured the public that prices would rise about threefold.[15] By year's end they had skyrocketed twentyfold and were still climbing.[16] When 1992 began, 10,000 rubles would have bought a car; by year's end, 10,000 rubles might have bought a good pair of shoes. A stunned Russian public watched their life savings evaporate.

"When 1992 began, 10,000 rubles would have bought a car; by year's end, 10,000 rubles might have bought a good pair of shoes."

This was a disaster, but it was not unforeseen. The Gaidar game plan had been to check inflation by tightening the faucet on the amount of rubles in circulation. That was never much of a plan, mainly because Gaidar's team never had control of the faucet: The Soviet Union still existed in the form of rubles circulating across its length and breadth, issued by fifteen separate "central banks," each acting independently.[17]

Gaidar plowed ahead with a policy that hinged on the money supply—when he knew beforehand that he didn't control it! He might as well have knowingly gotten behind the wheel of a car with no brakes and then planned on stopping, somehow, at the first traffic light.

Whatever its merits, shock therapy à la Gaidar had an important side effect. Rampant inflation was the blow that smacked down Russian civil society just as it was showing faint signs of trying to rise, tottering, out of communism's sickbed. Slowly and tentatively, ordinary Russians had been taking an interest in how their country was run. They had been debating the future and demanding changes, so much so that David Remnick could write a book as hopeful as the Pulitzer Prize–winning *Lenin's Tomb*. Then, suddenly, Gaidar snapped his fingers and they were financially wiped out, their savings gone, their buying power shrinking by the hour. Any energy left over went into moonlighting at second jobs—driving gypsy cabs in the cities, for example—and tending their own garden plots, either at dachas or in apartment window boxes. Life expectancies plummeted, particularly for men, thanks mostly to an increase in violent or stress-related deaths: suicides, murders, heart failures, and alcohol-related incidents.[18]

Spinning Government Connections into Gold

Not all prices were freed. At Yeltsin's insistence, energy prices were held fantastically low. As economist Åslund has observed, in 1992 the price of a pack of Marlboro cigarettes on Moscow's streets (about $1) was the same as the state-dictated price for three tons of crude oil (or about one three-hundredth of world market prices).[19] It takes little imagination to see how one might profit from this. Those with access to oil and other undervalued natural resources—precious metals, lumber, natural gas—immediately ran up fabulous fortunes by buying for domestic prices and selling abroad. Men who enjoyed such access would become Russia's leading tycoons, among them Mikhail Khodorkovsky, Boris Berezovsky, and Vladimir Potanin. Khodorkovsky, who founded Bank Menatep, was an adviser to Gaidar's fuel and energy minister, and before Gaidar he advised Yeltsin's easily forgotten first Russian prime minister, Ivan Silayev.[20] Potanin, who today heads the powerful Uneximbank, was in 1991 head of a Soviet-era association of foreign economic traders that oversaw export of oils and precious metals.[21] Another who quickly won lucrative oil export concessions was Dzhokhar Dudayev, the mafiaesque leader of the rebellious republic of Chechnya.[22]

Access to such resources was a direct function of access to officialdom. "Maintaining low prices on natural resources—oil, gas, wood, metals—was advantageous to those who sold this merchandise on the foreign market, who had licenses, privileges, the right to sell," wrote the free market economist Larisa Pyasheva, an early critic of the Gaidar-led reforms. "All of these people passed through the government offices of the 'liberals,' receiving there those licenses, rights and privileges."[23] Other get-rich-quick opportunities abounded. Nearly all also depended on exploiting access to the government—and sometimes, the president himself.

An only slightly more creative way to spin hay into gold was by wrangling a presidentially decreed break from paying taxes or tariffs on imports and exports. Yeltsin gave such decrees left and right. One recipient was the Orthodox Church;[24] another was the National Sports Fund, a corrupt, quasi sports ministry; another was a fund purportedly to help disabled Afghan War veterans that was plagued by murderous infighting.[25] Yet another was a Moscow sports center headed by Otari Kvantrashvili, described in the Russian press as the godfather of the Moscow mafia.[26]

Few of these organizations lived up to their noble-sounding names. For instance, the National Sports Fund—the domain of two of Yeltsin's friends, tennis coach Shamil Tarpishchev and security chief Alexander Korzhakov—was encouraging athletic excellence by importing duty-free booze and cigarettes. (At the time the tariff on imported beer was 300 percent; on foreign vodka, 500 percent.) *Izvestia*'s economics editor, citing the Russian Economics Ministry, reported that the exemptions on vodka alone were costing the government $200 million *a month* in 1995.[27]

When they had made their money, Russia's new elite needed a place to keep it. Since the Gorbachev era, banks had been easy to open and register, and largely unregulated. Many financial structures calling themselves "banks" were actually investment houses, places to hold the money of a select few. Soon these men were offering their "banking" services to the government itself. In 1992, Gaidar had quietly chosen a handful of "authorized banks" to handle federal budget money. Oceans of cash—farm subsidies, energy subsidies, survival payments to the communities of Russia's ailing Far North—washed through the vaults of these anointed few.[28]

One such lucky winner was Mikhail Khodorkovsky's Bank Menatep. Established in 1988, Menatep, under Gaidar, was tapped to handle funding for a host of federal programs, including supplying the military with food, funneling cash for the Chernobyl cleanup, and later, rebuilding war-torn Chechnya.[29] ("Rebuilding" Chechnya has been spectacularly lucrative: According to the Accounts Chamber, a Russian government auditing body, $4.4 billion sent off to Grozny disappeared in the vaults of commercial banks such as Menatep.)[30]

Another winner was Uneximbank, founded by Potanin in 1993. As might be expected, given Potanin's pull with the government, the central bank, Finance Ministry, and Foreign Trade Ministry, expedited Uneximbank's licenses, and the bank quickly received authorization to sell government Treasury bills and conduct operations with gold and other precious metals.[31]Uneximbank was anointed to handle the budgets of the Finance and Foreign Trade Ministries and the State Customs Committee.[32] According to the newspaper *Moskovsky Komsomolets* revenues that Uneximbank skimmed from government programs in 1997 came to more than $1 billion.[33]

This national model of authorized banks was mimicked at the local level, with the mayors of Moscow and St. Petersburg tapping their own insider banks. Most-Bank, for example, achieved national fame while handling Moscow's municipal accounts. The banks tended to be slow in delivering the money, which because of inflation was of no small significance. Sometimes they kept a hefty cut of government transactions. Sometimes they collapsed—as in St. Petersburg, where local Astrobank went under with a healthy chunk of the city budget.[34]

Soon, a handful of financial organizations—usually centered around a single man—came to dominate Russian political and economic life. Most-Bank, Gazprom, Menatep, Uneximbank, Alfa Bank, LogoVAZ, Stolichny Savings Bank—all of these powerhouses burst onto the national scene just four or five years ago. While ordinary Russians bent ever lower over their potato gardens (Russians now grow at home a stunning 87 percent of all the potatoes they consume and 67 percent of all vegetables, according to the newspaper *Argumenty i Fakty*),[35] the new elite grew bolder about flaunting its wealth and startlingly open about how they earned it.

"To become a millionaire in our country it is not at all necessary to have a good head or specialized knowledge," Pyotr Aven, founder of Alfa Bank, told

Moskovskiye Novosti in July 1994. "Often it is enough to have active support in the government, the parliament, local power structures and law enforcement agencies. One fine day your insignificant bank is authorized, for instance, to conduct operations with budgetary funds. Or quotas are generously allotted . . . for the export of oil, timber and gas. In other words, you are appointed a millionaire."[36] Aven could speak with authority. He had been Gaidar's foreign trade minister, a position he apparently used to advantage. His Alfa group won lucrative state contracts to export oil, import Cuban sugar, and service some of the accounts of the State Customs Committee.

Menatep's Khodorkovsky, the former adviser to top government ministers, once frankly stated in an interview that politics was Russia's "most profitable business."[37] According to an *Izvestia* profile of Menatep, the bank is structured to mirror the state hierarchy: its top managers were hired for their contacts with top government officials, middle managers for contacts with middle-level bureaucrats, and so on.[38] Potanin, another former government official, once described Uneximbank as "a private bank with a state mentality"[39]—another admission of where the big opportunities were.

Behind the Castle Walls

These beneficiaries of nomenklatura capitalism resided, figuratively speaking, behind the castle walls, while Russia's small entrepreneurs were stuck with Hobbes's state of nature. The top bankers were protected from rampant organized crime by private security forces made up of ex-KGB personnel. Their business headquarters were fortresslike structures in central Moscow; their residences were heavily guarded, palatial homes on the capital's outskirts. They commuted back and forth in convoys of Mercedes and Jeep Cherokees, which raced down the central lanes of Moscow's main thoroughfares, once reserved for the Communist Party elite, flashing blue roof lights warning the masses to clear the way.

The average merchant working out of a kiosk or a market stall had no protection from the tide of bureaucratic corruption and freelance extortion. A January 1994 study by Yeltsin's own analytical service found that all small traders in Russia were paying hefty protection payments.[40] This state of affairs, as Larisa Pyasheva noted, was the result of choices made by Russia's new leaders.

"It was not so hard, in the end, for the state to impose order—or, more accurately, not to allow disorder," Pyasheva wrote. "If, of course, the state had been genuinely liberal. Because a liberal state is a state strong and decisive in defending the legal rights of its citizens. Liberalism and disorder are antonyms. But tell me, did anyone in the Gaidar or post-Gaidar governments lift a finger to provide freedom for the market from bandits and bribe-takers?"[41]

"Everyone Will Have Equal Opportunity"

In 1992, Russians were frightened by the inflation Gaidar had unleashed. Their consolation was the argument that it would soon be over (actually it took years), and that privatization—the second half of the reform plan—was on the way.

Under a program designed by Anatoly Chubais, then thirty-five, with the help of Western advisers, small businesses and shops would be sold at local auctions. Larger industries would be turned into corporations whose shares would be given to workers and management, and also sold to the impoverished general public, which would be issued special chits—privatization vouchers—for use in buying them. When Yeltsin introduced the voucher program in August 1992, he said the goal would be to create "millions of owners rather than a handful of millionaires" and promised, "Everyone will have equal opportunity in this undertaking."[42]

That was not entirely true. To paraphrase a certain fictional pig, some people's opportunity was to be more equal than others'. Soon Chubais would be as hated as Gaidar. Through vouchers, the government sold off the lemons of Russian industry, including thousands of enterprises that needed to be shut down. Real wealth—from television stations to oil companies—was held back. It would later be divided up among the new elite. Or, if real wealth did go on the block, the auction would be rigged. *Izvestia*, a newspaper then squarely behind Chubais, nevertheless concluded in July 1994 that nearly three-fourths of all shares sold at voucher auctions went to people selected in advance.[43]

As the voucher program closed in 1994, more than 17,000 large and mid-sized enterprises had been privatized, and among shareholders were 41 million Russian citizens[44]—a statistic that has become obligatory in all newspaper articles heralding the success of Russia's market transition. Defenders of privatization say that all Russians will ultimately be winners, as these now-private enterprises will be restructured. But aside from some scant evidence that enterprises are dumping old management for new, there are few signs that restructuring is under way as a trend.[45] Even if it is, it will surely take years, probably decades. Why should the nation wait and bear the cost, while a small elite profits today?

The West has ignored this explosive political subtext and embraced privatization as its own. From the start of his political career, Chubais was the recipient of massive U.S. aid and technical advice.[46] "If we hadn't been there to provide funding for Chubais, could we have won the battle for privatization? Probably not," Richard Morningstar, coordinator of U.S. assistance to the former Soviet Union, said in Prague recently. Morningstar noted that America does not have the money to revive the Russian economy on our own, "but you can provide targeted assistance to help Chubais."[47]

Through vouchers, Chubais achieved the status of a "demigod," as one World Bank official put it.[48] In 1995, the International Monetary Fund (IMF) made a $10 billion loan to Russia conditional on Chubais running Russian economic policy that year.[49] When the re-elected Yeltsin again tapped Chubais as economics tsar in 1996, the Clinton administration all but wept publicly for joy. A top U.S. Treasury official, Lawrence Summers, gushed of Russia's new "economic dream team."[50]

One statistic much ballyhooed by Chubais's fans is the creation of 41 million "property owners," as boosters describe voucher-created shareholders—a phrase no doubt chosen to conjure the image of a nation of shopkeepers. This is a meaningless statistic: Theoretically all 41 million could hold shares in one hopelessly bankrupt brick factory somewhere above the Arctic Circle. (And millions more, in fact, ended up investing both their vouchers and their money in unregulated pyramid schemes.) The truth, of course, is somewhere between the Arctic Circle and the government happy talk in Washington and Moscow. It will remain difficult to evaluate until information becomes available that breaks down how shares are distributed among the population. Such information about wealth is exceedingly rare in Russia. But one authoritative study, commissioned by the Russian central bank and carried out by the Academy of Sciences in fall 1996, has demonstrated how few winners have been produced by economic reform. The study found that Russians held $140 billion in personal savings, of which 3.3 percent belonged to the poorer 71 percent of the population and 72.5 percent to the richest 5 percent. More than half of all Russian savings were held by just 2 percent of the population. That same study found that nearly half of all personal savings is kept in cash, much of it in U.S. dollars. It is not being invested into the economy—not in industry, not even in banking and financial structures. This, as the academy's Iosif Diskin wrote, represents a vote of no-confidence in Russia's "state-financial institutions, and in the state as a whole." [51]

Our Home Is Gazprom

Among the choice plums kept off of the voucher auction block were Russia's biggest money makers: oil, precious metals, natural gas, gold, and diamonds. The classic example is Gazprom, the Russian natural gas monopoly once headed by Prime Minister Chernomyrdin. Gazprom's wealth is staggering: The standard estimate put forward by Gazprom managers and by Western experts is from $250 billion to $950 billion.[52]

If Gazprom had been privatized in accordance with the stated goals of the voucher program—using equal opportunity to create millions of owners and not just a few millionaires—Russia might today be an entirely different place. The government could have divided Gazprom among the nation's 148 million people, one Gazprom share per voucher. Assume that the stock value indeed reflects the company value (which is the way it is supposed to work in the textbooks, even if real life is less predictable), and each voucher would have been worth somewhere between $1,700 and $6,400. For a family of three, that would have been $5,100 to $19,200 in stock, to say nothing of dividends.[53] Creating that sort of wealth for 148 million people (and not just 41 million) would indeed have been something to brag about.[54] Imagine if roughly the same approach had been rolled out through the other crown jewels of Russian industry—the massive oil companies such as LUKOIL and Yukos, the metals giants such as Norilsk Nickel, the telephone giants such as Svyazinvest, the diamond mines and the gold mines, all of which were protected from voucher privatization. Assuming a truly liquid trade in shares on a vibrant stock market, the world would no longer have been looking at Russians with pity, but with envy. Russia would have created overnight a middle class whose consumer appetites would have fueled an economic revival.

Back in the real world, Gazprom was privatized secretly, with the company managers getting a huge cut. Today the government owns 40 percent, Gazprom management owns 35 percent, and ownership of the remaining 25 percent is, as the *Moscow Times* recently put it, "unclear."[55] For three years after Gazprom was privatized, there was more consternation in Russia than debate. But in May 1995, former finance minister Boris Fyodorov, writing in *Izvestia*, attacked Gazprom's privatization as "the biggest robbery of the century, perhaps of human history." Fyodorov asked why the natural gas monopoly stock had been divided among top management insiders, with each getting from 1 to 5 percent of the company, or "a potential . . . minimum of from $1.2 billion to $10 billion each." "It's nice that we have people who can compete in wealth with the sheiks and the Rockefellers," Fyodorov wrote. "But why should [ordinary Russians] be satisfied with a share of the national wealth equal to one [privatization] voucher?"[56]

There were other salvos, including allegations that Prime Minister Chernomyrdin was one of those new Russians rivaling the sheiks and the Rockefellers. Current and former high-ranking Russian officials soon were lining up to offer allegations that Chernomyrdin was now one of the "ten richest men in Russia," thanks to his secret Gazprom stock, and that Chernomyrdin's son was also a Gazprom shareholder, both of them via the "dummy" front companies sprinkled throughout the list of Gazprom shareholders.[57]

"In some of the most bizarre expenditures ever seen, … the U.S. government has steered foreign aid to Gazprom, one of the world's richest corporations."

Amid these allegations, the *New York Times* offered a muddled, page-one profile of Chernomyrdin. The article noted accusations that Chernomyrdin "owned stock" in Gazprom (without ever explaining how he might have gotten it) and reported that his son was building a three-story dacha on the Gazprom compound. It then quickly moved to exonerate Chernomyrdin: "While few challenge Mr. Chernomyrdin's personal integrity, many here cite him as an example of a chummy relationship that makes the government blind or indifferent to official corruption, even when officials themselves are honest."[58] (This would appear to mean that "official corruption" exists in Russia, but that neither Chernomyrdin nor "the government" is involved. Both, however, are guilty of a "chummy relationship," although with whom and for what purpose is not specified.)

Chernomyrdin has long been coy about his Gazprom ties. In fall 1995, when the prime minister was being questioned by parliament, one deputy asked him how many shares he owned in Gazprom. Chernomyrdin paused, then said with a smile, "Next question." Eventually, however, Chernomyrdin did respond. In July 1995, he summoned a reporter from *Komsomlskaya Pravda*—a national newspaper by then partly owned by Gazprom—to his office for an interview.

Eventually, and apologetically, *Komsomolskaya*'s interviewer asked Chernomyrdin to comment on reports that he owns 5 percent of Gazprom and that his brother—not his son—is building a palatial, three-story dacha. Somehow not noticing that convenient mistake, Chernomyrdin launched into the sad tale of how both his brothers had died in recent years, then stated: "When I read vile comments about dachas, I feel as though the authors know of my grief and simply want to rub salt in the wounds."

Chernomyrdin continued with his famously tortured grammar: "As to [Gazprom] shares, those who say that, it seems, don't have the brains to understand what a gigantic sum of money that is, and can it belong to one person. In general I don't have any Gazprom stock, although in my time they suggested I become a shareholder."

They? Who are "they"? Why did "they" suggest such a thing? Why did you decline? Sadly for history, interviewer Gamov quickly changed the subject, asking Chernomyrdin if he is a "sentimental" person, asking how he keeps in shape—perhaps his wife feeds him a particular way?—asking him to "comment" about the family photos of his wife and grandchildren on his desk.[59]

First as fuel and energy minister and then as prime minister, Chernomyrdin for years protected the oil and gas industry from paying taxes. His valiant efforts in that regard earned his political party, "Our Home is Russia," (*Nazh dom Rossiya*) the derisive nickname "Our Home is Gazprom" (*Nazh dom Gazprom*). Åslund notes that while the oil and gas sector is now properly taxed, it was not so as late as 1995—when a reasonable tax burden would have contributed up to $30 billion in revenues that year, more than half of all projected revenues in the 1995 Russian budget. With that money, the government could have given each of its 30 million pensioners $1,000. Each Russian student, from first grade up, could have been given a laptop computer. Chechnya could have been destroyed and rebuilt, twice.

Two years ago when the allegations against Chernomyrdin were hot news, Vice President Al Gore was praising Chernomyrdin for his "resolute vision." "Friends have a right to be proud of their friends," Gore said then.[61] Until Chernomyrdin was fired in March 1998, Gore continued to trumpet his personal relationship with the prime minister, which mirrored Clinton's relationship with Yeltsin. In some of the most bizarre expenditures ever seen, meanwhile, the U.S. government has steered foreign aid to Gazprom, one of the world's richest corporations. In a deal brokered at a meeting of the Gore-Chernomyrdin Commission, the U.S. Agency for International Development (USAID) gave $2.3 million to buy pipeline valves for Gazprom. A few weeks later, Gazprom bought two $50 million French jets for its executives.[62]

"The Presidential Orchestra Played and We Danced"

Privatization's greatest success was perhaps a program under which every family has the option to privatize the Soviet-built apartment in which it lives. Today this represents the only major wealth many can boast of. The elderly in particular have been quick to liquidate this, their only asset, and move in with friends or family.

Housing privatization had a different meaning for the new elite. Soon after taking office, Yeltsin ordered an apartment building on Moscow's Ulitsa Osennaya commandeered and renovated. The new apartments, which had been built at state expense, were doled out as gifts. Other than the Yeltsins, those who quickly moved in included Korzhakov, Gaidar, Chernomyrdin, Moscow Mayor Yury

Luzhkov, Defense Minister Pavel Grachev, Interior Minister Viktor Yerin, Deputy Prime Minister Oleg Soskovets, presidential tennis partner Shamil Tarpishchev, the ghost author of Yeltsin's memoirs Valentin Yumashev, Korzhakov's lieutenant (and future chief of the FSB, the KGB's successor agency) Mikhail Barsukov, and many others.[63]

Korzhakov, Yeltsin's personal security chief until he was sacked in 1996, describes in his memoirs how the elite pleaded for flats:

> As soon as our allies learned that the Presidential Building was ready for habitation, supplicants began to come see me.[64] . . . Soon at a government meeting Gaidar came up to me and began to ask in a pitiful voice: "Alexander Vasilievich, couldn't you speak with Boris Nikolayevich [Yeltsin] and convince him? Because I live in a ground floor apartment, I'm in such danger."[65] . . . Moscow Mayor Yury Luzhkov and [deputy mayor] Vladimir Resin [next] became our neighbors. Yeltsin invited them. At first they both delicately refused, then moved in.[66] . . . Boris Nikolayevich then organized a collective housewarming party at the House of Receptions on the Leninsky Hills. It was jolly. Everyone arrived with their families. We dined wonderfully. The Presidential Orchestra played and we danced. We congratulated each other on our lucky and cost-free acquisitions. Yegor Gaidar, who so passionately preached the idea of the market, was also ecstatic about the free distribution of apartments.[67]

Korzhakov's memoirs came out in the late summer of 1997 and have been selling rapidly from street-corner tables throughout Russia. Western journalists, however, have downplayed or debunked the book.[68] They correctly argue that Korzhakov is corrupt and anti-Yeltsin. Russians know this as well, yet few would argue that Korzhakov's portrait of Kremlin life is false.

Anti-Corruption and the Russian Salvation Tour

One of Yeltsin's first public anti-corruption drives came in March 1992, only two months after Gaidar had unleashed inflation. Yeltsin appointed Yury Boldyrev, a young crusader from St. Petersburg, to the new post of chief government inspector. Boldyrev documented the illegal sale of tens of millions of dollars worth of military hardware by Russian army brass still based in Eastern Europe, the so-called Western Forces;[69] he asked Yeltsin to fire some top generals. He also asked for permission to investigate corruption in the administration of Moscow Mayor Luzhkov. Yeltsin refused, fired Boldyrev, and liquidated the inspector's office.[70] According to Boldyrev, Yeltsin explained his refusal in part by saying, "We support Luzhkov."[71]

This would become the standard government response to corruption. In public, Yeltsin would champion "the struggle against the cancerous tumor of corruption in the upper echelons of power."[72] In fact, corruption flourished under his protection, even encouragement. At times this would become clear; then the government would trot out Chubais, the darling of the West, to break up the gaming in the style of *Casablanca*'s Captain Louis Renault.

Consider the furor over the National Sports Fund and its duty-free alcohol and cigarette trade. The World Bank and the IMF were not happy when the fund's tax breaks came to light—why, after all, should Western governments make loans to Russia, if Tarpishchev, Korzhakov, and company were siphoning millions from the budget? So began a sleight of hand aimed at the Westerners: In March 1995, Yeltsin signed a new decree repealing the duty-free status; but four months later, in July, Chubais himself quietly approved a government decree that paid Tarpishchev's sports fund compensation for any revenue lost.[73] Then in September, Chubais went public with a demand ("I'm shocked, shocked I say!") that the already canceled privileges, be, um, canceled again. By 1 October, "Either the [tax and tariff] exemptions go, or I go!" Chubais thundered. By most accounts, they were extended repeatedly until the beginning of 1996.[74]

Another case was the disabled Afghanistan veterans fund. In 1994, after the fund's chairman was murdered, the government canceled its exemptions and ordered it to pay retroactively the duties it had avoided. But Yeltsin then signed decrees that forgave all penalties and paid the fund $8 million—again, compensation for its lost status.[75]

Meanwhile, Yeltsin's subordinates followed his shining example. In 1992, the Kremlin's Palace of Congresses was rented out to Shoko Asahara, head of Japan's Aum Shinryko cult. Cult members dressed in tinsel-covered leotards pranced around through clouds of dry ice in a musical Asahara had written for the occasion.[76] This was Aum's "Russian Salvation Tour." Aum cult members met with Vice President Alexander Rutskoi and parliamentary Speaker Ruslan Khasbulatov and quickly found an ally in Oleg Lobov, chairman of the Security Council and a top confidante of Yeltsin.[77] Investigators of Aum's 1995 sarin nerve gas attack on the Tokyo subway, which killed 12 and injured 5,500, say the sarin was of Russian origin.[78] They also say Aum recruits—apparently including one who would later expertly gun down a top Tokyo police official[79]—had weapons training in 1994 with the KGB's elite Alpha Group,[80] then headed by Korzhakov.

Lobov has been accused of accepting a suitcase containing $79,000 from Aum, in return for sarin-producing technology. A Russian criminal case remains open.[81] (Yeltsin's response to the charges that Lobov helped Aum was immediately to *promote* him to be his envoy to Chechnya.)[82] Aum also obtained some military hardware and technology to produce its own Kalashnikov assault rifles.[83] Investigators say Aum was aiming higher: cult leaders prowling around Russia literally kept a shopping list in a notebook that included MiG-29 fighter jets, Proton rocket launchers, and nuclear warheads. That same notebook listed pathetically trivial gifts for government officials: "To Lobov and others, Polaroid camera, Cross ballpen, and Walkman."[84]

"Corruption is not a new topic," noted prominent Moscow lawyer and *Literaturnaya Gazeta* political columnist Arkady Vaksberg, writing in August 1993.

> The fact that it is penetrating more and more into all levels of the government has been written about for quite some time. The official indifference with which these alarming signals are greeted can be partially explained by the fact that those responsible for fighting corruption have themselves been infected with the sickness. . . . To this date there is no known corruption case against any bureaucrat occupying an even slightly prominent government post.[85]

As Yeltsin's conflict with Khasbulatov's parliament worsened, both sides began to make intriguing corruption allegations. But Andrei Malgin, the editor of the weekly news magazine *Stolitsa*, found Americans to be surprisingly hostile to the idea of examining the Kremlin's corruption. In September 1993, he wrote:

> I recently published an article in the *Moscow Times* in which I expressed an opinion that I thought was indisputable: The mutual accusations of corruption coming from the executive and legislative branches discredit both, and diminish the authority of the government as a whole. The populace has long lost the ability to distinguish who is right, who is guilty, and has just become convinced that all those in power are thieves.
>
> Not everyone agreed with me. Several foreigners working here in Moscow even called me and asked with irritation how I could equate the Yeltsin and Khasbulatov teams. And on the very next day after my article appeared it was liberally quoted in the *New York Times* as a very exotic view of the corruption charges.[86]

Murky Oligarchy on Channel 1

Only one television station could be seen across all of the Soviet Union. Predictably, it was Channel 1. The company that ran Channel 1 used to be called Ostankino. But after investigators uncovered massive corruption,[87] Yeltsin issued a decree liquidating Ostankino and transferring its property and privileges to a new company, ORT. End of investigation. "This is like a thieving store manager setting his store on fire to cover up the tracks," said Igor Yakovenko, head of the Duma's media subcommittee and a member of the Yabloko Party.[88] The *Moscow Times* complained in an editorial about a switcheroo carried out "by a stroke of the president's pen, with no pretext of conforming to the laws on privatization. . . . The secrecy surrounding the deal strongly suggests that one inefficient and corrupt system—in which billions of rubles in revenues flooded into private pockets—is about to be exchanged for another."[89]

The state was to hold 51 percent of ORT, and the other 49 percent was to be divided up among some of Russia's mightiest—and murkiest—commercial structures: Gazprom, Stolichny Bank, Alfa Bank, Bank Menatep, LogoVAZ, and others. Chubais himself was also on the board of directors. Many of the men sitting around the ORT table were already working in tandem with government officials to build personal fortunes at state expense. They were also rapidly taking over the nation's media. This was starting to look suspiciously like an oligarchy. One of the first people to say as much was Alexander Solzhenitsyn. "We have oligarchy, not democracy," he said in a speech soon after his arrival from twenty years of exile in Vermont.[90] Later, in *Le Monde*, Solzhenitsyn wrote, "Former members of the communist elite, along with Russia's new rich, who amassed instant fortunes through banditry, have formed an exclusive . . . oligarchy of 150 to 200 people who run the country."[91]

On his return to Russia, Solzhenitsyn was given a twice-monthly show on ORT. After he used it to deliver those criticisms and others against the war in Chechnya and against privatization, the show was unceremoniously yanked.[92] Solzhenitsyn faded angrily from public view; today he describes Russian politics as not worth his time.[93] The loss, again, of Solzhenitsyn's voice was truly sad, for by late 1995 privatization à la Chubais was about to enter a final and dirty stage—one that would prove that the rigged voucher auctions and the corrupt privatizations of Gazprom and ORT were not flukes. The crown jewels of Russian industry—tens of billions of dollars worth of oil companies, metals companies, and energy and telecommunications mammoths—had been kept out of the voucher program. Now they would be divided.

Loans-for-Shares: A Boring Label for a Historic Swindle

In 1995, Chubais and Yeltsin endorsed a plan put forward by Uneximbank's Potanin. Banks would give the government "loans"; in return, they would manage the state's stake in those strategic industries for a few years.

This was not really about "loans" in return for "borrowing" an oil company, but an underhanded way to sell off such companies. Loans-for-shares, as the program was labeled, brought with it enough jargon and cloudiness to obscure the issue and bore the public. Those who followed events more closely, such as Gaidar's outspoken former finance minister Boris Fyodorov, were contemptuous. "Yesterday [the oligarchs] shared television stations, today they're splitting up companies among old friends."[94]

"A few hand-picked men took over Russia's developed oil fields* for free, *as part of a giant shell game in which one arm of the government paid another arm."

Chubais came to the rescue. Russia's financial giants would not simply sit around the table and divide the oil companies among themselves; no, Chubais promised, instead there would be competitive auctions open to the entire world. "It once seemed control of Russian industry would fall into the laps of its banks. Fortunately, things may turn out differently," intoned *The Economist.* "Mr. Chubais has opened up bidding to anyone wanting to take part."[95]

But a month before the first auction, Chubais reversed himself and let the *Economist* down. The government announced that foreigners would be barred from the bidding, and Chubais was silent. Later, he would justify that ban.[96] The first in what would be a historic series of "competitive auctions" got under way 8 November 1995, when bidding opened on a 40 percent stake in Surgutneftegaz, an oil company with an alphabet soup name, but a yearly oil output equal to France's Total.[97] The auction had two bidders, an obscure company called Svift and Surgutneftegaz. A third bidder had been disqualified on a technicality. Surgutneftegaz won the bid, pledging to shell out a mere $88 million. This was, as one financial analyst put it, "as close to free as you can get when buying an oil company."[98] Vladimir Bogdanov, head of Surgutneftegaz, promised that the government would get its money "even if we have to withhold wages and other payments for two months."[99]

The next auction was even more blatantly collusive. On offer was 38 percent of Norilsk Nickel, a metals combine located in Russia's Arctic North that produces more than a quarter of all the world's nickel and more than a third of all the cobalt. Norilsk Nickel earns an estimated $2 billion a year from exports. This was one of a few engines that were dragging behind themselves the entire Russian economy. Yet strangely, given what was at stake, the government delegated its authority to decide Norilsk Nickel's fate to Uneximbank, a private company. Uneximbank was deputized to accept and evaluate bids for Norilsk, even though Uneximbank was itself offering a bid. Not surprisingly, Uneximbank won. Its laughably small bid of $170.1 million was only $100,000 over the government's minimum bid. A competing bid that was two times higher was judged unfit.[100]

And so it went:

• 51 percent of the enormous Sidanko oil company. Minimum bid: $125 million. Uneximbank organized the auction; an Uneximbank affiliate won with a bid of $130 million. A rival bid was disqualified for arriving twenty-four minutes late.[101] One Western oil analyst at the time calculated that Uneximbank had paid the equivalent of two cents a barrel for Sidanko's reserves, when the going rate internationally for reserves was $4 or $5 a barrel.[102]

• 5 percent of LUKoil, Russia's largest oil company. Minimum bid: $250 million. Bank Imperial, the pet bank of Chernomyrdin's Gazprom, organized the auction. Bank Imperial and LUKoil jointly submitted the winning bid—$250.01 million, $10,000 over the minimum. Only weeks earlier, the Atlantic Richfield Company had paid more than seven times that for a comparable LUKoil stake.[103]

• 78 percent of Yukos, Russia's second-largest oil company. Bank Menatep, the state's hand-picked organizer for the auction, won it with a bid of $309.1 million, $9 million above the minimum, for control of 2 percent of the world's known oil reserves. Menatep had rejected a rival bid from a consortium composed of Alfa Bank, Inkombank, and Rossiisky Kredit on various procedural grounds.[104]

A final auction was held in the waning days of 1995. Stolichny Savings Bank and the previously unknown Oil Finance Company, reportedly a front for financier Boris Berezovsky, together won 51 percent of Sibneft, Russia's seventh-largest oil company. They paid $100.3 million, $300,000 over the starting price. A rival bid was rejected for arriving twenty-four minutes late, as had happened with the Sidanko sale.[105]

Loans-for-Shares Revives the Communists: The West Squirms to Exonerate Chubais

As auction after auction ended in scandal, with the losers threatening lawsuits, Chubais defended the process. Just after the Norilsk Nickel sale, Chubais told the press that he had informed Yeltsin of the "efficiency" of loans-for-shares and that the president had declared himself "satisfied."[106] On the eve of the Yukos auction, Chubais lashed out at the noisy trio of Inkombank, Alfa Bank, and Rossiisky Kredit, who were protesting that Bank Menatep had been allowed to organize the auction and participate in it. In a move worthy of Communist Party chief Gennady Zyuganov, Chubais accused the trio of fronting for hidden foreign investors.[107]

Finally, in mid-December, with the process nearly finished, Chubais admitted that it had been a "mistake" to let banks organize the auctions and also participate in them. He promised that this would never happen again (another promise that would be broken). The mistake, he was quick to add, had been of an "ethical," not a "legal," nature.[108] He repeated this tepid mea culpa in January 1996, adding, by way of exculpation: "We must remember that Russia is a transition economy."[109]

Chubais never explained how Russia's status as a "transition economy" justified the rigging of privatization auctions. Nor did he, or any other top official, ever respond to sensational subsequent charges that the loans-for-shares winners had paid for their stakes with taxpayers' money. In October 1996, Yury Boldyrev, Yeltsin's former government inspector, told the weekly *Novaya Gazeta* that his Accounts Chamber—a newly created independent auditing office modeled after the U.S. General Accounting Office—had discovered that the government had transferred to the accounts of some of the winners state funds equal to amounts they would subsequently bid. In other words, a few hand-picked men took over Russia's state-developed oil fields *for free*, as part of a giant shell game in which one arm of the government paid another arm.[110]

Chubais is viewed as the embodiment of liberal economic reform in Russia. Clearly, a reevaluation of his role was in order. Yet USAID, which had spent tens of millions of dollars helping sell the Russian people on his privatization program, had nothing to say about loans-for-shares. World Bank and IMF officials were also silent, as were the American media. A notable exception was Harvard's Jeffrey Sachs, who called for reversing the loans-for-shares auctions and the earlier privatization of Gazprom on ethical grounds.[111] Some, however, sought to protect Chubais's good name by cutting him out of this unflattering picture. The *Economist*, for instance, which had praised Chubais prior to the auctions for opening up bidding, did not even mention his name in two subsequent articles on the scandal.[112]

As the December 1995 Duma elections approached, voters were infuriated, not least by the loans-for-shares charade. Most understood that the winners of the rigged auctions had won long-term control, not a temporary stake. (That was indeed so: The banks would eventually sell their stakes, via front companies, to themselves.)[113] Not surprisingly, the Communists made a comeback, racking up 22.31 percent of the national parliamentary vote.[114] Yeltsin sacked Chubais, saying that he had "sold off big industry for next to nothing" and that this had bolstered the Communists.[115]

The *Wall Street Journal* was more forgiving. In an editorial about the dismissal, it cast Chubais as a scapegoat. It criticized loans-for-shares, but claimed, without a shred of evidence, that much of what happened had been "removed from Mr. Chubais's control."[116] The *Financial Times* eulogized Chubais as, of all things, a man "who relished roughing up Russia's vested economic interests."[117]

The "Davos Bankers" Improve upon Democracy

At stake in loans-for-shares was not simply wealth, but political power. These were strategic industries, engines of the Russian economy. Along with the television stations and a growing number of other media, they now belonged to that same new elite that had always owed its existence and riches to the state. No one in this elite wanted to see Yeltsin lose a presidential election. In January 1996, with the vote six months away, it appeared that Yeltsin would do just that: The

Communists were on a roll; a war in Chechnya crawled on; millions of workers were owed months of back pay. For the new elite, a Communist president would be bad; even more dangerous would be a President Alexander Lebed or a President Grigory Yavlinsky, both of whom were outspoken against corruption.

That month, Russia's leading financiers met at the annual international economic conference in Davos, Switzerland. These were the new oligarchs, most prominently LogoVAZ's Berezovsky, Uneximbank's Potanin, Menatep's Khodorkovsky, and Most-Bank's Vladimir Gusinsky.[118] These men knew what they wanted: to preserve the status quo. They emerged from Davos with a two-pronged strategy.

Prong one entailed money and favorable media coverage for Yeltsin's campaign. At the bankers' request, the sacked Chubais was quietly brought on as Yeltsin's campaign manager.[119] Prong two was more sinister: It was a plan to ditch the elections if they seemed to be going badly. This idea was first floated in the infamous Letter of 13, published in late April 1996 in nearly every major Russian newspaper and signed by the Davos bankers and others. This open letter called on all politicians, but especially Zyuganov, to seek a "political compromise" with Yeltsin before elections could lead to "acute conflicts."[120]

Berezovsky, the Davos group's self-appointed spokesman, was credited with having organized the letter. Berezovsky described an acceptable compromise as one that would involve Yeltsin and Zyuganov forming a "coalition" government, perhaps via the creation of an emergency "state council"—in lieu of elections. "The question is not whether to postpone elections," Berezovsky said. "The problem is finding a legal way to do it."[121] Yeltsin's personal security chief Korzhakov backed this idea; in Korzhakov's memoirs, he describes Chernomyrdin as also favoring postponement.[122] Zyuganov's people, meanwhile, were floating similar ideas for a "state council." Details differed, but the overriding goal was the same: to scrap democracy in favor of rule by the new nomenklatura, which in turn would give the Communists a place at the feeding trough.

Both prongs of the strategy were pursued simultaneously. Yavlinsky was marginalized in the media (a Yabloko study found that Yeltsin got 800 times as much television news coverage as Yavlinsky.)[123] Lebed, in turn, was financed and beefed up by the bankers: Polls showed that a strong Lebed showing would split Zyuganov's support.

In May, Yeltsin said the elections would go forward: "Korzhakov is not alone in thinking that a Zyuganov victory would start a civil war," he said. "But I still believe in the wisdom of Russian voters. That is why the election will take place according to the Constitution."[124] Did that imply the election would not take place if Yeltsin's faith were to falter?

Looking for White Hats and Black Hats: "A Russian Bill Gates" and "a Kremlin Godfather"

In June, Chubais engineered Korzhakov's ouster, and Yeltsin went on to win. The president reorganized his government. Chubais became his chief of staff. At Chubais's request, Uneximbank's Potanin became deputy prime minister in charge of economic policy. Within months, Lebed, who had been given day-to-day charge of the presidential Security Council in the run-up to the final vote, was sacked and LogoVAZ's Berezovsky joined the Security Council.

Potanin, thirty-five, in particular intrigued the Western media. The *Wall Street Journal* heralded him as "a Russian Bill Gates" who had built his bank "into a financial power-house from modest beginnings."[125] The *Financial Times*, in an article describing the new government, saw hope in the fact that Potanin, unlike his older colleagues in the cabinet, kept the top button of his shirt undone.[126] "Nobody doubts Mr. Potanin's brilliance," gushed the *Economist.* "Everybody seems to agree, too, that Mr. Potanin, who just stepped down as Uneximbank's chairman following his appointment, is just the man needed to knock some vigour and direction into Russia's economic management." The *Economist* went on to concede that, yes, Potanin would use his offices to further favor Uneximbank à la the loans-for-shares charades, but concluded, "If Mr. Potanin will take a job in government, why look a gift horse in the mouth? The government will have at least one minister who knows how the world works."[127]

In reality, Potanin was far from energetic in reform. Incredibly, he was asked to reform the system of authorized banks that had been so profitable for Uneximbank. His reform efforts involved drawing up a suggested shorter list of banks, which of course included his.[128] While Chubais and Chernomyrdin were declaiming about the tax collection emergency, Potanin was doing his bit to create it: Several days prior to joining the government in August 1996, he won $1 billion in tax breaks and other benefits for his newly obtained Norilsk Nickel.[129]

The West was less enamored of Boris Berezovsky, and not only because he had publicly and explicitly advocated abandoning the elections. Berezovsky also had bragged publicly about the Davos sit-down and claimed that he and six other men—including Uneximbank's Potanin and Menatep's Khodorkovsky—controlled Russian politics and half of Russia's economy.[130] Potanin has echoed that claim.[131]

A former math professor with his finger in every Russian pie, from oil to the media to used cars to Aeroflot, Berezovsky first came to public attention when he survived a 1994 car bomb that decapitated his chauffeur.[132] He gained Western notoriety in 1996 when *Forbes* magazine described him as "the Godfather of the Kremlin" and suggested that he was behind the high-profile murder of ORT television journalist Vladislav Listiev.[133] (Berezovsky's efforts to sue *Forbes* in Britain, where libel is unusually easy to prove, have so far been rejected by courts).[134]

Berezovsky also controls state-owned ORT because he pays the salaries of managers—a practice that gives a totally new meaning to privatization.[135] Meanwhile, no doubt with the collusion of top management, ORT advertising revenues are skimmed off elsewhere. Berezovsky has reportedly done much the same with state-owned Aeroflot, siphoning off nearly a third of its estimated $400 million in annual revenues to a Swiss shell company. *Moskovsky Komsomolets* reported in October 1997 that Berezovsky had bought 49 percent of Aeroflot and had engineered the appointment of Yeltsin's son-in-law, Valery Okulov, as the general director. *Moskovsky Komsomolets* also published the comments of Igor Malkov, an ex-KGB colonel, who described Berezovsky as the "chief cash disburser, sponsor, and financial director of Yeltsin's tight-knit family."[136] Korzhakov agrees. Berezovsky funded the publication of Yeltsin's memoirs, *The Struggle for Russia*, ghost-written by Valentin Yumashev. According to Korzhakov, Yumashev used to come to the Kremlin once a month with royalties from Berezovsky—$16,000 in cash. "No one understood what this hippy journalist was doing routinely visiting the president and then leaving his office after three or five minutes," wrote Korzhakov. "Boris Nikolayevich [Yeltsin] put the money into his safe; it was his private savings."[137]

Chubais: We Build Democracy Through Dictatorship

The reelection campaign nearly killed Yeltsin, and he prepared for heart surgery. Suddenly, it was Chubais pushing the desperate Korzhakov-Berezovsky ideal of a junta. If others had spoken of neutral-sounding "state councils," Chubais talked of a Cheka. If others had justified themselves in public by citing the danger of potential civil strife, Chubais defended his grab by arguing that Russia only needed more discipline. Soon he was speaking favorably of the Soviet Communist Party's talents at "cadre" management,[138] and insisting that "to have a democracy in society, there must be a dictatorship in the government."[139]

In autumn 1996, The *New York Times* reported that Chubais was "deep inside the Kremlin," plotting his next move in "the democratic revolution."[140] At the same time, Chubais met deep inside the Kremlin with top Russian newspaper editors. One of them complained to Chubais that the Kremlin was interfering via Gazprom in editorial policy. According to *Nezavisimaya Gazeta* editor Vitaly Tretyakov, Chubais responded: "You will do what the owners [of your paper] tell you. And if you don't, bones will crack."[141]

Provincials from Nizhny Novgorod: Heralds of a New Progressive Era?

Following his successful by-pass operation, a reinvigorated Yeltsin announced the sixth major anticorruption drive of his reign. In a speech before parliament in March 1997, he accurately identified the worm at the heart of Russia's reforms: "The state interferes in the economy where it shouldn't," he declared, "while where it should, it does nothing."[142]

Yeltsin promised reform of the taxes that had driven so many entrepreneurs underground where they were at the mercy of the mafia. He also pledged more transparent government—including an end to coddling of the banks and the state-owned monopolies such as Gazprom, the power grid Unified Energy Systems, and the railroads—and reshuffled his cabinet. Potanin was sacked. Chernomyrdin stayed as prime minister, but Chubais was named first deputy prime minister and finance minister, and tasked, again, with reviving the economy. Then, almost as an afterthought, the president appointed Boris Nemtsov, the thirty-seven-year-old governor of the Nizhny Novgorod region, to serve alongside Chubais.

Nemtsov's choice was good public relations, as evidenced by numerous American newspaper reports that focused on his curly dark hair and youthful energy. And Nemtsov was frank about the new Russia: "There are two models of the market economy," he told the weekly *Kapital.* "The first is the government-monopolistic, mafia-corrupt model. The second is democratic capitalism. The first is being realized on a grand scale in Russia."[143] Nemtsov declared that Yeltsin was in agreement and was determined to steer the country from "bandit capitalism" to "people's capitalism." Overnight, Nemtsov's analysis became an article of faith repeated throughout the Western media. Yeltsin and his new team had finally gotten the mood music right. But was Russia really entering its Progressive Era?

The era began with some key initiatives. One was a Yeltsin decree that mandated open tenders for government contracts. As Chubais would later admit, government contracts involving "tens of trillions of rubles"—billions of dollars—had previously been disbursed through bureaucratic procedures "absolutely hidden from society." Although he had once shrugged at such "mistakes," and split semantic hairs over whether to classify them as "legal" or "ethical" in nature, Chubais now called the new decree an "urgent" and "immediate" step in combating "one of the most serious illnesses of our society and our state—corruption." [144] The decree's fine print, however, left a lot of room for even mildly creative Russian bureaucrats. Behind-closed-doors tenders could be used, for example, if they were judged to be "the best method."[145]

"Few in the West noted that Chubais and Nemtsov were steering the pain of refom to their political rivals . . . while protecting their own."

In another initiative, Boris Nemtsov ordered bureaucrats to patriotically trade in their beloved Mercedes, BMWs, and Audis for Russian-made cars. On 21 July, the nation's media attention was thus duly focused on an auction where Nemtsov helped to move five used government cars off the lot—a slow start, but one supposedly symbolic of greater things to come. That very day, another auction took place. LUKoil, in a predictably opaque tender, bought 5 percent of its own stock from the state. Analysts said LUKoil paid less than a tenth of what the stake was worth.[146]

Still another trumpeted measure was a Kremlin decree requiring top government officials to declare their incomes and assets. The prime minister duly reported his 1996 income as $8,000 and valued his assets, including real estate, at $46,000.[147] (Nemtsov, the Kremlin's new broom, seemed little different: For an autobiography rushed into print upon his appointment, *The Provincial,* Nemtsov was advanced $90,000 from a publishing company owned by Sergei Lisovsky, an advertising mogul with links to Chubais, Berezovsky, and reportedly, organized crime. Only 25,000 copies were published and retailed for well under a dollar.)[148]

Kommersant Weekly described how officials could easily circumvent such declarations. "You sit here on information which can, for instance, either damage or help someone in a competitive struggle," an anonymous government official told the magazine. "Information about planned Russian governmental decisions can instantly cause the fluctuation of prices on the world market for an entire series of commodities or the quotations of shares in certain companies. You can have a numbered account in Austria or Liechtenstein and never even travel abroad. Your share from speculative operations initiated by information which you have provided will be regularly transferred to that account."[149]

Such general accounts were tolerated. But when newspapers named names—as did *Izvestia,* by reprinting a report in *Le Monde* that Chernomyrdin's net worth was $5 billion—the stakes were much higher. Chernomyrdin was reportedly enraged by the *Izvestia–Le Monde* report, so much so that a war for control of *Izvestia* was launched. The ultimate winner was Uneximbank.[150]

Chubais and Nemtsov did force Gazprom to pay higher taxes and its tax arrears and placed a key Nemtsov ally at the head of the Unified Energy Systems (UES) power grid. Such isolated incidents were hailed as a fundamental assault on the oligarchic "bandit capitalism" that everyone, from Solzhenitsyn to financier George Soros, suddenly agreed had Russia in its grip. Few in the West noted that Chubais and Nemtsov were steering the pain of reform to their political rivals, such as Chernomyrdin, while protecting their own—for example, Uneximbank, which was emerging as a Chubais ally. What was developing behind the Western headlines—but not the Russian—appeared to be little more than a gang fight.

In July, for example, various national publications cited a leaked letter from the Central Bank to Chernomyrdin that described a complicated scheme: an Uneximbank affiliate was accused of embezzling $237 million from a government transaction involving the sale of MiG-29 fighters to India. The Central Bank also charged that a second bank, also closely linked to Uneximbank, had made off with $275 million intended for the Moscow oblast government. A criminal investigation was launched. Uneximbank's people responded with denials—and cryptic allegations of their own about questionable deals involving banks close to Chernomyrdin. The matter was dropped. One political clan had attacked another; both had then blinked. And the missing $512 million—equal to about half of what the government then owed public-sector employees in back pay? Its whereabouts remained unknown; hardly anyone cared.[151]

One of the few who did care was Leonid Krutakov, an investigative journalist who tried to find out what had happened to the missing money. He was able to determine that a third bank had been involved in misappropriating the MiG funds, but when he went to the bank's official address, he found only a telephone switching box. When Krutakov informed the Central Bank of his findings, it revoked the phantom bank's license.[152]

If the MiG scandal received desultory coverage in America, at least it was mentioned. Nothing was said of a front-page report in *Kommersant Daily* that Russia's gold reserves were being sold off more than twice as rapidly as the government had planned—because the officials involved were taking a commission on all sales. *Kommersant*, citing the Accounts Chamber, reported that the extra revenue raised was used for things such as buying fancy dishes for the Kremlin.[153]

Most by now know that the Russian media are also being snapped up by the oligarchs. The young reformers have not opposed this trend. In September, Bank Menatep managed to have one of its own people, Leonid Nevzlin, appointed as the deputy director of Itar-Tass, Russia's state news agency. Asked by *Kommersant Daily* if he intended "to lobby the interests of Menatep," Nevzlin replied, "In the accepted sense of the word, yes. But only in the business arena."[154] This hardly suggested that the state was about to get serious about breaking up the oligarchy. So much for the Progressive Era.

Svyazinvest: A '"Relatively" Fair Deal

Infighting among the oligarchs went public in summer 1997. If once they had bragged about deciding Russia's fate cordially at a sit-down in Davos, now they hated each other. The chief reason was Svyazinvest, Russia's telephone company and largest-ever privatization. Everybody wanted it; Chubais's ally Potanin got it. Slighted were financiers Vladimir Gusinsky of Most-Bank and Berezovsky—each of whom controlled a national television station. Overnight, the country was treated to an unprecedented public falling out. The situation got so ugly that Yeltsin stepped in. Chubais's lieutenant for privatization, Alfred Kokh, resigned; two days later, Yeltsin, citing the Svyazinvest hullabaloo, complained of coziness between Kokh and Uneximbank. Subsequent investigations by *Novaya Gazeta* and the *Financial Times* revealed that Kokh had received $100,000 for a book deal from a Swiss company tied to Uneximbank. That hefty advance was for an academic monograph on privatization that Kokh had not yet written.[155]

Ignoring contrary evidence, the Western media have portrayed Svyazinvest as a successful assault on the corrupt oligarchic system. The main justification cited was that the state, for once, had sold an asset for a healthy chunk of money—the winner of 25 percent of Svyazinvest paid $1.87 billion, well above the starting price—and that among the participants were foreigners, including Soros, who put up much of the money for Uneximbank. Neither the amount paid (which was arguably low),[156] nor the difference between that amount and the starting price, nor the presence of foreigners, proved that the privatization of Svyazinvest was "open" or "fair." So some in the Western press fudged it. The *Moscow Times* called the Svyazinvest auction "relatively open";[157] the *Washington Post* called it "relatively fair."[158]

Soros has conceded that describing the Svyazinvest tender as fair "would be an overstatement." He added that "the looting of state assets" under privatization was "frankly, quite repulsive."[159] (Uneximbank's Potanin, who was Soros's partner in the Svyazinvest consortium, conceded that loans-for-shares auctions were rigged, but he was more blasé. "It is a part of our history," he said, shrugging, in an interview with *Business Week*.)[160]

Some argued that Svyazinvest showed that Chubais, who had crowned the Davos bankers kings, hoped to destroy the oligarchy and to replace it with an oligarchy of one, Uneximbank. "And this is already a step away from 'oligarchic freedom' and toward dictatorship," the weekly *Obshchaya Gazeta* wrote.[161] If that was Chubais's goal, he failed spectacularly. In November, he and Nemtsov pushed Berezovsky out of the government. Days later, allegations surfaced that Chubais and four of his reform lieutenants—all of them men who had been supported by Chubais's USAID-funded patronage—had accepted $90,000 each in bribes disguised as a book advance from Uneximbank.

This was far from the first such revelation: In early 1997, for example, *Izvestia* revealed that a think-tank Chubais created had accepted a $3 million interest-free loan from Stolichny Bank for the putative purpose of "building civil society."[162] The money was then put in an investment fund headed by a close Chubais associate.[163] Chubais responded to critics by airily claiming in a letter to *Izvestia* that "an interest-free loan . . . is absolutely normal . . . in both Russia and any other democratic country."[164] The Western media let this pass unchallenged; and at about this same time, Potanin's Uneximbank took over and muzzled *Izvestia*.

"Both the* Los Angeles Times *and the* Washington Post *described Chubais in separate eulogies as 'a lightning rod' for anger over the stalled Russian economy."

But Chubais did not get away so easily from the book scandal: Yeltsin, prodded on by Berezovsky, fired three key Chubais lieutenants and stripped Chubais of the finance ministry. Soon after, however, came the cruelest cut of all: Chubais lost the support of the *New York Times*. America's newspaper of record, complaining that Chubais had "disgraced" himself, called for his dismissal. Explaining their past support of the privatization chief, the *Times* wrote, "Chubais has often served a larger interest with his manipulations."[165] In other words, the ends justified the means when Chubais allowed the oligarchs to hijack the country. American news media were willing to forgive Chubais for robbing millions of people of billions of dollars, as long as the people involved were lowly Russians and "larger interests" were being served; but when he was caught lining his own pockets, they were furious: Venality is unbecoming in revolutionaries.

Suicide as Redemption

But a few months later, when Boris Yeltsin suddenly roused himself and fired his entire government—Chubais, Chernomyrdin, everyone—the American media were once again at Chubais's side. The *Los Angeles Times*, without a shred of evidence, reported that Chubais, "like a suicide bomber," had engineered his own firing as a way of taking out the corrupt Chernomyrdin with him.[166] Both the *Los Angeles Times* and the *Washington Post* described Chubais in separate eulogies as "a lightning rod" for anger over the stalled Russian economy. "Chubais was a lightning rod for complaints about the economy," wrote the *Washington Post*. "He oversaw Russia's privatization program, but was blamed for the poverty of millions of Russians. He also clashed with some major businessmen over his efforts to reduce their influence in government and their throttlehold over the auction of state-owned enterprises. In a valedictory to reporters today, Chubais took pride in the changes in Russia's economy."[167]

Nowhere did either the *Washington Post* or the *Los Angeles Times* mention the enormous rigged privatizations that Chubais oversaw, from Gazprom to Norilsk Nickel, to Svyazinvest, which together constitute the theft of billions of dollars from Russia; nowhere did either paper mention the other, pettier allegations of corruption, such as book advances and interest-free loans. There is no mention that Chubais was the number-one recipient of USAID assistance, for example, or that he reportedly encouraged the muzzling of the Russian press, or that he never once spoke out against the war in Chechnya. Instead, readers are told that Chubais is a lightning rod—an object that sacrifices itself to protect the greater good—who oversaw privatization "but" was blamed for Russia's widespread poverty; a "reformer" who fought major businessmen to break their "throttlehold over the auction of state-owned enterprises"; a man who "in a valedictory(!?)" took pride in the changes he had wrought.

And once again, reports of Chubais's demise were premature. Soon Chubais was back in government—appointed the head of Unified Energy Systems, the national electric power grid, one of the few companies in Russia that comes close to rivaling Gazprom in size and clout.

To the predictable Western applause and cries of "a young reformer," meanwhile, Yeltsin put forward a new prime minister, a thirty-five-year-old provincial technocrat, Sergei Kiriyenko. Despite his youth, Kiriyenko had already run a commercial bank, an oil company, and a Russian ministry. But was Kiriyenko really a change from Chubais, Chernomyrdin, Potanin and others? A *Washington Post* profile argued yes, painting Kiriyenko as emblematic of "a new breed of Russian"—young hustlers who "knew how to find a ton of cheap oil, for example, and sell it abroad for breathtaking profits."[168] Of course, the trick is having the government connections to do so, as Kiriyenko himself made plain in a monograph he wrote on Russian banking while a student. His conclusion calls to mind those of fellow successful Communist Youth League members such as Potanin and Khodorkovsky: "The most important task of commercial banks is lobbying at all levels of power."[169] Another key to success, Kiriyenko noted in his paper, is the ability to hide accounts offshore from the government.

Yes, It's Better Than Communism. But How Much Better?

Russia six years after the collapse of the Soviet Union is perhaps freer than at any time in its history. People can travel abroad, read, and say and believe what they wish. It is widely accepted now that politicians earn their legitimacy through elections.

There have also been economic successes. There was officially 0.4 percent economic growth for the first time in 1997. The stock market boomed in 1997, then crashed along with Asian markets in August 1998. (And, as a few analysts warned, a Latin American–style debt default—or an Indonesia–like currency collapse—has happened.)[170]

Whatever the growth statistics, wage arrears remain enormous for teachers, doctors, soldiers, and other public sector workers, while the state has failed dismally at tax collection. Delayed salaries force improvisation: the average Russian now grows a whopping 38 percent of all the food he eats, according to *Argumenty i Fakty.*[171] While the masses tend their gardens, twelve to fifteen corporations control more than 50 percent of the economy, according to Uneximbank's Potanin.[172] And while no one can deny the emergence of a middle class, mostly in St. Petersburg and Moscow, the small business sector remains stunted by confiscatory tax policies and lack of legal protection. Small business constitutes 7 percent of GDP, according to the government, while in Western countries it accounts for at least 40 percent.

Whether official statistics accurately reflect Russia's quasi-legal "shadow" economy is hotly debated. Whatever the case, this sector is far from being a pillar of middle-class stability. In October 1997, a survey of 1,000 high school students by the authoritative VTsIOM polling agency found students today more interested in pursuing careers as contract killers or prostitutes than as teachers or engineers.[173] And this is how the twentieth century will likely close on the average Russian: Hoeing his garden and wondering how to keep his children out of crime.

Meanwhile, key democratic institutions—parliament, the press—have been emasculated, bought out by large financial-industrial conglomerates connected to officialdom.[174] The media, which enjoyed a brief euphoric freedom following the August 1991 coup, today are used as a weapon in inter-clan battles—so much so that one NTV Television press reviewer late last year quipped that the national newspapers should be stamped "For official use only" (not that his station is above the fray).

And given the criminalization of the economy and the unchecked power of organized crime, maintaining the independence of Russia's judiciary is, as Anatoly Chubais admitted in January 1998, "even harder than it was in the Soviet period."[175]

Parliament rose from the ashes of the 1993 showdown as two houses, the Duma and the Federation Council. While the Duma's powers are insignificant, the upper house is made up of elected governors and top legislators from the regions—imagine if U.S. Senators were also the governors of their states—and could someday rival the Kremlin for control of Russia. (Berezovsky is one who believes that could happen. He has set about forming a political movement in the regions. "I am certain that in 1998, regional elites will dictate the new center of power," he said in a speech recently.)[176]

The regional governors, however, rule their fiefdoms in much the way Yeltsin rules the country, through control of a huge bureaucracy, the local press, and close ties to "semi-state and commercial structures, even the criminal world," as one Moscow journalist wrote—approvingly.[177]

In this, Russia resembles the corporatist states of pre-reform Latin America—such as Mexico, where the PRI ruled unchallenged for nearly ninety years, with regular elections and other trappings of democracy. It also has traits, not surprisingly, of feudal Russia. So, while Yeltsin (who refers to himself often as Boris I) warned the Davos bankers last fall that he will not allow them to dictate to the state (c'est moi), he also promised to meet them for regular economic "strategic planning" meetings. Simultaneously, Yeltsin was making overtures to the easily co-opted Communist Party, while ignoring those of consistent principles, like Alexander Solzhenitsyn, veteran human rights activist Sergei Kovalyov, and Yabloko leader Grigory Yavlinsky.

America's Role in the Crib Death of Russian Democracy

The United States continues to provide moral and financial cover for Yeltsin's new order. In an article published in 1996 in *Demokratizatsiya*, George Washington University professor Janine Wedel demonstrated how USAID has steered money toward supporting Chubais's political career and quoted top USAID officials frankly admitting as much.

Wedel argued that USAID's privatization push undercut Russian democracy because it emphasized using Kremlin decrees to circumvent parliament and other institutions. Alexander Minkin, Russia's most famous investigative reporter, goes further. In a nationally televised interview on 15 November 1997, he alleged that it was well known that the U.S. government offered Russian journalists money in return for glowing articles about privatization. Minkin offered no evidence. But because the U.S. government has openly backed one political clan and a few specific policies, charges such as Minkin's are accepted as simply logical. (After all, the other clans buy their own media, too).[178] Should America be involved in undercutting democracy to advance a few policies, or more precisely, a few economists? Are we so enamored of vouchers and loans-for-shares that we prefer them to our highest principles?

Sadly, there is another dynamic at work here, an element of disdain for the Russians as a people. Westerners in Russia regale each other with (quite true) tales of Russian rudeness and business ignorance. Russians themselves play into this, claiming to be a people genetically damaged by alcoholism and Stalinism—the latter of which drove off or killed the intellectual cream of the nation. Many among both Russians and Westerners have sympathy for the idea that, following centuries of oppression, the Russians "aren't ready" to be trusted with complete democracy. Perhaps, then, it is better to let Chubais and his Harvard-trained whiz kids manipulate matters—always, of course, "in the larger interest."

In reality, Russians are perfectly capable of determining their own interests. They have always voted pragmatically—whether expressing their anger via a vile nationalist such as Vladimir Zhirinovsky in a protest vote to the meaningless Duma, or holding their noses and dropping a ballot for Yeltsin, again. Their failure comes not at elections, but between them, when political and civic activity is negligible. Some sociologists argue that this is healthy—that Russians are simply enjoying, for the first time in their history, the opportunity to ignore politics and the state. The danger is that by the time interest in the political direction of the country reawakens, it may have already been irrevocably decided.

The international financial institutions have also unwaveringly underwritten whatever the Kremlin has seen fit to do. What is one to make of the IMF and World Bank activity in Russia? The IMF sternly withholds cash when tax revenues droop; they then applaud the announced solution of a new enforcement organ, named after Lenin's death squads. Yet they have never withheld money to protest corruption, or loans-for-shares, or the war in Chechnya. The IMF's $10.2 billion loan, released in 1995, in essence financed the war in Chechnya; arguably it prolonged the war. Certainly the Chechens see it that way.[179]

IMF Managing Director Michel Camdessus acknowledged that the loans financed the war, although he denied that the funds were prolonging it. The *Washington Post* reported his words from Moscow: "'Are we financing Chechnya?' he said. "We are contributing to the overall financing of Russia today. . . . [As for] those who tell me, 'You are financing Chechnya,' in some ways, yes, as we finance Russia."[180] In 1997, it came to light that some of a $500 million World Bank loan to assist in downsizing Russia's unprofitable coal industry had gone missing. The bank's response? It gave Russia an $800 million loan for vague "social adjustment" purposes, and then another $500 million for the coal industry.[181]

"I do not believe in compensation from abroad for local incompetence and corruption," the liberal former finance minister Boris Fyodorov once complained of such loans. "There are too many people in senior positions in the Russian government who think it patriotic to take as many loans as possible, and then quietly obtain debt forgiveness and reduction."[182]

Thanks to the outcry from some Washington scholars and Congress, the IMF and the World Bank have recently announced that they will now consider corruption when making loans. That would seem to mean Russia: Transparency International, the Berlin-based monitoring group, ranked Russia as the fourth-most-corrupt country in the world (after Nigeria, Bolivia, and Colombia),[183] while the British consultancy Control Risks Group ranked Russia the world's worst.[184] Yet while the IMF suspended a $220 million loan to Kenya last August over high-level corruption, the fund has never publicly called Russia to task over this issue.[185] The World Bank plans to greatly increase its lending to Russia over the next few years.

Do Not Give Up on Russia. Tell the Truth.

During the Soviet era, the United States spoke directly to the Russian people. "That is why Americans had an unlimited credit of trust in Russia in the early 1990s: Americans had not confused the government with the people. But then, suddenly, America seemed to recognize only the government," wrote Yabloko leader Grigory Yavlinsky in the *New York Times Magazine.*

Addressing the Americans, Yavlinsky wrote: "You are expanding NATO because 100,000 people were killed in Chechnya, because we have an unpredictable leadership, because there are enormous failures in economic reform. You should say so openly. I know that an enormous investment of time and money has been spent by the [U.S.] government, by the private sector, by foundations and universities in promoting the myth that Russia has achieved democracy. It would take great courage to admit that the taxpayers' money was wasted. But it is always better to be honest. . . . Do not give up on Russia. Tell the truth to us and to yourselves."[186]

NOTES

1. Aleksei Serditov, "Vlast Trebuetsya Upotrebit'," *Smena*, 26 October 1996.
2. See, for example, Geoff Winestock and Sergey Lukianov, "The ABCs of the IMF's Tax Fixation," *Moscow Times*, 15 November 1996.
3. Anders Åslund, "Russia's Sleaze Factor," *New York Times,* 11 July 1995.
4. Sergey Lukianov, "The Berezovsky 7: Russia Inc.," *St. Petersburg Times,* 19 November 1996. See also Poul Funder Larsen and Pyotr Yudin, "Public Servant, Private Empire," *Moscow Times,* 27 August 1996.
5. Charles Digges and Brian Whitmore, "Chubais Says Power To Be Consolidated," *St. Petersburg Times,* 29 October 1996.
6. Ibid.
7. Marshall Ingwerson, "For Yeltsin's Top Aide, Can-Do Skills May Be Ticket to Power in Kremlin," *Christian Science Monitor,* 1 November1996.
8. David Hoffman, "Yeltsin's 'Ruthless' Bureaucrat; Durable But Unpopular, Chubais Seeks to Clamp an Iron Grip on Russia," *Washington Post,* 22 November 1996.
9. Michael R. Gordon, "Rising Star in the Kremlin: An Ardent Pro-Capitalist," *New York Times,* 17 October 1996.
10. Andrei Konstantinov et al., *Korrumpirovany Peterburg,* (St. Petersburg: Folio-Press), 1997, 8–31.
11. For discussion of this see, for example, "Bold Reform or Forgone Opportunities?" *Property to the People: The Struggle for Radical Economic Reform in Russia,* Lynn D. Dukes and Irina Y. Kuzes (Armonk, NY: M. E. Sharpe, Inc. 1994), 30–33; or "A New Political Setting Takes Form," *How Russia Became a Market Economy,* Anders Åslund (Washington, DC: The Brookings Institution, 1995), 57–63.
12. Yeltsin's speech before the Congress of People's Deputies on 28 October 1991, as cited by Dukes and Kuzes in *Property to the People,* 35.
13. Ibid., 35.
14. As quoted by Boris Yeltsin in *The Struggle for Russia* (New York: Times Books, 1994). Yeltsin was citing "an article" written by Gaidar, although he does not say where or when it was published. More of the Gaidar quote Yeltsin cites follows:

> We began the reforms in a very interesting situation when you could have listed many absent preconditions, making reform impossible to implement at the time. I myself could have given a perfect explanation of why in 1992 the reforms should not have been launched. There was no stable support in the parliament; there were no normal functioning institutions of governance (the army, customs, the police)—they were still staggering from the crisis of power that had begun in the 1990s.
>
> There were sixteen [sic] central banks instead of one . . . There wasn't a kopeck to be had of hard currency or gold reserves . . . But aside from all that, we couldn't wait any longer. We couldn't just keep doing nothing, or keep explaining why it was impossible to do anything.

15. Dukes and Kuzes, *Property to the People,* 78.
16. Ibid.
17. Åslund, *How Russia Became a Market Economy,* 106.
18. See, for example, the comments of Georgetown University Professor Murray Feshbach as reported by Saul Friedman in "Was Reform too Fast?" *Newsday,* 5 October 1993.
19. Åslund, *How Russia Became a Market Economy,* 42.
20. Aleksander Bekker, "Tender po-sovietsky: ugovor dorozhe deneg," *Segodnya,* 26 December 1995.
21. Leonid Krutakov, "Zachem Potanin khodil vo vlast'," *Litsa* (May 1997).
22. Emil Pain and Arkady Popov, "Kriminalny Rezhim," *Izvestia,* 8 February1995.

23. Larisa Pyasheva, "Zagadki 'Yevraziiskovo Mentaliteta' ili Kto v Rossii Sozrel Dlya Kapitalizma," *Kontinent* 2 (1995). See also Jeffrey Sachs, "Why Corruption Rules Russia," *New York Times,* 29 November 1995.

24. Alexander Gordeyev, "The Export-Import Church of Russia," *Moscow Times,* 5 November 1996.

25. "Exemptions at Heart of Gang Wars," *Moscow Times,* 12 November 1996. See also Jonas Bernstein, "A Fistful of Rubles," *The American Spectator* (January 1996).

26. Olga Kryshtanovskaya, "Mafiosnyi peizazh Rossii: vzglyad sotsiologa," *Sotsiologicheskiye Issledovaniye* 8 (1995).

27. Mikhail Berger, "Is This the End for Duty-Free Vodka Imports?" *Moscow Times,* 27 June 1995.

28. "The Abuses of 'Authorized Banking,'" from "Russia's Financial Empires," Radio Free Europe/Radio Liberty, January 1998.

29. Ibid.

30. Ibid.

31. Jonas Bernstein, "Uneximbank: Winner with the Inside Track," *Moscow Times,* 30 January 1996. See also Larsen and Yudin, "Public Servant, Private Empire."

32. Nikolai Troitsky and Vakhtang Yakobidze, "Tretii Srok Yeltsin Poluchit Za Luzhkova," *Lyudi* (October 1997). See also "Uneximbank" from "Russia's Financial Empires," Radio Free Europe/Radio Liberty, January 1998.

33. Leonid Krutakov, "Tvoyi Dolgi—Moyo Bogatsvo: Eshcho raz o roli Andreya Vavilova v noveishei istorii Rossii," *Moskovsky Komsomolets,* 29 December 1997.

34. For a discussion of regional authorized banks, including Most-Bank and Astrobank, see Brian Whitmore, "Unexim, Promstroi Jostle at State Trough," *St. Petersburg Times,* 28 February 1997; "Budget Caught in Middle of Battle for City's Funds," *St. Petersburg Times,* 1 March 1997.

35. As cited by Matt Bivens in "Temple of the Russian Soul," *St. Petersburg Times,* 25 July 1997.

36. Igor Baranovsky, "Terror is a Fact of Russian Competition," *Moscow News,* 22–28 July 1994.

37. Tatyana Koshikaryova and Rustam Narzikulov, "Mikhail Khodorkovsky: 'Samoye Pribylnoye Delo—Eto Politika," *Nezvisimiya Gazeta,* 8 April 1997.

38. Ivan Kadulin and Leonid Krutakov, "Blesk i nishcheta 'Menatepa,'" *Izvestia,* 2 July 1997.

39. Bernstein, "Uneximbank: Winner with the Inside Track."

40. "Rossiiskaya Mafia Sobirayet Dosye Na Krupnykh Chinovnikov i Politikov," *Izvestia,* 26 January 1994.

41. Pyasheva, "Zagadki 'Yevraziiskovo Mentaliteta' ili Kto v Rossii Sozrel Dlya Kapitalizma."

42. As cited in Åslund, *How Russia Became a Market Economy,* 235.

43. "Komu Prinadlezhit Vlast v Rossii? Ministerstvo v Zakone," *Izvestia,* 20 July 1994.

44. Joseph R. Blasi et al., *Kremlin Capitalism: Privatizing the Russian Economy* (Ithaca, NY: Cornell University Press, 1997), 78.

45. For an authoritative discussion of restructuring at Russian industries, see ibid., 126–37.

46. See Janine Wedel "Clique-Run Organizations and U.S. Economic Aid," *Demokratizatsiya* 4 (Fall 1996): 571–602.

47. Peter Reddaway, "Beware the Russian Reformer," *Washington Post,* 24 August 1997.

48. Anne Barnard, "Official Defends Privatization Chief," *Moscow Times,* 18 November 1994.

49. Anders Åslund, "The Russian Economy: Where Is it Headed?" paper presented 7 November 1996 as the Ernst Sturc Memorial Lecture,10.

50. Cited in many places, including Reddaway, "Beware the Russian Reformer."

51. Iosif Diskin, "Tsena Doveriya," *Moskovskiye Novosti* 43, 26 October–2 November 1997.

52. Lynnley Browning, "Gazprom's Vast Riches Make Investors' Mouths Water," *Moscow Times,* 12 August 1995. Former finance minister Boris Fyodorov puts the value of Gazprom at $700 billion, "or 14 Russian federal budgets." Fyodorov, "Krupneisheye 'Delo' Stoletiya," *Izvestia,* 21 March 1995.

53. Fyodorov makes much the same point in "Krupneisheye 'Delo' Stoletiya." *Izvestia.* His math has every Russian receiving from $1,000 to $5,000.

54. Gazprom does not allow a liquid trade in its stocks; to buy or sell shares requires special permission from the company. If management's grasp were loosened, trade in the stock would surely increase and its value would soar. But even given the current artificially low stock market capitalization of $22 billion, dividing this evenly would represent $445 for a family of three—several months' average wage in today's Russia.

55. Erin Arvedlund, "Gazprom Investors Fight Pivotal Fight," *Moscow Times,* 30 June 1997.

56. Fyodorov, "Krupneisheye 'Delo' Stoletiya," *Izvestia.*

57. See, for example, Yelena Dikun, "Skokov Preodolevayet Kompleksi," *Obshchaya Gazeta,* 29 June–5 July 1995; or Vladimir Polevanov's interview in May 1995 with ORT Russian Public Television, and Fyodorov's speech in May 1995, both as cited by Peter Reddaway in "Better Than Whitewater: Scandal Dogs Russia's Rising Star," *Washington Post,* 20 August 1995.

58. Steven Erlanger, "A Corrupt Tide in Russia From State-Business Ties," *New York Times,* 2 July 1995.

59. Aleksander Gamov, "Sorok Minut Naedine s Chernomyrdinom," *Komsomolskaya Pravda,* 5 July 1995.

60. Åslund, "Russia's Sleaze Factor."

61. Reddaway, "Better Than Whitewater: Scandal Dogs Russia's Rising Star."

62. J. Michael Waller, "To Russia, with Cash," *Reader's Digest* (June 1996).

63. Aleksander Korzhakov, *Boris Yeltsin: Ot Rassveta Do Zakata* (Moscow: Izdatelstvo Interbook), 135–50.

64. Ibid., 142.

65. Ibid., 143.

66. Ibid., 146.

67. Ibid., 146.

68. "Korzhakov sounded like a blast from a distant past. . . . The drunken autocrat veering from buffoonery to dictatorial rage whom Korzhakov portrays was the creature of another set of handlers—Korzhakov among them. Today's kinder, gentler president has surrounded himself with a new group of aides with a subtler approach," wrote Peter Ford in "Exposé of 'Old' Yeltsin Shows How Much Has Changed," *Christian Science Monitor,* 13 August 1997. See also John Thornhill, "Yeltsin: KGB General Reveals Life under a Hard-Drinking and Erratic President," *Financial Times,* 11 August 1997.

69. Dmitry Kholodov, a journalist who was investigating corruption in the Western Forces Group for the newspaper *Moskovsky Komsomolets,* was killed by a suitcase bomb in 1994.

70. "Yury Boldyrev: Vazhno Ne To, Kto i Skolko Ukral, a Pochemy Eto Stalo Vozmozhno," interview in *Izvestia,* 4 November 1994. See also Leonid Levitsky, "Rossiiskiye bliznetsy: pritvornaya ekonomika i pritvornaya politika," *Rossiiskaya Federatsiya* 15 (1997).

71. See Jonathan Steele, "Chronicle of Frustration: One Year in the Life of an Anti-Corruption Crusader in Russia," *The Guardian,* 2 July 1993.

72. Adam Tanner, "Yeltsin Says Allegations 'Decisive,'" *Moscow Times,* 20 August 1993.

73. Vladlen Maksimov, "Dacha lgot v osobo krupnykh razmerakh," *Novaya Gazeta,* 1–7 September 1997.

74. "National Sports Fund to enjoy preferential import duties until year's end," Interfax news agency report, *Segodnya,* 4 November 1995.

75. Bernstein, "A Fistful of Rubles."

76. David E. Kaplan and Andrew Marshall, *The Cult at the End of the World: The Terrifying Story of the Aum Doomsday Cult, from the Subways of Tokyo to the Nuclear Arsenals of Russia* (New York: Crown Publishers Inc., 1996).

77. Ibid., 69–72.

78. Ibid., 108.

79. Ibid., 261–63.

80. Ibid., 110–11.

81. "Cult Probe Reopened," *Moscow Times,* 22 April 1998. The case was reopened in April, two months after it had been closed and Aum Shinri Kyo members allowed to leave Russia two days after President Yeltsin had paid a brief visit to Japan. For a good discussion of the Russian government's investigations of Aum, see Kaplan and Marshall, *The Cult at the End of the World,* 268–70.

82. Kaplan and Marshall, *The Cult at the End of the World,* 268–70.

83. Ibid., 108.

84. Ibid., 112.

85. Arkady Vaksberg, "A Corruption Epidemic," *Moscow Times,* 17 August1993.

86. Andrei Malgin, "No Lack of Mudslingers," *Moscow Times,* 21 September 1993.

87. See Yelena Nikolayeva, "OSTANKINO: Tikho Sami s Soboyu, Besheniye Dengi, Gryazniye Makhinatsiya, Genialniye Zhuliki," *Moskovsky Komsomolets,* 21 September 1995.

88. Leonid Bershidsky, "Ostankino Closed, Handed to ORT," *Moscow Times,* 7 October1995.

89. "Ostankino Deal Should Be Remade," editorial, *Moscow Times,* 7 October 1995.

90. "Solzhenitsyn Says Clique Runs Russia," Reuters, 15 June 1994.

91. A Russian translation of Solzhenitsyn's article in *Le Monde* was published in *Obshchaya Gazeta,* 28 November–4 December 1996, under the headline, "K nyneshnemu sostoyaniyu Rossii."

92. Jean MacKenzie, "Solzhenitsyn Show Axed, Wife Cites Censorship," *Moscow Times,* 26 September 1995; "Amid Outcry, ORT Goes on the Defensive," *Moscow Times,* 28 September 1995.

93. Yadviga Yuferova, "Odin vecher Aleksandra Isayevicha," *Izvestia,* 23 April 1998.

94. Elif Kaban, "Top Securities Official Blasts Consortium," *Moscow Times* 22 April 1995.

95. "Who Will Buy Russia?" *Economist,* 9 September 1995.

96. Anton Zhigulsky, "Strategic Sell-Offs to Exclude Foreigners," *Moscow Times,* 28 October 1995. For Chubais justifying the banning of foreingers from one "strategic" auction—that of Norilsk Nickel—see "Duma Wants Halt to Auctions," *Moscow Times,* 25 November 1995; also Stephanie Simon, "Russia's Lofty Plan to Privatize State Companies is Near Collapse," *Los Angeles Times,* 8 December 1995.

97. "The Oil Giant of Surgut, Asleep in Siberia," *Moscow Times,* 31 October 1995.

98. Michael Comerford, "Oil Giants' Stock Offering 'Close to Free,'" *Moscow Times,* 19 October 1995.

99. "An Inside Job: Russian Oil," *Economist,* 18 November 1995.

100. Jonas Bernstein, "Loans for the Sharks?" *Moscow Times,* 19 December 1995.

101. Ibid.

102. Michael Comerford, "Oil Share Price Tags 'Ludicrous,'" *Moscow Times,* 8 December1995.

103. Bernstein, "Loans for the Sharks?" See also "Lukoil Prevents Intrusion of Unwanted Investors," *Petroleum Economist* (January 1996).

104. Simon Baker, "Banks Buy Control of 2 Leading Oil Firms," *Moscow Times,* 9 December1995; Julie Tolkacheva, "Yukos Winner Backed by Menatep," *Moscow Times,* 9

December 1995.

105. Jonas Bernstein and Anton Zhigulsky, "Auctions End on Contentious Note," *Moscow Times,* 29 December 1995.

106. "President Briefed by Chubais," *Moscow Times,* 18 November 1995.

107. "Yukos Auction to Go Ahead," Reuters, 3 December 1995; John Thornhill, "Russian Bank Body Joins in Sell-Offs Dispute," *Financial Times,* 5 December 1995.

108. Sergey Lukianov, "Chubais Says Banks' Role Will Be Limited," *Moscow Times,* 16 December 1995.

109. "Russia's Chubais Sees Rising Privatization Revenue," Reuters, 10 January 1996.

110. Nikolai Alexeyev, "Spetzinkubator. Yury Boldyrev: V stranye sozdany idealniye usloviya dlya korruptsii," *Novaya Gazeta,* 28 October 1996. See also Tatyana Korotkova, "Zalogoviye auktsiony—bomba pod demokratiyu?" *Novaya Gazeta,* 23–29 September 1996.

111. Jeffrey Sachs, "Plans to Revive Reforms," *Moscow Times,* 6 April 1996. Boris Fydorov was already calling for as much with regard to Gazprom in his March 1995 *Izvestia* article, "Krupneisheye 'Delo' Stoletiya."

112. "Russian Oil: An Inside Job," *Economist,* 18 November 1995; "Do Not Disturb—Russia's Stockmarket," *Economist,* 23 December 1995.

113. See, for example, Sergey Lukianov, "Managed Yukos Sale Fetches $160M," *Moscow Times,* 24 December 1996; Erin Arvedlund, "Sibneft Deal Signals Business as Usual," *Moscow Times,* 14 May1997; and Levitsky, "Rossiiskiye bliznetsy: pritvornaya ekonomika i pritvornaya politika." On the August 1997 auction that finalized Uneximbank's ownership of Norilsk Nickel, see Natalya Timakova, "Pervaya vlast ne gneyotsa, a srazu lomayetsya," *Moskovsky Komsomolets,* 12 August 1997; and "Choosing Legal Path in Sell-Offs," *Moscow Times,* 6 August 1997.

114. Jean MacKenzie, "Communists to Have 158 Seats," *Moscow Times,* 28 December 1995.

115. Jonas Bernstein, "Yeltsin Lashes Out at Chubais Record," *Moscow Times,* 20 January 1996.

116. "Chubais's 'Mistakes,'" *Wall Street Journal Europe,* 18 January 1996.

117. John Thornhill, "Chubais Forces Yeltsin's Hand," *Financial Times,* 18 January 1996.

118. Chrystia Freeland, John Thornhill and Andrew Gowers, "Moscow's Group of Seven," *Financial Times,* 1 November 1996.

119. Ibid.

120. Jonas Bernstein and Matt Bivens, "Zyuganov Aide Backs Council of Unity," *Moscow Times,* 21 May 1996.

121. Alessandra Stanley, "Yeltsin Declares Election in Russia Won't Be Put Off," *New York Times,* 7 May 1996.

122. Korzhakov, *Boris Yeltsin: Ot Rassveta Do Zakata,* 368–69.

123. Interview by Matt Bivens with Yavlinsky at the Business Week Russia Summit in St. Petersburg, 11 September 1997.

124. Stanley, "Yeltsin Declares Election in Russia Won't Be Put Off."

125. George Melloan, "Lebed vs. Chubais With Russia's Future at Stake," *Wall Street Journal Europe,* 26 November 1996.

126. John Thornhill, "Unbuttoned Capitalist. Man in the News—Vladimir Potanin," *Financial Times,* 18 August 1996.

127. "Russian Finance. O Lucky Man," *Economist,* 31 August 1996.

128. Poul Funder Larsen, "State to Select Banks for Budget Funds," *Moscow Times,* 21 January 1997; Mark Whitehouse, "Yeltsin Speech to Rap Banks," *St. Petersburg Times,* 28 February 1997.

129. Larsen and Yudin, "Public Servant, Private Empire," *Moscow Times.*

130. Lukianov, "The Berezovsky 7: Russia Inc."

131. "Dawn Traders Turn into Gentlemen," interview with Potanin in *Euromoney*

(November 1997).

132. Pyotr Yudin, "Executive Survives Bombing," *Moscow Times,* 9 June1994.

133. "Godfather of the Kremlin? Boris Berezovsky, not Boris Yeltsin, may be the most powerful man in Russia," *Forbes,* 30 December 1996.

134. Dmitry Zaks, "Berezovsky Libel Suit Turned Down," *Moscow Times,* 24 October 1997.

135. See RFE/RL's interview with First Deputy Prime Minister Boris Nemtsov on 15 August 1997.

136. "Prodavets Vozdukha: Dengi byvayut ne tolko 'derevyannymi', no i 'berezovymi'," Etienne Jebali (translated from French), followed by commentary of KGB ex-colonel Malkov, in *Moskovsky Komsomolets,* 31 July 1997.

137. Korzhakov, *Boris Yeltsin: Ot Rassveta Do Zakata,* 136–37.

138. Yevgenia Albats, "Kto upravlayet Rossiei?" *Izvestia,* 18 September 1996.

139. Veronika Kutsyllo, "Poesdka Anatoliya Chubaisa—Bronevik v Tumane," *Kommersant Daily,* 29 October 1996; cited also in Hoffman, "Yeltsin's 'Ruthless' Bureaucrat."

140. Gordon, "Rising Star in the Kremlin: An Ardent Pro-Capitalist."

141. Jonas Bernstein, "Requiem for a Reformer," *Moscow Times,* 21 November1997.

142. Yeltsin's speech to the Federal Assembly, 6 March 1997.

143. Sergei Rybak, "Boris Nemtsov: Oruzhiye protiv korruptsii—chestnye konkursky," *Kapital,* 19 March 1997.

144. Anatoly Chubais, "Chto Nado Delat v Rossii?" *Otkrytaya Politika* (September 1997).

145. "Polozheniye ob organizatsii zakupki tovarov, rabot i uslug dlya gosudarstvennykh nuzhd," as approved by an 8 April 1997, presidential decree, *Rossiiskaya Gazeta,* 15 April 1997. See also Vladimir Todres, "Komkovatyi blin: Ukaz o predotvrashchenii korruptsii polon blagikh namerenii i ziyayushchikh dyr," *Itogi,* 15 April 1997.

146. "Car Auction Won't End Real Graft," *Moscow Times,* 24 June 1997.

147. See, for example, David Fillipov, "Kremlin Appears Resistant to Yeltsin's Brand of Cleaning," *Boston Globe,* 22 July 1997; "Another Yeltsin 'Heir' Falls on Hard Times," *Boston Globe,* 5 August 1997.

148. Fillipov, "Kremlin Appears Resistant to Yeltsin's Brand of Cleaning." For Lisovsky's reported links to organized crime, see Alessandra Stanley, "Russian State TV Channel Says Let's Make a Deal," *New York Times,* 26 July 1995.

149. Aleksander Novikov, "Sluzhebnoye Polozheniye: Zachem chinovniku zarplata," *Kommersant,* 27 May 1997.

150. Nick Allen, "7 Ousted in *Izvestia* Shake-Up," *Moscow Times,* 30 July 1997.

151. "Russian prosecutor general opens criminal cases against banks," Interfax-FIA, 11 July1997; "Head of major Russian bank denies accusations," Interfax-FIA, 15 July 1997; "Bank of Russia Says IFC Bank President Not Corrupt," Interfax-FIA, 15 July 1997; "Russian government not to make hasty moves over bank scandal," Interfax, 15 July 1997. See also, "Bankovskiye Voiny: Peremiriye bez anneksii i kontributsii," *Kommersant Weekly,* 22 July 1997.

152. Leonid Krutakov, "Skoro Novy God. Podnimyem Tost Za Tekh, Kto v Ukhodyashchem Godu Ukral Bolshe Vsyevo!" *Lyudi* (December 1997).

153. Yelena Kiselyova, "Duma Pokusilas Na Zoloto Pravitelstva," *Kommersant Daily,* 20 September 1997.

154. Yulia Pelekhova, "MENATEP Upolnomochen Zayavit," *Kommersant Daily,* 9 September 1997.

155. Alexander Minkin, "Kokh Pokinul Kreslo, Chtoby Ne Okazatsya Narukh," *Novaya Gazeta,* 18 August 1997; Dmitry Zaks, "Ex-Property Chief Targeted in Probe," *Moscow Times,* 2 October 1997.

156. Matt Bivens, "Svyazinvest: Everyone's Screwed, But It's OK," *St. Petersburg Times,* 7 October 1997.

157. "Svyazinvest's Open Deal Benefits All," *Moscow Times,* 29 July 1997.

158. David Hoffman, "Kremlin Reformers Take On Money Magnates," *Washington Post,* 9 September 1997. The article cites "some analysts" as calling Svyazinvest "a relatively fair sale."

159. Astrid Wendlandt, "Soros: Privatization Stained Chubais," *Moscow Times,* 13 January 1998.

160. Patricia Kranz, "Russia's Most Powerful Man," *Business Week* (International Edition), 24 November 1997.

161. "Between Oligarchy and Dictatorship: What Sort of Country Could We Wind Up in Tomorrow?" *Obshchaya Gazeta,* 21–27 August 1997. English-language translation from Johnson's Russia List, an e-mail press clipping service.

162. Leonid Krutakov and Ivan Kadulin, "Kredituii ili proigrayesh!" *Izvestia,* 1 July 1997.

163. Kirill Viktorov, "Tenevaya Imperiya: V Strane Uspeshno Deistvuyet IChP 'Anatoly Chubais i Ko.'" *Moskovsky Komsomolets,* 10 December 1997.

164. *Izvestia,* 5 July.

165. "Ethical Blindness in the Kremlin," *New York Times,* 19 November 1997.

166. Carol J. Williams, "Yeltsin Firing Shaping Up as a Boost to Reform," *Los Angeles Times,* 25 March 1998.

167. David Hoffman, "Russia's Top Bear Returns with a Roar," *Washington Post,* 23 March 1998.

168. David Hoffman, "A New Breed of Russian: Premier Nominee Typifies Young Go-Getters," *Washington Post,* 31 March 1998.

169. Ibid.

170. Igor Semenenko, "Dangers of Debt Defaults Gather on Russian Horizon," *Moscow Times,* 18 November 1997; Steven H. Hanke, "Is the Ruble Next?" *Forbes,* 9 March 1998.

171. As cited by Bivens in "Temple of the Russian Soul."

172. Kranz, "Russia's Most Powerful Man."

173. Kathy Lally, "Poll: Killer Beats Cosmonaut as Career Goal Among Teens," *Baltimore Sun,* 21 October 1997.

174. See, for example, Aleksander Yevtushenko, "Konstantin Borovoi: Mnye nadoyeli voryugi s mandatami Gosdumy," *Komsomolskaya Pravda,* 14 October 1997.

175. Quoted by Konstantin Katanyan, "Femida ne zhaleyut pravozashchitnikov," *Russkaya Mysl,* 15–21 January 1998.

176. "Soros: Privatization Stained Chubais," *Moscow Times,* 13 January 1998.

177. Viktor Bondareyev, "Nashe 'Demokraticheskoye Tsarstvo,'" *Kuranty,* 3–9 September 1997.

178. Minkin's allegations, as far as we know, have gone uninvestigated by America's Moscow correspondents.

179. Matt Bivens, "Chechen Rebels Ambivalent toward U.S.," *Los Angeles Times,* March 1995.

180. Lee Hockstader, "IMF Deal Should Keep Russia on Strict Reform Track," *Washington Post,* 24 February 1996, A22.

181 Carol Matlack, "What Happened to the Russian Coal Miners' Dollars?" *Business Week,* 8 September1997. See also "Chornaya dyra dlya $500,000,000: Potanin dolzhen znat, gde 'shakhtyorskiye' dengy," (unsigned), *Novaya Gazeta,* 9–15 June 1997.

182. Boris Fyodorov, "Moscow Without Mirrors," *New York Times,* 1 April 1994.

183. Ben Hirschler, "Counting the Cost of Corruption," Reuters, 22 October 1997.

184. Christian Lowe, "Russia Tops List of Most Corrupt," *Moscow Times,* 4 November 1997; "Rossiya—pervaya po masshtabam korruptsii," *Noviye Izvestia,* 6 November 1997.

185. Hirschler, "Counting the Cost of Corruption."

186. Grigory Yavlinsky, "Shortsighted," *New York Times Sunday Magazine,* 8 June 1997.