

From Oligarchy to Oligarchy: The Structure of Russia's Ruling Elite

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Author's Note: This article is a revised and expanded version of a lecture delivered at the Kennan Institute, Washington, D.C., 14 December 1998. It was updated to include events through the first week of February 1999. Because of the rapid unfolding of the power struggle between President Yeltsin and Prime Minister Primakov at the time this article was submitted for publication, I decided that it was fruitless to try to update the text. Any text was likely to be out of date in some specifics by the time it appeared; for example, either Primakov or Yeltsin might no longer be in office. Nevertheless, I am confident that the outcome of the struggle will not change the basic argument about the structure of the Russian oligarchy, including the point that the relations among oligarchic groups will remain in flux until power is transferred to Yeltsin's successor.

As has been true for centuries, Russia today is ruled by a small oligarchy.¹ This statement does not mean that Russia is dominated by that narrow group of well-connected businessmen often referred to as “the oligarchs” in both Russian and Western media. Those men, particularly media moguls Boris Berezovsky and Vladimir Gusinsky, have done much to promote their own reputation for power and influence, largely through the media they control. In fact, their power has been much exaggerated, and the focus on them has diverted attention from the true composition and structure of Russia's oligarchy. It has even led some keen observers to doubt its existence.²

But if “oligarchy” is understood in the classical sense as the rule by a small propertied class in their own parochial interests, then Russia is most definitely ruled by one.³ The primary oligarchic structures are large political/economic coalitions built around control of key government positions, significant financial and industrial assets, mass media outlets and information-gathering agencies, and instruments of coercion (both state and private). Such structures dominate the

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political and economic landscape at the national and regional levels. Their rise and fall and the interaction among them drive politics. More than formal institutions such as the government and parliament, these coalitions set the political and economic agenda, limit the range of policy choices, and make the fundamental decisions even if the decisions themselves are presented as the outcome of deliberations and operations of the formal institutions.

Contrary to prevailing opinion, the financial meltdown of August 1998 and the ensuing economic and political turmoil have not marked the demise of the oligarchy, although they continue to have far-reaching consequences for the fate of specific individuals, some of whom will lose power, never to regain it. Rather, the turmoil has broken the coalitions down into their constituent parts and created conditions for their restructuring and reordering, as well as for the emergence of entirely new coalitions. The fundamental condition that has historically given rise to and sustained the oligarchy—the close intertwining of power and property—remains unchanged.

A brief review of recent Soviet/Russian history suggests that the nature of power is key in determining the structure and behavior of the oligarchy. The more unified power, the more structured and disciplined the oligarchy. The erosion and diffusion of power sharpen the competition among rival oligarchic groups, without necessarily broadening significantly the social stratum that engages in the struggle for power and property. The weakening of power also raises the risk that the competition among oligarchic groups will spin out of control and jeopardize regime stability.

The Soviet Oligarchy

After the death of Stalin, a classic oligarchy, or collective leadership as the Soviet leaders called it, emerged in the Soviet Union, structured in a rigid hierarchy around the leading organs of the Communist Party of the Soviet Union (CPSU). Each of the key sectors of the economy—the military-industrial complex, construction, mining and metallurgy, energy, chemicals, agriculture, machine-building, and transportation and communications—was organized as a lobbying structure within the larger system of executive bodies of the union and autonomous republics, krais, and oblasts capped by the USSR Council of Ministers. These lobbying structures were reinforced and supervised by the central committees of union republic communist parties and kray and oblast party committees. Conflicts among the economic sectors over the allocation of resources were ultimately decided at the level of the CPSU Central Committee, which worked under the direction of the Politburo, the highest decision-making authority in the party and country.⁴

In this period, politics thoroughly dominated economics. Power and influence, the stuff of politics, not marginal costs and profits, determined how resources were allocated. The priority of each economic sector depended on its significance to the achievement of the Soviet leaders' political goals. The military-industrial complex was the undoubted leader and received the lion's share of available resources. Second place was occupied by the construction sector,

because all other sectors had need of its services. Last place belonged to the financial sector, which served primarily as an accounting office for the State Planning Committee (Gosplan).⁵

In this politicized economy, access to power, membership in the *nomenklatura*, was a prerequisite for obtaining, retaining, and exploiting property. As Voslensky put it in his classic work on the *nomenklatura*: “The main thing for the *nomenklatura* is power. Not property, but power. The bourgeoisie is the propertied class, and therefore the ruling class. The *nomenklatura* is the ruling class, and therefore the propertied class.”⁶

By the mid-1980s, it had become clear to the Gorbachev generation of Soviet leaders that this oligarchic structure had exhausted its possibilities. Indeed, the country on been in decline since the mid-1970s, although the fall had been masked by the Soviet Union’s oil wealth, coupled with the global energy crisis, and the United States’ crisis of confidence in the aftermath of Vietnam and Watergate. Gorbachev and his allies were determined to restore the country’s vitality by reforming its political/economic system so that it would enter the twenty-first century as a Great Power.

Years later, Gorbachev aptly described this mood:

Fate ordained that when I became head of state it was already clear that things were out of joint. We had a lot—land, oil and gas, other natural resources, and God did not slight us in mind or talents—but we were living much worse than developed countries, we were falling ever farther behind them.

The reason was already obvious—society was suffocating in the vice of the command-bureaucratic system. Doomed to serve an ideology and to bear the terrible burden of the arms race, society was at its limits.

All efforts at partial reform—and there were more than a few—failed one after another. The country was squandering away its future. It was impossible to go on living like this. Everything had to be radically changed.⁷

Gorbachev set about reforming the oligarchy, but ended up undermining it both politically and economically. Political reforms—including *glasnost*, the introduction of competitive elections for party and state positions, the reorganization of party structures to limit interference in economic decision-making, and the removal of the constitutional guarantee of the party’s primacy—undermined the authority and legitimacy of the CPSU and eroded its ability to manage conflicts among rival elite formations.⁸

Even Gorbachev’s half-steps in market-oriented reform upset the oligarchic structure by encouraging the emergence of real money. The ruble, which had been primarily an accounting unit in the Soviet system, slowly emerged as a holder of real value, which could be freely exchanged for goods and services. Real money encouraged the rise of the financial sector as an independent dimension of power, which had to be integrated into the existing oligarchic structure.⁹

Gorbachev’s failure to build new institutions of governance to replace those he had fatally weakened eroded his ability to manage the conflicts his policies unleashed. That in turn led directly to the collapse of the Soviet oligarchy and the demise of the Soviet Union.

Yeltsin and the Post-Soviet Oligarchy

Yeltsin administered the coup de grace to the Soviet oligarchy. After the failed coup of August 1991, he disbanded the CPSU, thereby eliminating the core oligarchic structure. His radical economic reform measures enhanced the standing of wealth as an element of power while reordering the economic hierarchy. The military-industrial sector, which had accounted for 20 to 40 percent of GDP in the 1980s, saw its share plummet to under 4 percent by 1995.¹⁰ Between 1991 and 1998, the share of the energy sector in industrial production rose from 11.3 percent to 31.8 percent.¹¹ The importance of the financial sector soared.

Yeltsin's policies did not, however, change the close link between power and property. Access to power was to remain key to obtaining and retaining property to a great degree because of the large share of property that still remained formally in the hands of the state, the way in which state property was privatized, the immaturity and deficiencies of Russia's market economy, and state trade and monetary policies.¹²

In the early post-Soviet years, access to power was essential to obtaining the licenses and approvals to engage in lucrative rent-seeking activities, such as:

- Exporting commodities at world prices that were purchased at low state-controlled domestic prices. For example, domestic oil prices were 1 percent of world prices in spring 1992. By early 1995, they had risen to only one-third of world prices.
- Importing so-called critical imports at special exchange rates. Russian importers of grain, for example, paid only 1 percent of world prices for the grain they imported, but could sell bread products at ordinary domestic prices. The special exchange rates were abolished in 1993.
- Obtaining subsidized state credits from the Central Bank. Such credits were halted in September 1993, except for agriculture.¹³

Likewise, access to power was critical to being named an "authorized bank," a exceedingly profitable status. These banks were entitled to handle funds of the central, regional, or local governments. They often made huge profits by delaying budget transfers so that their managers could use the money to invest in high-yield government securities.¹⁴

Finally, access to power was the key to success in the privatization process, which was riddled with insider deals. The most notorious was the so-called loan-for-shares deals of late 1995, in which a few well-placed businessmen obtained control of leading oil companies and other strategic enterprises at cut-rate prices. Typically, the bank that organized the auction of shares in a firm also won the bidding.¹⁵

Power and property have also remained tightly intertwined because the institutionalization of the rule of law has proceeded slowly, because legal codes are contradictory and enforcement arbitrary, and because the court system is underdeveloped. Because it is almost impossible to engage in business without breaking some laws, businessmen seek out political patrons, or become politicians

themselves, to protect their property.¹⁶ They must actively engage in politics to diminish the chances of politicians inimical to their interests coming to power and using the law, among other means, to challenge their property rights.

If there has been any change in the relationship of power and property, it is that now, in sharp contrast to the Soviet period, the relationship is no longer one way. Not only can power be converted into property; property can be converted into power. There are now property rights, even if they are often poorly defended. Those in power cannot simply fire the holders of property, as they could in the Soviet period. Moreover, politicians need resources, especially money, to run electoral campaigns and undertake other activities essential to staying in power. This need has given property owners some influence over power-holders.

Despite the power/property link, a post-Soviet oligarchic system did not emerge immediately because the location and structure of power was in dispute. Specifically, there were two main centers of power, the presidency and the parliament, that were locked in a bitter struggle for supremacy by the middle of 1992. This struggle retarded the formation of large political/economic coalitions, as key players, particularly those with major economic assets, hedged their bets in the power struggle. The situation changed only in late 1993, after Yeltsin had forcefully disbanded the parliament and a new constitution, providing for a strong presidency, was ratified in a popular referendum. The emergence of a single strong center of power facilitated the consolidation of new oligarchic structures.

By 1995, four political/economic coalitions had emerged as the preeminent political players at the national level.

- The Chernomyrdin coalition built around government bureaucracies outside the economic-policy bloc and financial-industrial groups, such as Gazprom (the giant gas monopoly) and Lukoil (Russia's leading oil company), that had grown out of the old Soviet branch ministries.

- The Luzhkov coalition, or Moscow Group, built around the Moscow mayor's control of key political processes and economic assets within the city of Moscow.

- The Kozhakov/Soskovets coalition built around the metallurgical sector (especially aluminum), arms exports, and the presidential security apparatus.

- The loose Chubays/Berezovsky coalition built around the marco-economic policy bloc in the government and the new monied financial-industrial groups, which controlled most key national media, such as the Most, Oneksim, and Rosprom Groups.

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Yeltsin was not associated with any of these coalitions. Rather, he stood above them as the arbiter of their disputes, intervening in their conflicts from time to time to regulate them, readjust the balance, and maintain or expand his own room for maneuver.¹⁷

The Rise and Fall of the Chubays/Berezovsky Coalition

The Chubays/Berezovsky coalition deserves a closer look for several reasons. Unlike the other three coalitions, it was composed primarily of elements that had emerged with Yeltsin's reform policies, not of elements linked closely to the Soviet past. It was by far the most dynamic of the four. It played the dominant political role in 1996–98, masterminding Yeltsin's reelection and precipitating the financial collapse of August 1998. And it illustrates how a coalition can coalesce and collapse.

The coalition's roots date back to 1994, when Chubays was overseeing the privatization effort. By that time, he had a team of loyal allies well-positioned in the executive branch. He had brought many of these allies with him from St. Petersburg when he joined the government in November 1991; others he developed once in Moscow. The State Property Committee (GKI) served as his primary base, although he also had allies in the Ministries of Finance and Economics. He extended his reach into the regions through ten local privatization centers. Russia's Democratic Choice, led by Yegor Gaidar, provided significant support within the State Duma, at least until the elections of 1995 (when the party was routed in both the party-list and district voting). Finally, Chubays's weight was augmented by close ties to both the International Monetary Fund and World Bank and senior Western government officials.¹⁸

At the same time, numerous entrepreneurs had made small fortunes taking advantage of the opening up, some would say anarchy, of the Russian economic system. Berezovsky, once a scientific worker at a leading institute in Moscow, exploited a relationship with the automobile giant Avtovaz to become the leading importer of luxury cars as general director of Logovaz. Before the breakup of the Soviet Union, Mikhail Khodorkovsky used his position in the Komsomol to establish a small bank that became one of Russia's largest in the early 1990s. Aleksandr Smolensky transformed a construction cooperative into one of Russia's largest savings bank, Stolichnyy, by speculative trading on the ruble exchange rate. Vladimir Potanin, who had worked in the Soviet Ministry of Foreign Trade, turned a small foreign trade organization into a major financial institution by obtaining the clients of the disbanded bank of Comecon, the Soviet-era trade bloc.¹⁹

By 1994, a few of the new capitalists, including Berezovsky and Potanin, had concluded that they could become a major political force if they united their efforts. They held a regular series of meetings, in which they worked out rules of the road to regulate their own competition for property and wealth. One of their first joint efforts was devising a procedure for transforming the first channel of Russian television into a joint-stock company, which came to be known as Russian Public Television (or ORT). According to their plan, the government would

retain a 51 percent share, and the remainder would be offered to the public. Not surprisingly, the capitalists divided the public shares among themselves.

This group also worked out the “loans-for-shares” scheme, which Potanin presented to Chubays and which was inaugurated in fall 1995, on the eve of the Duma elections. One idea behind this scheme was to put strategic enterprises in the hands of competent managers, that is, in the hands of these new capitalists, who considered themselves among the few competent managers in Russia. This scheme, more than any other event, marked the emergence of the Chubays/Berezovsky coalition. According to Alfa Bank president Aven, the winners in the auctions were known in advance. “Simply put, the matter concerned the ‘appointment as millionaires’ (or even billionaires) of a group of entrepreneurs, who, according to the plan, were to become the main supports of the regime.”²⁰

The new capitalists further consolidated their alliance with Chubays in early 1996. Against the background of the Communists’ strong showing in the Duma elections, they decided, at the Davos World Economic Forum in February 1996, that they had to move forcefully to prevent a Communist victory in the upcoming presidential elections. As Boris Berezovsky noted, “This was the moment when the stiff competition that had been separating us receded into the background in the face of the danger that undoubtedly united us. . . . The threat of the return of the Communists required unity of counteraction.” The capitalists approached Chubays with promises of solid support should he agree to head Yeltsin’s reelection effort. Chubays accepted and, with the assistance of presidential aide Ilyushin and Yeltsin confidante Yumashev, the group presented their plan to Yeltsin. According to Berezovsky, Yeltsin quickly assented, although he left in place the Soskovets/Korzhakov team that had originally headed the reelection effort.²¹

The two camps were never reconciled. While most outside observers focused on the Yeltsin-Zyuganov struggle, these two camps engaged in a bitter struggle for control of the reelection effort. For both, it was critical that Yeltsin remained president, but only slightly less important was who would receive credit for keeping Yeltsin in office. The Korzhakov/Soskovets camp was pushing for canceling or postponing the elections, in part out of fear for Yeltsin’s health; the Chubays/Berezovsky camp was pressing for a convincing electoral victory.

The battle intensified as the first round approached and climaxed shortly thereafter in the infamous Xerox-box scandal. On 19 June, Korzhakov’s security service detained two of Chubays’s and Berezovsky’s associates as they were leaving the Russian White House carrying a Xerox box filled with about a half a million U.S. dollars in cash (reputedly to pay off the dozens of artists who had participated in Yeltsin’s election campaign). For several tense hours, it was not clear who would come out on top. Chubays and Berezovsky decided to go public, accusing Korzhakov of planning to disrupt the second round of the elections. Chubays also used Yeltsin’s daughter, Tatyana Dyachenko, to reach Yeltsin and lay out his version of events early in the morning of 20 January, before Korzhakov could reach Yeltsin. Yeltsin evidently found whatever Chubays told him persuasive, for he fired Korzhakov and Soskovets that morning. Their coalition rapidly collapsed, never to regroup.²²

With its organization of Yeltsin's come-from-behind victory and the routing of the Soskovets/Korzhakov coalition, the Chubays/Berezovsky coalition dominated the political situation. It gained, and nurtured through its control of all major national media, a reputation for toughness, dynamism, and sense of purpose. The leading figures in the coalition were, in the main, young and aggressive, convinced of their right to run the country and confident of their ability to do so.²³ In spring 1997, with Yeltsin's backing, they moved rapidly to consolidate their position in government, taking over key positions, dismissing many of Chernomyrdin's allies, challenging his influence in the natural monopolies (especially the gas giant Gazprom and the national power grid, RAO YeES), and marginalizing the prime

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minister. With Chubays at the helm de facto and with strong backing both from Yeltsin and the West, the new government set about a series of reforms—in the budgetary process, tax legislation, natural monopolies, and the social sector—with a sense of mission unseen since the early days of Russian independence.

Unlike earlier periods of dynamism in the Russian government, however, this coalition lost momentum not so much because of resistance from rival elite groups and societal inertia as from internal frictions that eventually tore it apart. Energy that should have been put into rebuilding the Russian state and economy was spent in struggles over the last few remaining choice pieces of the Russian economy up for privatization. The struggle became public with the auction of Svyazinvest, the telecommunications giant, in June 1997, although it had been brewing for several weeks, indeed almost from the moment the coalition seized control of the government. The details of this auction remain murky, although it is clear that Berezovsky and Gusinsky believed they had a deal with Chubays that would have awarded the shares to a company tied to Gusinsky. In the event, Potanin won with a bid a little over one hundred million dollars more than Gusinsky's.²⁴ Outraged by the outcome, Berezovsky and Gusinsky used their media to question the probity of the auction and to sully Chubays's reputation. Potanin used his to cast aspersions on Berezovsky and Gusinsky. Thus began the “Bankers' War” that was to dominate the political scene for the next year, until the financial collapse of August.

Earlier, a healthy Yeltsin would have kept this conflict within bounds. But by fall 1997, his physical ailments were increasingly sidelining and isolating him. Doubts mounted about his ability to comprehend the nature of the political struggle going on around him. He made one feeble attempt to end the Bankers' War in September, which had no lasting effect.²⁵ Thereafter, he became less of a player than a stake in the competition. Each side hoped to manipulate him to take actions to undercut the other.

As the *kompromat* (or compromising material) poured out in the media, it became clear that the chief protagonists were Chubays and Berezovsky.²⁶ Although both tried to portray their dispute as one of competing visions for Russia, the struggle, as it has so often been in Russian history, was not so much over policy as power, not so much over what should be done as who should decide. Both wanted to be the leader of the coalition. Moreover, in their contest, Chubays and Berezovsky employed the same methods (for example, media manipulation and exploitation of direct access to Yeltsin) with the same goal, the elimination of the other as a political actor. Their differences lay largely in the quality of their assets and the skill with which they wielded them.²⁷

The bitter struggle—and the way it was fought—eventually tore the Chubays/Berezovsky coalition apart, discredited the government, and eroded its ability to govern effectively at a time when difficult global financial conditions left little room for error in the management of Russian finances. Berezovsky pressed hard for the dismissal of Chubays and his allies from the government. At the same time, he tacked toward the Chernomyrdin coalition in an effort to counterbalance Chubays's influence in the government. For their part, Chubays and his allies sought to circumscribe Chernomyrdin's power, and some—such as First Deputy Prime Minister Nemtsov—actively sought his dismissal. This struggle lay behind Yeltsin's decision to fire Chernomyrdin last March, as well as his decision to fire Kiryenko in August. In retrospect, both Chubays and Berezovsky bear a great deal of the responsibility for the collapse of the Russian financial system in August.

Post-17 August: Oligarchic Structures in Flux

Much has already been written about Russia's financial meltdown and concomitant economic and political turmoil. There is no need to rehearse the data. For the purposes of this discussion of the oligarchy, two points need to be stressed. First, the crisis has almost certainly destroyed the financial sector as a possible basis for a new political/economic coalition, although elements of it will figure in all of the coalitions that remain prominent or gain prominence over the next several months. Second, the crisis has broken the system of political/economic coalitions into its constituent parts. How they regroup is the story to watch. Contrary to widespread opinion in Russia and the West, we are not witnessing the death of the oligarchy or a radical change in the way the game of politics is played in Russia. What we are witnessing are changes in the prominence of certain players and the structure of their coalitions. Nothing has occurred that would threaten the link between power and property.

Of the three leading coalitions before 17 August, only one has survived, Luzhkov's, and it has seen its fortunes improve, at least in the short run. The Sistema financial-industrial group, which grew out of the city government's committee on science and technology, has weathered the financial crisis much better than most other conglomerates. Luzhkov has consolidated his hold over the Moscow press by having the city purchase the printing facilities of *Moskovskaya pravda*, which prints most Moscow papers. He has created a political movement, Fatherland (*Otechestvo*), which is setting up branches in the regions. He has

gained key allies in the Central Bank (Chairman Gerashchenko)—Moscow banks have been favored so far in the Central Bank bailout of troubled banks—and Tax Service (Director Boos). Moscow-based political consultants have flocked to Luzhkov as his chances of succeeding Yeltsin appear to have risen over the past several months. Overall, he has built up one of the most formidable political machines in Russia.²⁸

In sharp contrast to Luzhkov's, Chernomyrdin's coalition was dealt a fatal blow by his failure to be confirmed as prime minister in September. His political movement, Our Home Is Russia, is in disarray, as it tries to make the adjustment from being the "party of power" to a party out of power. Regional leaders are abandoning both the movement and Chernomyrdin.

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In February, Samara Governor Titov, a deputy chairman of Our Home Is Russia, set up a new bloc of governors, which will compete with Chernomyrdin's movement for regional support.²⁹ Another key leader, Aleksandr Shokhin, has openly called on Chernomyrdin to abandon his presidential hopes and cast

doubt on his ability as a party leader.³⁰

In addition, Chernomyrdin's allies in the Central Bank have been dismissed in the wake the August crisis. Former chairman Sergey Dubinin is rumored to be under criminal investigation (an investigation that is assuredly politically motivated). Meanwhile, Gazprom, which lay at the center of Chernomyrdin's coalition, and Lukoil have slowly distanced themselves from Chernomyrdin and begun to sidle up to Primakov. In January, Gazprom abolished the media and public affairs department it had set up last year, reportedly to support a Chernomyrdin run for the presidency.³¹

In a similar fashion, the crisis devastated the Chubays/Berezovsky coalition, although its component elements face varying fates.³²

- The Alfa group, led by Mikhail Fridman and Petr Aven, will likely survive, in part because of their relatively low profile during the Bankers' War, in part because they divested themselves of Government Treasury Bonds (GKO/s) well in advance of August. The group apparently still enjoys relatively good ties into the government. In January, Deputy Prime Minister Bulgak proposed the merging of three state-owned oil companies and the Tyumen Oil Company, which is run by Alfa.

- The Rosprom group, headed by Mikhail Khodorkovsky, will also likely survive, although its banking arm, Menatep, will be gravely weakened. For the moment, the group is focusing its efforts on retaining control of Yukos, Russia's second largest oil company. It is widely believed that in the process of consoli-

dition now under way in the Russian oil sector, Yukos will be among the three to four expected to survive.

- The Most Group, led by Vladimir Gusinsky, has run into major financial difficulties—advertising revenue for its flagship NTV station dropped by nearly one-third of its advertising time between August and October 1998.³³ But Gusinsky will likely survive. Reportedly thanks to ties with Luzhkov, Most Bank was one of the fifteen banks that the Central Bank has decided to bail out as a “system-forming” bank. In addition, there are reports that Luzhkov has transferred a quarter of the city’s budget to accounts at Most Bank. Finally, Gusinsky’s media will likely play a prominent role in the upcoming parliamentary and presidential elections.

- SBS-Agro, headed by Aleksandr Smolensky, has survived by forming an alliance with Deputy Prime Minister Kulik, who oversees the agrarian sector. It too was among the banks bailed out by the Central Bank as too important to Russia’s financial sector to fail. Smolensky fought off an effort to have his insolvent bank placed under temporary administration in the wake of the crisis.

- The Interros Group, led by Vladimir Potanin, finds itself in difficult straits, in large part because it has lost the political protection it once received through its close link to Chubays when he was a prominent government official.

Both leaders of the coalition, Chubays and Berezovsky, face uncertain futures. Chubays heads a key natural monopoly, the United Power Grid (RAO YeES), which gives him potentially significant influence in Russia’s regions and a source of financing for the Duma elections in December of this year.³⁴ There is some speculation in Moscow that the financial resources of RAO YeES will be joined with those of Transneft, which controls Russia’s oil pipelines, to form a powerful financial base for the new liberal democratic bloc, Just Cause (Pravoye delo), of which Chubays is a key leader.³⁵ That remains to be seen, however.

To regain his political standing, Chubays needs to find a new political patron—Yeltsin is no longer reliable—or overcome the deep public resentment that associates his name with a grossly unfair privatization process, an impossible task in the short run. Chubays’s political allies, including former acting prime minister Gaydar and former first deputy prime minister Nemtsov, have not shown themselves to be astute politicians. Chubays’s former strong support in the West has been damaged by his comment that he had “conned” the West out of money by misportraying the extent of Russia’s financial problems during negotiations with the IMF last summer.³⁶

Berezovsky has watched his influence drop precipitously since August, although he will likely retain his position as executive secretary of the CIS for the time being. His power has been built around his reputation for power and influence, especially on his ability to destroy his political opponents. But his failure to secure Chernomyrdin’s confirmation as prime minister, an effort in which he played a prominent public role, has done colossal damage to his reputation. Yeltsin’s dismissal of Yumashev, a close ally, as head of the Presidential Administration in December has severely damaged Berezovsky’s ability to manipulate pres-

idential opinion. Primakov and Luzhkov have apparently mounted an effort to remove editorial control of ORT from Berezovsky by bankrupting the station. Loss of ORT would be a near fatal blow, since it has taken the lead in building Berezovsky's reputation for power.³⁷

Moreover, Berezovsky's influence with the "family," Yeltsin's relatives and close friends, is under threat. Berezovsky is engaged in a bitter dispute with the general director of Aeroflot, who also happens to be Yeltsin's son-in-law.³⁸ The press has accused Berezovsky of mounting an eavesdropping campaign against Yeltsin's daughter Tatyana Dyachenko and high government officials, a clear effort to sow discord between Berezovsky and Dyachenko, who has been a critical channel of influence for Berezovsky since 1996.³⁹

Finally, as he looks to the post-Yeltsin era, Berezovsky finds himself without a presidential candidate with whom he feels comfortable. The Chernomyrdin option is no longer viable, barring a miracle that would return Chernomyrdin as prime minister. Even then, grave doubts about his ability to win a popular election would remain. Berezovsky has toyed with the idea of backing Lebed, but he fears he will not be able to control him. His current support for Lebed is a holding action, as he searches for a more suitable candidate. Berezovsky's recent positive comments about film director Mikhalkov as a presidential contender have the overtone more of an act of despair than of a serious political calculation.⁴⁰

While the old political/economic coalitions seek to regroup, new ones could be emerging. One worth watching is being formed around First Deputy Prime Minister Maslyukov. His goal appears to be to form a powerful bloc around the high-tech segment of the military-industrial complex, which produces products competitive in world markets. Although he did not get full control of Rosvooruzhenye, the arms export monopoly, he was seeking—a Primakov ally was appointed to head it—Maslyukov can reportedly count on the support of many within the organization.⁴¹ This support is critical to building a financial base: Arms exports, along with gas and oil, account for almost all of Russia's hard currency earnings. Maslyukov's efforts could mark the reemergence of the military-industrial complex as a key player in Russian domestic politics.⁴²

The great unanswered question at this point concerns Primakov. Will he attempt to form his own political/economic coalition, much as Chernomyrdin did before him, or will he take the presidential route and try to remain above the fray as the arbiter among the competing coalitions around him? Thus far, Primakov has favored the presidential route. To be sure, he has placed his allies—drawn primarily from the former KGB—in key positions in government and he has appointed an ally head of Rosvooruzhenye. But he has generally remained distant from banks and major financial-industrial groups. At the same time, he has steadily accumulated greater power, as Yeltsin's health, both physical and mental, deteriorates.

How long Primakov can play this game is an open question. Yeltsin is exceedingly jealous of his prerogatives. He fired Chernomyrdin last March, at least in part because Chernomyrdin was acting too presidential. By late January, there were signs that Primakov was walking into the trap that Chernomyrdin did. In

any event, Primakov's enemies are whispering in Yeltsin's ears that Primakov is beginning to challenge Yeltsin's standing as president. This whispering intensified after the leak of a Primakov proposal for a truce among the government branches, which called for Yeltsin to forego some of his constitutional prerogatives. That Primakov floated this initiative without having sought Yeltsin's prior approval has reportedly heightened Yeltsin's suspicions.⁴³

Power and Oligarchy

As this discussion indicates, there are many unknowns and great fluidity in the relationship among oligarchic groups. And it is likely to remain that way until the central question of power is answered more definitively. Russia effectively has entered a period of dual power on two different planes.

On the first plane, the plane of current power, Yeltsin and Primakov are the key figures. Primakov as prime minister increasingly has to assume real power, because Yeltsin is no longer physically capable of fulfilling the full range of presidential functions. Yeltsin, nevertheless, occupies a central position: With a signature on a decree dismissing Primakov he can upset even Primakov's best laid plans and destabilize the entire political situation. Uncertainty about Primakov's staying power retards the consolidation of oligarchic structures around him.

On the second plane, the plane of future power, Primakov and Luzhkov are now the key players. They are the two leading contenders to succeed Yeltsin, at least as far as the elites are concerned. This could change, especially if there is a radical deterioration in the economic situation. That, however, would most likely transform a situation of dual power into anarchy: The elites have no obvious candidates to take Luzhkov's and Primakov's places as presidential contenders.

As Russia enters the post-Yeltsin era, oligarchic groups will seek to keep their options open. They will hedge bets and maneuver for advantage. They will pursue tactical alliances with other oligarchic groups in an effort to ensure that Yeltsin's successor is, if not someone they can manipulate, then at least someone who will look favorably upon their concerns. The conditions for stabilizing the oligarchic system can emerge only after the transfer of power to Yeltsin's successor.

NOTES

1. On the oligarchic structure of tsarist Russia and the Soviet Union, see Edward Keenan, "Muscovite Political Folkways," *Russian Review* 45, no. 2 (April 1986):115-81.

2. See, for example, *Financial Industrial Groups and Conglomerates in Russian Economy & Politics* (Moscow: Center for Political Technologies, July 1998), 11-13; Lilia Shevtsova, "Molodye reformatory i Partiya vlasti," *Izvestiya*, 9 September 1997; and Anders Aslund, "The Myth of Oligarchy," *Moscow Times*, 30 January 1998.

3. Plato defines an oligarchy as a regime "based on property qualification, where the rich are in power and the poor man cannot hold office." See *The Republic of Plato* (New York and London: Oxford University Press, 1945), 274-79, at 274. Aristotle writes, "Oligarchy might be defined as the constitution under which the rich, being also few in number, hold the offices of the state." See *The Politics of Aristotle* (Oxford: Clarendon Press, 1946), 113-16, at 115-16.

4. See A. A. Neshchadin et al., *Lobbizm v Rossii: etapy bol'shogo puti* (Moscow: Experts Institute, The Russian Union of Industrialists and Entrepreneurs, January 1995),

10–11. For a more general discussion of the distribution of power in the Soviet Union, see Jerry F. Hough and Merle Fainsod, *How the Soviet Union Is Governed* (Cambridge, Mass: Harvard University Press, 1979), 518–55.

5. Neshchadin, *Lobbizm*, 11–13.

6. Mikhail Voslensky, *Nomenklatura: Gospodstuyushchy klass Sovetskogo Soyuza* (London: Overseas Publications Interchange Ltd., 1984), 149.

7. Mikhail Gorbachev, *Zhizn' i reformy*, vol. 1, (Moscow: Novosti, 1995), 6.

8. See Archie Brown, *The Gorbachev Factor* (Oxford: Oxford University Press, paperback edition, 1997), 166–211.

9. On the changing role of money in the late Soviet period, see International Monetary Fund, The World Bank, Organisation for Economic Co-operation and Development, European Bank for Reconstruction and Development, *A Study of the Soviet Economy* (Paris: Organization for Economic Co-operation and Development, February 1991), 359–77.

10. Alexei G. Arbatov, “Military Reform in Russia: Dilemmas, Obstacles, and Prospects,” *International Security* 22, no. 4 (Spring 1998): 94–99.

11. See Yulia Ul'yanova, “Bankrotstvo budet,” *Segodnya*, 13 January 1999.

12. See Yegor Gaydar, *Gosudarstvo i evoloyutsiya* (Moscow: Yevraziya, 1995), 143–53; and interview with Yegor Gaydar, “Vlast i sobstvennost': Razvod po-rossiyski, ili priznaniya 'starogo' reformatora,” *Izvestiya*, 1 October 1997, 4. See also Olga Krysh-tanovskaya, “Financial Oligarchy in Russia,” *Izvestiya*, 10 January 1996 [FBIS-SOV-96-018-S, 10 January 1996].

13. See Anders Aslund, “The Economic Causes of Crime in Russia,” in *The Rule of Law and Economic Reform in Russia*, Jeffrey D. Sachs and Katharina Pistor, eds. (Boulder, Colo.: Westview Press, 1997), 88–91.

14. On authorized banks, see Donald N. Jensen, “The Abuses of ‘Authorized Banking,’” *Russia's Financial Empires*, January 1998 [<http://rferl.org/ncs/special/rufinance/authorize.html>]; Stephanie Baker, “Russia: Finance Ministry Is Establishing Treasury System” [<http://rferl.org/nca/features/1998/01/F.RU.980119143637.html>].

15. See Leonid Sborov, “Even If the Government Pawns Its Property, It Will Not Be for Long,” *Kommersant* 34 (10 September 1996): 42–45 [FBIS-SOV-96-191-S, Daily Report, 10 September 1996]; Boris Shilov, “Privatization's Dead Ends: Economic Illiteracy or Malicious Intent?” *Delovoy mir*, 3 February 1996 [FBIS-SOV-96-083-S, Daily Report, 3 February 1996]; “J.P. Morgansky?” *The Economist*, 15 April 1995 [<http://www.economist.com/archive>]; “Who Will Buy Russia?” *The Economist*, 9 September 1995 [<http://www.economist.com/archive>].

16. See Vladimir Shlapentokh, “Russia: Privatization and Illegalization of Social and Political Life,” *Washington Quarterly* 19, no. 1 (Winter 1996): 76–82.

17. For a fuller description of the structure and behavior of this oligarchic system, see Thomas Graham, “Novyy rossiyskiy rezhim,” *Nezavisimaya gazeta*, 23 November 1995.

18. See Ol'ga Krysh-tanovskaya, “Who Calls the Tune in Russia Today,” *Argumenty i fakty* 21 (May 1997): 4 [FBIS Serial: 97R26125A, 3 June 1997]; Janine R. Wedel, “Cliques and Clans and Aid to Russia” [<http://www.omri.cz/transitions/cliques1.html>].

19. On Berezovsky, see interview with Berezovsky, *Obshshaya gazeta* 48, 3 December 1998. On Khodorkovsky, see interview with Khodorkovsky in *Biznesmeny Rossii* (Moscow: Center for Political Technologies, 1994), 170–78. On Smolensky, see David Hoffman, “Russian Banker Reaches Pinnacle of Capitalism,” *Washington Post*, 17 October 1997. On Potanin, see Rose Brady, *Kapitalizm: Russia's Struggle to Free its Economy* (New Haven: Yale University Press, 1999), 135–38.

20. Petr Aven, “Ekonomika torga,” *Kommersant-Daily*, 27 January 1999 [<http://www.mosinfo.ru:8080/news/kd/99/01/data/kd012702.html>, p.5]. See also Sergey Peregudov, “Novyy rossiyskiy korporativizm,” *NG-Politekonomiya* 8 (April 1998): 5.

21. See interview with Boris Berezovsky, *Kommersant-Daily*, 17 June 1997 [FBIS Serial: 97R16430A, 24 July 1997].

22. For details of the struggle between the two coalitions, see Lilia Shevtsova, *Yeltsin's Russia: Myths and Reality* (Washington, DC, Carnegie Endowment for International Peace, forthcoming), chaps. 7 & 8; Interview with Berezovsky, *Kommersant-Daily*, 17 June 1997 [FBIS Serial: 97R16430A, 24 July 1997]; Aleksandr Korzhakov, *Boris Yel'tsin: ot rassveta do zakata* (Moscow: Interbuk, 1997), 318–29.

23. See Petr Aven's description of the Russian reformers in "Ekonomika torga," *Kommersant-Daily*, 27 January 1999 [<http://www.mosinfo.ru:8080/news/kd/99/01/data/kd012702.html>].

24. See David Hoffman, "Russia's Clans Go to War," *Washington Post*, 26 October 1997.

25. See Floriana Fossato, "Russia: Yeltsin Becomes Mediator in Row Between Bankers and Officials" [<http://www.rfefl.org/nca/features/1997/09/F.RU.970915144645.html>].

26. See Chubays' comments on Berezovsky in his interview in *Moskovsky komsomolets*, 5 March 1998 [FBIS Serial: MC0603094198, 6 March 1998].

27. On the similarities between Chubays and Berezovsky, see Aleksey Venediktov, "Anatoly Borisovich Berezovsky—Boris Abramovich Chubays," *Segodnya*, 13 March 1998.

28. For assessment of Luzhkov, see Mikhail Kozyrev and Sergey Sklyarov, "Moskovsky stil'," *Ekspert* 40 (26 October 1998); Vasily Golubev, "Moskovsky mer v sisteme 'Rossya'," *Nezavisimaya gazeta*, 7 October 1998; Anna Ostapchuk and Yevgeny Krasnikov, "Luzhkov atakuyet v tsentre polya," *Moskovskye novosti* 46 (23 November 1998); David Hoffman, "In Moscow, Business and Politics Mix," *Washington Post*, 19 December 1997.

29. See Svetlana Ofitova, "Partya regionov pretenduyet na vlast'," *Nezavisimaya gazeta*, 30 January 1999.

30. See interview with Aleksandr Shokhin, *Nezavisimaya gazeta*, 17 December 1998; A.N. Shokhin, "Protiv techeniya: Novaya kontseptsya politicheskogo liderstva," *Nezavisimaya gazeta*, 19 January 1999.

31. See Matt Bivens, "Skuratov's Case Is Politically Motivated," *Moscow Times*, 29 January 1999; Geoff Winestock and Leonid Bershidsky, "The Oligarchs: Who's Up, Who's Down," *Moscow Times*, 12 January 1999; *RFE/RL Newslines*, 25 January 1999.

32. On the fate of the parts of the Chubays/Berezovsky coalition, see Yevgeny Anisimov, "Vy eshche ne vigeli plachushchego oligarkha?" *Komsomol'skaya pravda*, 25 December 1998; Olga Kryshchanovskaya, "Smert' oligarkhii," *Argumenty i fakty* 46, 11 November 1998; Winestock and Bershidsky, "The Oligarchs."

33. See "Padeniye ob'emov telereklamy s avgusta po oktyabr' 1998 goda," *Kommersant-Daily*, 6 November 1998.

34. See Aleskandr Bekker, "Chubays's' New Election Headquarters," *Moskovskye novosti* 10 (15–22 March 1998): 2–3 [FBIS Serial MC1703141398, 18 March 1998].

35. See Tatyana Koshkareva and Rustam Narzikulov, "Sergey Generalov peredayet TEK Rossii v ruki pravyykh radikalov," *Nezavisimaya gazeta*, 23 December 1998.

36. See interview with Chubays, *Kommersant-Daily*, 8 September 1998, and Chubays argument that he had not misled the IMF and World Bank in "An Open Letter to the Editor of the Los Angeles Times," Embassy of the Russian Federation Press Release #40, 24 September 1998.

37. See Mikhail Rostovsky and Inara Filatova, "Khit telesezona: 'Chernyye polosy'," *Moskovsky komsomolets*, 15 January 1999; interview with ORT General Director Igor Shabdurasulov, *Kommersant-Daily*, 3 February 1999; Leonid Krutakov, "Zachem pronsul'sya dedushka?" *Moskovsky komsomolets*, 8 December 1998.

38. See Leonid Zavar'sky, "Boris Berezovsky teryayet kryl'ya," *Kommersant-Daily*, 4 February 1999.

39. See Aleksandr Khinshteyn, "Kolpak dlya prezidenta," *Moskovsky komsomolets*, 20 January 1999; Nikolay Vladimirov, "Sledov 'Atolla' v 'Sibnefti' ne obnaruzhili," *Nezavisimaya gazeta*, 3 February 1999; Leonid Berres and Oleg Stulov, "V 'Sibnefti' iskali kom-

promat na Berezovskogo," *Kommersant-Daily*, 3 February 1999.

40. See Igor' Klochkov, "Mikhalkov budet dumat'," *Kommersant-Daily*, 26 January 1999.

41. See Il'ya Bulavinov, "Komu dostalos' 'Rosvooruzhenye'," *Kommersant-Vlast'*, 8 December 1998 [<http://www.mosinfo.ru:8080/news/kdv/98/12/data/kv120809.html>].

42. See Ol'ga Kryshchanovskaya, "Smert' oligarkhii," *Argumenty i fakty* 47, 18 November 1998.

43. See Natal'ya Konstantinova, "Rasserdilsya li Prezident na Prem'yera?" *Nezavisimaya gazeta*, 30 January 1999. Berezovsky appears to be the key figure behind this anti-Primakov campaign. Removing Primakov is perhaps his last chance to reverse his fortunes by demonstrating that he retains sufficient access to Yeltsin to destroy his political opponents.