

**PUTIN'S RUSSIA: SUCCESSION, RETURN TO THE PAST
OR BEGINNING OF NEW ERA**

For a year people in Russia and beyond its borders have been guessing whether the regime President Putin is establishing nowadays is a rejuvenated and a bit renovated mere continuation of Yeltsin's regime, or it signifies return (may be partial one) to old Soviet times. The former base their suppositions upon the still remaining Yeltsin's "inheritance", on the fact that some "Family" ("Collective Rasputin") representatives are still close to Putin and are members of the Government. The latter base on increasing influence of power structures and pressure exerted upon some mass media representatives. However, I suppose, that a third version is possible too, and we witness *the very beginning* of a new complicated era, that of cautious but steadfast deviation from Yeltsin's era and formation of new model of social-economic and political development of the society. Nevertheless, in order to judge about the above more or less trustworthily it's necessary to dismiss certain myths created in the last decade by Russian and some Western liberals regarding the nature of Russian capitalism and political regime established under Yeltsin.

First of all, it is important to understand that starting from 1991 in Russia there established not a normal Western type capitalism, but a *bureaucratic capitalism* (tight synthesis of bureaucracy and business), various models of which are typical for a large group of "catching up development" countries (especially for those with rich bureaucratic tradition and high level of tendency towards state domination in the society in general)¹. It's not by chance that this type of capitalism appeared once in such countries as Kuomintang China, pre-war Japan, Turkey of Ataturk times, in post-war Egypt, Thailand, Indonesia, South Korea and many other countries.

However, out of the whole diversity of bureaucratic capitalism manifestations here it is important for us to single out two main versions related to the present and, probably, future situation in Russia:

1. *Bureaucracy in general* as the dominating class, as personification of state, initiates reforms of revolutionary nature or "revolution from above", "grows up capitalists", directly and indirectly regulates economic

development in common national interests and in accordance with state strategy (Japan after Meiji revolution, South Korea from the 60s, New Economic Policy (NEP) in Russia in the 20s)². It is a peculiar bureaucratic capitalism where the State acts as system-forming factor. With all the drawbacks of such capitalism all in all it objectively corresponds to common national interests, which is confirmed by development successes of appropriate countries within the framework of industrial paradigm. This version is usually realized when the state is *strong*.

2. When the state is *weak*, i.e. *when supreme power's control over bureaucracy has weakened*, the latter quickly “relaxes” and gets rid of obedience to law, stops following general state strategy (if any), while its separate representatives or whole groups begin to use their official standing, their authorities and prerogatives for illegal organization of private business (personal, kindred, collective). All the above is especially promoted by almost complete lack of market economy institutions. The question is not merely of corruption, but of state property (material and financial) use for foundation of one's own business. We witness then combination of two processes: that of “primitive accumulation” (i.e. separation of traditional proprietor from his property, and its illegal capture by new owners – in Russia they are called “new Russians”) with establishment of private business on the above basis. State official in this case is like a two-faced Janus, whose one face depicts an important statesman full of its authority, while vivid signs of cupidity and refined enterprise are written on the other one. This variant of bureaucratic capitalism (Indonesia from late 50s, Russia from 1992) is of especially beastly and parasite nature, and is characterized by quite destructive consequences for national economies. Principle difference of corruption in countries with this type of bureaucratic capitalism lies in the fact, that only in a few years it turns into a factual *way of life*. Contrary to Western countries, where corruption today is also hardly a rare phenomenon, struggle with corruption in Russia with almost complete lack of civil society and appropriate legal infrastructure, seems especially difficult.

The second myth about Yeltsin's Russia, that for the whole decade stroke root on the West, and specially in USA, is in assurance that Russia has become a democratic country. This myth was not shaken even by stormy events of 1993 – unilateral dismissal of legislative bodies (September), and the following (in October) armed assault of “the White House” (evidence of Yeltsin's inability to go to flexible compromises), and also illegal juggle of Yeltsin's Constitution at plebiscite (December 12) in the course of which only 31% of eligible voters had supported the draft constitution, although on October 1990 Law on the Referendum of the RSFSR, headed by Yeltsin, had stipulated that in the matters affecting the Constitution a majority of registered voters in the country would be required³.

As a result of these events regime of “autocratic presidential rule” has practically established in Russia⁴. In its essence Yeltsin's regime was authoritarian, but due to individual physical and intellectual qualities of Yeltsin himself it was a *weak authoritarian one*, a bit covered with veil of democratic forms borrowed from the West. Strangely enough that weakness of authoritarian regime, its inability to control the situation was, God knows why, taken for manifestation of democracy. No wonder that the word “democracy” for the absolute majority of Russians not very well versed in politics became a swear-word.

Another myth often advocated in the West – that Yeltsin-type “decentralization” and strengthening of regions, their independence from the Center, is grate benefit for such a large country as Russia. However, nothing is further from truth than such statements. In reality in the course of Yeltsin's rule there took place “feudal decentralization”, or, to be more precise, feudal particularization, that appeared due to necessity for Yeltsin to rely on the Council of Federation (upper house of parliament), that consists of regional governors and presidents of autonomous republics, in his political confrontation with Duma. As a result governors quickly gained power, and turned into monopolistic bureaucratic capitalists of regional level.

The above mentioned events resulted in the fact, that new Russian statehood, which wasn't yet completely formed, practically found itself on the verge of breakdown, its economy halved, and 40% of the population (even

according to official statistics) appeared below the poverty level. The country faced the situation when there was missing not only social, but also even relative political consensus. It was torn up by contradictions among factions and bureaucratic capital's clans, between legislative and executive powers, among various branches of executive power itself and groupings in the nearest presidential surrounding. Russia stayed in the state of general crisis, not only financial one (August 1998), but also general economic, social and political. That were the circumstances against the background of extremely low fall of Yeltsin's personal rating, under which his "large Family", afraid for its wealth and future, dared to allow pre-time Yeltsin's resignation and transfer of power by right of succession to chosen by them successor of his Vladimir Putin. This "Family" cherished hope that young and energetic president will manage to save it from prosecution, and, perhaps, arrest, having darned Yeltsin's regime. It's known that Putin issued a decree on inviolability of former president and members of his real family, and recently Duma guaranteed the latter (though not absolutely) by law adopted by it (let me remind you that when Yeltsin accepted power from Gorbachev, he personally refused to grant such guarantees to the latter). But the question is: will Vladimir Putin agree also to perform the role of saviour of the regime created by Yeltsin? Or, may be, he will want (bearing in mind his own political prospects) to "get rid" as fast as possible of burdensome Yeltsin's inheritance? To get the answers to these questions it's necessary to examine main results of Putin's activity during approximately a year of his presidency, to see what priority tasks he tried to accomplish in that short a period.

STRENGTHENING OF RUSSIAN STATEHOOD

With his endless compromises and flirtations with some leaders of Russian federative subjects Yeltsin in fact turned Russia from constitutional federation into contractual one. Control over majority of federative subjects was practically passed to heads of appropriate regions. (Truly speaking, during feudalism tax-farmer received from sovereigns and seigniors territories as property for money, while Yeltsin demanded only political loyalty). Such policy promoted strengthening of centrifugal tendencies. One of the most

important goals Putin put before himself was to turn that negative tendency back. He tried to limit (in some cases quite successfully) independence of governors, to stop their complete absence of control. In this aspect one of the first steps was introduction of *institute of presidential plenipotentiaries representatives* in newly formed seven federal districts⁵. Once former prime minister Eugeni Primakov repeatedly voiced the idea regarding enlargement of subjects of the federation. However, only insignificant part of governors replied positively, besides, it turned out, that Primakov's time was seriously limited. Now Putin approached the problem of curbing the governors more "creatively": to avoid opposition of regional leaders and parliament he proclaimed the reform to be purely administrative, not demanding legislative adoption, and carried it out with his Decree No.849 of May 13, 2000. Main tasks of plenipotentiaries included: coordination of local activity of federal executive power bodies, control over accomplishment of Center's decisions, working out of programs regarding socio-economic development of territories within the framework of federal district, introduction of proposals on stopping of local executive bodies acts that contradict RF Constitution, federal laws, Russia's international liabilities, etc. for RF President's consideration⁶. The first half a year after the law was implemented plenipotentiaries devoted main attention to bringing local constitutions and legislative acts into accord with the Federal Constitution, and, judging by everything, the company was quite a success, having aroused mournful displeasure only from isolated regional heads⁷. Plenipotentiaries also energetically started strengthening the vertical line of public order authorities. The thing is that due to hard financial situation local of public prosecution bodies, those of Home Ministry, etc., governors "feeding" them practically got the latter under themselves, and felt themselves thus absolutely unpunished.

The next Putin's step was directed at undermining of governors' position in upper house – the Council of Federation. After months of "pulling strings" regarding the question on removal of governors from the Council at the end of 2000 compromise decision was made with Duma's support under which the upper house was to be composed of representatives appointed and dismissed by the governors, but the governors themselves were allowed to

remain *in situ* until the end of the term – January 2002 at the least. The question may arise: if regional representatives are appointed by governors themselves, what would the benefit be for the Kremlin? In fact the difference is quite considerable. Representatives will work in Moscow on permanent basis, will receive salary, cars, apartments from President's Administrative Department, and majority of them will soon become as controllable as majority of Duma's deputies. Then the Kremlin will easily pass through the Council of Federation all "complicated" laws, especially those that have to do with unpopular reforms. First signs of development of the case according to this scenario are evident. No sooner had the first group of "recruits" – representatives of the regions managed to join the Council in February 2001, when there appeared – contrary to regulations forbidding creation of political groups! – group called "Federation" in support of legislative initiatives of RF President, which was joined by 47 members (including two thirds of "new senators" delegated from the regions)⁸. The only thing that remains to do now is to "correct" the regulations that forbid to form factions, and the Senate will be just like the Duma.

Another concession to the governors is the establishment of a special State council to be filled by regional leaders (on rotation principle). But its role is only supervisory and consultative. It meets once every three months, and it is to be chaired by Putin himself. The first meeting of the State Council took place on November 22, 2000. There it was decided to prepare the country's development strategy project for up to 2008-2010. In accordance with the decision the work group (composed of a number of semi-liberal type academicians) headed by the Governor of Khabarovsk kreis Viktor Ishayev, prepared a report which was listened to at the State Council's meeting in February 2001 along with the report delivered by Prime Minister Mikhail Kasyanov. As a result Putin recommended the Government to take into consideration in its project some proposals of Ishayev's report⁹. Thus, playing with "toy named the State Council" the central power created outward appearance that it took into consideration governors' opinion in "large" state issues, though in reality it meant nothing really serious from the point of view of practical modern policy.

The policy of “threats and bribery” regarding governors was continued in 2001. The President managed to pass through the Duma (in early February) law granting him the right to dismiss governors from power in case criminal proceedings are instituted against them. However, he “sweetened” the latter, having supported another Duma’s decision allowing governors to be elected for two terms, with October 1999 accepted as the starting point. Thus, several dozens of governors who had already been in power for one or two terms received a chance to stay in the governor’s chair for 3 or 4 terms all in all. (Hence it became possible to satisfy such influential and leaning upon mass support regional leaders as, for example, Tatarstan’s President Mintimer Shaimyev)¹⁰.

We may regard as quite a considerable success of President Putin his operation aimed at removal of some most odious governors who practically monopolized the whole regional business from office. We are talking, first of all, about such persons as Governor of Kaliningradskay region Leonid Gobenko and Governor of Primorski Krai Eugeni Nazdratenko. Both governors headed seaside territories (one – on the Western outskirts of Russia, and the other – on Eastern one, which created especially favorable opportunities for illegal business operations). But if to dismiss Gobenko it was enough just to competently organize election support for his pro-Kremlin opponent Admiral Vladimir Yegorov, the case with Nazdratenko demanded plenty of trouble and lengthy siege. The problem was that Eugeni Nazdratenko had managed to worm himself into complete confidence of “Yeltsin’s Family”, that is why Anatoly Chubais’s efforts of several years’ standing aimed at removal of Nazdratenko usually ended with failure. “The Family” could neutralize even special trip of Minister on Emergency situations Shoigu at the end of 2000, when heating systems began to wreck in many regions due to negligence of local authorities. However, as “heating crisis” in Primorski Krai continued through January-February 2001, Shoigu was sent with the second mission, that time, perhaps, with stricter instruction regarding Nazdratenko. Even urgent hospitalization failed to help the latter. After President Putin’s telephone call to the hospital Nazdratenko finally announced his retirement¹¹. On February 5 the President to keep Nazdratenko company fired (as the one

responsible for energy crisis in Primorie) Minister of Energy Alexandr Gavrin, and publicly reprimanded Anatoly Chubais (having ordered Head of his Administration Alexandr Voloshin to “improve the quality of the top officials” of United Energy Systems (UES)¹². It’s significant, however, that the problem of Nazdratenko for presidential administration was not exhausted then. There was serious apprehension, that then the already former governor might again nominate his candidature at the coming Summer 2001 elections, reckoning upon Russia tradition – to support those who are offended by the Center. That is why to neutralize Nazdratenko he was appointed the Head of State Fishing Committee. However, in order to completely rule out for the future the very chance to use the trick with pre-time retirement and further nomination of one’s candidature, the President at the end of February tabled to the Duma proposal on additional changes in election legislation, that forbade those heads of administrations who were fired by the President, retired before the end of their term, and also those, regarding whom vote of non-confidence was passed by legislative or representative bodies, to ballot at next elections¹³. As for certain influential, politically ambitious, but not quite loyal to Kremlin leaders of subjects of the Federation, such as, for instance, Moscow Mayor (Juri Luzhkov) and that of St.Petersburg (Vladimir Yakovlev), flexible and “preventive” policy is applied – from time to time the Office of the Public Prosecutor, Accounting Chamber or tax police carry out check-ups of commercial enterprises and banks connected with Mayor’s Office, or high-ranking officials closely connected with leaders of these territories are called for interrogations (sometimes accompanied by arrests).

Summing up, it is possible to state, that the general line of the Kremlin regarding regional leaders comes to the task that includes, on the one hand, the idea to integrate them de-facto into the general vertical line of executive power, while, on the other, - to reduce them to the state of regional economic executive deprived of far-fetching political ambitions. Reacting to frequent reproaches that he seems to be seeking to return to Soviet economic system, President Putin in his recent interview to Vietnamese paper “Hjan Zan” declared, in particular, that “any state, to say nothing about the one as enormous, as Russia, will be unable to develop dynamically, if it fetters local

initiative. That is why nobody speaks about return to centralized administration peculiar to USSR. The question is only about creation of single legal space in the state, building of efficient judicial system”¹⁴.

THE ESSENCE OF PUTIN'S STRUGGLE AGAINST "OLIGARCHS"

The second important President Putin's front was struggle with Russian "oligarchs". From the very beginning it was given a hostile reception by certain Western circles sympathizing with the latter. Putin was accused of intention to turn the country's development back, to return to Soviet economy, etc. However, almost a year has passed, and it is possible to make first (though not final) conclusions regarding genuine essence of Putin's intentions and policy towards business in Russia in general, and "oligarchs" in particular, about real sum and substance of President's slogan of "equal remoteness" from "oligarchs". Running ahead I would like to mark these preliminary conclusions straight away.

President's dicta, facts and events of the last year attest that "equal remoteness" from "oligarchs" essentially means "oligarchs" remoteness from state politics, inadmissibility of former practice of backstage "oligarchs" influence (through Yeltsin, and especially through members of his "family") upon political decision-making process. Putin is hardly against big capital, or some kind of South Korean *chebol* with Russian peculiarity, but he is striving for their more civilized behavior: for them to pay taxes in due time and completely, not to understate their real incomes, and not to launder hidden profits in off-shores, not to bribe officials to obtain benefits at auctions, during distribution of state orders, and other similar illegal benefits. In a word, Putin started a complicated and uneasy process aimed at prevention of further interlocking of officials and business, of transformation of anarchic and in many aspects parasitic bureaucratic Indonesian-type capital into more orderly and acting within the framework of national development strategy South Korea-type capital.

Naturally, "equal remoteness" policy is not *equal* for various categories of bureaucratic capital. Most seriously suffered two its categories. The first

one includes those "oligarchs" of federal, elite level, whose political ambitiousness and claims considerably overweighed their financial economic activity, and who created their own "mass media empires" to realize those ambitions. We are speaking, first of all, about notoriously known world over Boris Berezovsky and Vladimir Gusinsky. Under Yeltsin these magnates flourished, while Berezovsky repeatedly occupied high state positions (in Security Council, in CIS Council). He repeatedly publicly announced, that power must attend to big capital. However, when those "oligarchs" got assured that the new president was not inclined to follow their instructions, they declared him downright "informational war" which quite frequently took extremely insulting forms. Informational aspect in activity of those mass media began to move to the background, making way for "exposing function". (The program by Dorenko on Channel 1 was marked with special unruliness). Reciprocal reaction followed, as a result of which both "oligarchs" found themselves under examination for financial abuse (remember, that Berezovsky repeatedly acknowledged, that there isn't a single businessman in Russia who doesn't break the law, and that it is necessary to amnesty everyone), and later left the country. Nowadays Berezovsky is trying to pose as some kind of fighter for democracy and freedom of speech in Russia. However, absolute majority of Russians react to it only with ironical smile, as everybody remember well enough how quite recently Boris Berezovsky was a member of "The Large Family", and thanks to friendship with Tatiana Dyachenko had an access to an ear of her father, Boris Yeltsin, and that he used that moment for his masterly financial operations (swindle with AVVA pyramid, "pumping out" and circulation of foreign currency incomes of "Aeroflot", and many, many other things). It is obvious for everyone that Berezovsky is against not the increase of Putin's authoritarianism, but against the fact that the latter is doing the above not at his bidding. In any case Putin had enough grounds to declare to editors-in-chief of many editions, who gathered in the Kremlin, that Berezovsky and Gusinsky are only indirectly connected with freedom of speech, and that one shouldn't confuse freedom of speech with use of mass media for achievement of personal mercenary ends¹⁵.

The second category of bureaucratic capitalists who radically suffered under Putin, belongs to regional, openly criminal level of business. The brightest representatives of the above are aluminum baron Anatoly Bykov, and head of "Mikom" company Michail Zhivilo, who both absconded abroad, but were arrested with assistance rendered by Interpol.

However, the majority of "Russian oligarchs" and other "new Russians" were pressed in various ways by law enforcement agencies, whose aim was to stimulate the former to observe elementary legal norms, tax and other financial obligations to the state and society. The common lot wasn't also escaped by such known Russian "oligarchs" as Vladimir Potanin ("Interros" holding), Vagit Alekperov (the largest oil concern Lukoil), Vladimir Kadannikov (the largest motor-car plant Avtovaz), and others. Parliament's Accounting Chamber also began an investigation as to whether over 15% of shares in giant electricity provider United Energy Systems (UES), now headed by Anatoly Chubais, were sold illegally to foreign investors in 1992.

Finally, we shouldn't fail to mention apolitical, but economically quite active (I would even say aggressive) young generation of Russian "oligarchs" (Roman Abramovich, Alexandr Mamut, Alexandr Lebedev and others). Abramovich "grew" under the wing of Berezovsky ("Sibneft"), and it was Berezovsky who introduced him to the close circle of "The Family", but later on Abramovich began "to ouster" Berezovsky, who became too carried away by noisy political intrigues, from both business and "The Family". Already in Putin's time he expanded his "aluminum empire", which at present produces up to 70% of this metal in Russia. Mamut (MDM bank) also turned out to be not quite an alien in "The Family", and also maintained close contacts with the present Prime Minister Michail Kasyanov who then was working in the Ministry of Finance (dealing with acquisition of depreciated Russian debts). At present he is also advisor to Head of President's Administration Voloshin.

By the way, it is this Pleiad of young "oligarchs" that with the very fact of its existence introduced quite a dissonance into concept of "equal remoteness" (the President himself might have distanced himself, but his close circle has not yet quite managed to do it, that is why there is an impression, that some have moved to an "equally remote distance" further, than others)¹⁶.

Perhaps, as an award for non-interference in state politics, pressing of law-enforcement agencies passed these people round (though in the times of notoriously known Prosecutor General Yuri Skuratov his department expressed great interest in activity of "Sibneft", MDM bank, and connected with it Sobinbank). More than that, Abramovich factually rendered a serious service to the Kremlin, having bought from Berezovsky 49% of Public Russian Television (ORT, i.e. Channel 1) shares, but for all this without claiming appointment of his own candidates to the Board of Directors. Thus, the state, that put forward 11 candidates to the Board (exactly according to the number of the Board's members), will most probably control the "first button" completely)¹⁷.

Lately "oligarchs", pressed from federal political scene, made for the regions. A new phenomenon appeared: if formerly they acted indirectly, through subordinating separate governors to their influence (bright example of it is "Sibneft" in Omskaya oblast), now some of them began directly to run for governor's posts. Abramovich, who recently became governor of Chukotsky autonomous region, was followed by Alexandr Khloponin (General Director of "Norilsky nikel"), who was elected head of Taimyrski autonomous region's administration.

Nevertheless, already now it is possible to speak about considerable practical results of "equal remoteness" policy, about serious *reconstruction* of relations between power and business, inside business itself. It all started already from July 2000, when alarmed "oligarchs" began asking for a meeting with the President. It took place and went on under the sign of the President's complete superiority over the invited "oligarchs". As the press put it, Putin denied them political suffrage, and "reduced" them to businessmen¹⁸.

After the meeting with the President it was decided to continue the dialogue on governmental level. As a result the Council on entrepreneurship under the Government was formed. In the course of 2000 the Council met twice, and representatives of big capital were unsatisfied with the way the meetings went. Judging by everything, Kasyanov wanted to turn the Council into a body obediently rubber-stamping decisions already prepared by the government, and to create outward appearance of soft and pleasing picture of

cordial unification between power and business. The latter, however, wanted to participate in the very process of decision-making¹⁹. Exactly that's why in December "oligarchs" again addressed Putin with a request to meet them once more. On the threshold of that meeting Kasyanov hurries to summon on January 19 a regular meeting of the Council, where it was announced about expansion of its composition (three more known "oligarchs" were added - Michail Fridman, Vladimir Potanin, and Alexandr Mamut), and among other issues decision about quite an important privileged taxation in case of investments into fixed capital, and also about liberalization of foreign currency legislation was discussed²⁰.

Nevertheless, on January 24, 2000 there took place another meeting of big business representatives ("oligarchs" and other large industrialists) and the President. There Putin stated, that "fears" for the future of "oligarchs" had already been overcome, but at the same time he once and for all showed them their (purely economic) place. Only economic problems were discussed, and a certain pact was reached: the power creates conditions for productive work for business, while it, in its turn, provides a certain level of tax proceeds and investments (\$15-20 bln. annually). Certain benefits were promised to the capital in case it meets its obligations (to account investments as production cost, to change resource payments by royalties, etc.) Putin "gently" recommended "oligarchs" to "loosen their purse-strings" for the fund of aid to militarymen who suffered in "hot spots" for an amount of 1,5 bln. rubles in the course of 2001. The businessmen, however, managed to collect the necessary sum already in ten days time after the meeting with the President²¹.

Between the first and the second meetings at least two important moments became clear: firstly, the Government turned out to be unable to carry out serious reconstruction of business-power relations. Putin had to (in spite of obvious unwillingness of his administration) head the process himself, and to constantly push the Government, and, secondly, the Kremlin unambiguously gave to understand, that though it had agreed to meet businessmen every quarter of the year, it will meet only representatives of *organized* business. Here it is important to point out, that under conditions of "equal remoteness" "oligarchs" finally felt that for their successful activity it

was important for them to unite into some sort of corporate association. It was then that they remembered Arkady Volsky with his Russian Union of Industrialists and Entrepreneurs (RUIE). From Autumn 2000 negotiations were held which ended with a whole number of "oligarchs" joining the RUIE. For that purpose under the Board of that organization there was established Bureau out of 27 members, 1/3 of whom included "oligarchs", while another third consisted of "red directors", who had long ago turned into bourgeoisie, and the last third was appointed jointly by the first two groups. Arkady Volsky was elected RUIE President for the next 4 years²². Of course, the process of "getting accustomed" (as A.Volsky put it²³) was not cloudless for old and new RUIE members. From the very beginning new members behaved quite aggressively and tried to get hold of leadership in the organization (which will, probably, finally happen, if there is no split in the organization), but by the moment Volsky managed to keep unity through compromises²⁴. At least, old and new members expressed enough unity on one particular issue: they refused to support Gusinsky and Berezovsky vs the Kremlin. They factually did not back Anatoly Chubais's initiative to intercede for Gusinsky on behalf of RUIE before the Office of Prosecutor General, and when in early February Berezovsky addressed the RUIE Board with an appeal to support Gusinsky and his creation NTV, RUIE in its reply address refused to do it motivating it, in particular, as follows: "We believe attempts of big business to monopolize the management of the country, and to dictate its will to political leadership, including by way of using mass media controlled by business, to be the greatest mistake of the past decade"²⁵. So, the circle got closed: "oligarchs" repented and accepted rules of the game offered by the power.

PUTIN: MARKET REFORMER OR CONSERVATIVE TRADITIONALIST?

Too little time has passed to be able to give precise and final answer to the above question. Most probably, the correct answer will not be found within the framework of such a tough alternative. If all the declared Putin's intentions are destined to come true, as a result there will be some synthesis of economic elements borrowed from the West and elements of political authoritarianism of

traditional type, i.e. *authoritarianism of development*. At the same time Putin will have to face quite a complicated battle against his own circle and the Government even for such a variant of development. It is enough just to examine a story with adoption of a package of bills on de-bureaucratization of economy proposed already last year. All in all these bills would have meant real revolution, especially for small and medium business, and would have allowed to accelerate formation of the middle class - the basis of civil society and political democracy in modern society. (Now there are only 900000 small enterprises in the whole of Russia, and their share in GDP amounts to only about 3% against approximately 50% and more in developed countries²⁶). Main of the above mentioned bills are the following ones: on registration of juridical persons, on audit of financial activity, on licensing of separate kinds of business. The goal of these bills is to establish notifying and not permitting nature of registration. Nowadays to invest it is necessary to have up to 250 agreements, several dozens of signatures, and for all this it might take from 2 to 5 years (if not to bribe appropriate officials). Another goal is sharp reduction of licensed types of business from 500 (taking into consideration regional ones - 1500) to 70-100. Finally, the talk of the town became endless check-ups of all kind of departments, whose only aim is extortion of bribes (in cash or goods)²⁷. So, these bills had to be introduced in the Parliament in November 2000, but it wasn't done, and in December Putin had to remind the Government about the necessity to accelerate the case. However, resistance of officials of different departments, including those from law-enforcement agencies, who fed themselves exactly due to lack of the above bills, was so strong, that even in January 2001 the progress wasn't too visible. On January 24 Putin for another time pointed the Government at sluggishness and personal responsibility of the Prime Minister, having demanded to table the bills in the Duma in three weeks time, but only on March 2 2001 the Government considered them, approved of two of them (in a variant a bit worsened for business), and sent the bill on licensing for "finishing off"²⁸. Practically all the ministries demanded at the Government's meeting restoration of types of activity subordinate to them in the lists of licensed ones. One of participants of the meeting, who wished to remain unknown, explained the hidden motive of

those demands as follows: "You know how difficult it is for departments to give up approximately 200 billion rubles of illegal annual profits"²⁹. (Bear in mind, that this sum is comparable to the size of payments on debts to Paris Club in current year, and that this money will go not to the budget at all).

It is only one example, but it is absolutely obvious, that Putin will be unable to do without toughening of public discipline , without general increase of authoritarianism. He will have to continue efforts on provision of relative political and social consensus. Formerly Yeltsin chose anti-communism as the main factor for consolidation of the society's elite, and brought his eggs to the wrong market. The thing is, that under conditions of that version of bureaucratic capitalism which began to form thanks to his connivance and complete incompetence, and which inevitably led to social precipice between 2% of the "elite" and 60% of the population living on the verge of poverty, there can be no question about any social consensus. No wonder, that's why, that he failed to obtain even anything similar to unstable political consensus under conditions of tough alternative - democracy vs communism, while the very word "democracy" turned for the majority of Russians into something abusive. The first person who managed to catch those moods and desire for stability was the then Prime Minister Primakov, who managed to establish necessary dialogue with left forces in the Duma. Liberal press instantly nicknamed him a "communist", and stated, that he was returning the country to Soviet epoch. Meanwhile, it was exactly Primakov, who managed in only one week to pass through the Duma 22 amendments to the Law on production-sharing , which no government before his one had managed to accomplish. Putin, as president, has no those "restrictions" the prime minister working "under the canopy" of Yeltsin's "Family" had. Besides, the population on the whole practically yearned for tranquility, security and order. So, resolute, energetic Putin was identified in consciousness of that mass with such coming order (though it troubled (and not completely unreasonably) part of intellectuals due to force-based methods of realization of that order).

It must be said, that Putin already managed to achieve for himself certain positive results. His Administration managed to pacify the Duma again using the "policy of threats and bribery", and now the Duma in majority of

cases approves the President's and the Government's bills. "Explosions" of protests from separate factions or deputies remind rather of a well produced theatre show. Of help was also the begun reorganization of the country's party structure. Practically 1.5-2 months before the elections pro-presidential "right-centrist" organization called "Yedinstvo" ("Unity") (something reminding Indonesian "Golkar") was formed, which was not a party in real sence of the word, and whose main goal was to provide necessary majority in the Duma. Soon, however, the efforts of that "party" turned out to be insufficient, and it was supplemented with left-centrist "party" named "Narodny Deputat" ("People's Deputy"). Besides, efforts were made to splinter the main opposition party - KPRF. Speaker of the State Duma Gennady Seleznev factually cut himself off its leadership (though not officially) and created a new political movement "Russia". New bill on political parties now under discussion in the Duma and in the society, envisages introduction of state financing of parties that have representatives in the Parliament, "establishment of high membership level as a condition for registration of parties"³⁰. As a result in far away future it is quite possible that some kind of quasi-parliament regime will be formed (say, something like Indian "one-party domination within the framework of parliamentarism" of 1947 – early 1980s).

As for social consensus, to a considerable extent it depends upon resolution of economic growth problem (in short-term perspective) and success of transformation of bureaucratic capitalism from its present form into a more civilized version. Certain success in economy has been achieved still to a considerable degree by post-crisis ruble devaluation and high prices on oil. Both moments will not last forever, and everything will depend on successful realization of liberal reforms that are ripe, as well as strengthening of state regulation necessary for it. (The thing is that new market institutions in Russia can be created only with assistance of strong state). For the time being Putin manages to maintain certain social stability with such measures as payment of salaries to budget workers in due time, recurrent increase of pensions, restraining of unemployment growth (among other things thanks to renewed orders to military-industrial complex enterprises). General socio-economic situation must be considerably facilitated by new tax code, which came into

force from January 2001, and fixed a single top level of 13% (instead of former top level of 30%), and also land code (though curtailed, not yet including arable lands) approved in February 2001 once again thanks to President's pressure³¹.

At the same time in the nearest future it is for Putin to resolve quite complicated and diverse problems, which threaten to block further progress of his initiatives. Among them are: the problem of getting rid of "residual influence" of Yeltsin's "Family", the problem of shortage of professionally trained personnel, the problem of illegal outflow of capital³², "brain drain", and many other things.

As a conclusion I would like once again to stress: Russia is at the very beginning of a new transitional stage. It won't be the stage of *direct* transition to Western type democracy and market economy, alternative lies in substitution of variants of bureaucratic capitalism, and, accordingly, of friable, anarchic and weak dictatorship of Yeltsin's "Family" (collective "Rasputin") by dictatorship of development. Democracy does not fall from the sky, in all the times and with all the peoples it had to be fought for in the course of formation of civil society elements, and in this respect Russia is not an exception.

¹ See the details in: N.A.Simonia. On Bureaucratic Capitalism in Russia. *MEiMO*, 1996, No.7, pp.5-6; N.A.Simonia. On Corruption and State. – *Lichnost i mir*, 2000, ed.No.7, pp.7-15.

² Some of these models are described in the book by E.K.Trimberger: *Revolution from Above. Military Bureaucrats and Development in Japan, Turkey, Egypt and Peru*. New Brunswick, 1978.

³ See: *The Cambridge Encyclopedia of Russia and the former Soviet Union*. Cambridge University Press. 1994, N.Y., p.384.

⁴ Now some (few, though) democrats also have to admit it. So, Lilia Shevtsova calls this regime "elected autocracy". See: *Brifing* (Moscow Karnege Center), vol.3, ed.No.1, January 2001, p.1.

⁵ The following persons were appointed as heads of these federal districts: in North-Caucasian – Viktor Kazantsev; in Privolzhsky – Sergei Kiriyyenko; in Uralsky – Petr Latyshev; in Central – Georgi Poletavchenko; in Dalnevostochny – Konstantin Pulikovski; in North-Western – Viktor Cherkasov; and in Siberian – Leonid Drachevski. Thus, 5 out of 7 representatives are generals from the so-called "power structures", i.e. military, law enforcement agencies, etc.

⁶ See the details in: *Vestnik Rossiiskoi Akademii Nauk*, volume 71, No.2, pp.191-192.

⁷ Some specialists assessed these Putin's actions as too aggressive, contributing to the rise of separatist sentiment among the republics. Emil Paying (INDEM Foundation, Moscow) and Michael Thumann (*Die Ziet*, Moscow Bureau), speaking at the Kennan Institute (Woodrow Wilson Center) in December 2000, obviously demonstrated preference to Yeltsin's policy in this sphere. According to them, using subsidies and tax breaks to accommodate the regions most inclined to protest, Yeltsin's government managed to diffuse a crisis before it could spread. (See: *Meeting Report* (Kennan Institute for advanced Russian Studies), vol.XVIII, No.8, 2001. But the fact remains, and Chechnya and other less radical manifestations of separatism revealed themselves exactly thanks to Yeltsin's feeble policy, while since the Putin's decree (almost a year ago) no increase of centrifugal tendencies was noticed, if not to regard as such separate public declarations of certain governors. So, for example, Governor of Sverdlovskaya

oblast Eduard Rossel, supported by President of Bashkiriya Murtaza Rakhimov, called actions of plenipotentiary Petr Latyshev “unreasonable demonstration of muscles”, and for several times tried to provoke the latter for unreserved reaction. However, it resulted in nothing, and local “barons” were forced to “cooperate” with Latyshev. (See: *Nezavisimaya Gazeta: Figures and Faces*, No.3, February 8, 2001).

⁸ *Segodnya*, February 23, 2001.

⁹ *Vedomosty*, November 16, 2000; *Nezavisimaya Gazeta*, November 23, 2000.

¹⁰ *Vedomosty*, January 25, 2001.

¹¹ *Profil*, No.5, February 12, 2001.

¹² *Vremya Novostei*, February 6, 2001.

¹³ *Vedomosti*, February 27, 2001.

¹⁴ *Nezavisimaya Gazeta*, February 28, 2001.

¹⁵ See impressions from Putin’s meeting with editor-in-chief of “*Expert*” magazine (No.3, January 22, 2001, p.92).

¹⁶ Probably, not by chance A.Mamut in his diffuse interview to “*Nezavisimaya Gazeta*” practically “sang panegyric” to “equal remoteness” policy (*Nezavisimaya Gazeta*, January 25, 2001).

¹⁷ *Vedomosty*, February 5, 2001. Oleg Lurye from “*Novaya Gazeta*” states in this connection, that there wasn’t a bit of altruism in that action of Abramovich. His company “Runikom” for this “service” became the main oiltrader of state company “Slavneft”, which promises the former up to \$700 mln. a year. (*Novaya Gazeta*, February 26-March 4, 2001).

¹⁸ See: *Segodnya*, January 25, 2001.

¹⁹ See: *Nezavisimaya Gazeta*, January 23, 2001.

²⁰ *Vedomosty and Nezavisimaya Gazeta*, February 20, 2001.

²¹ *Vedomosty*, January 25, 2001; *Segodnya*, January 25 and February 5, 2001.

²² *Vedomosty*, February 20, 2001. Complete composition of the Bureau with surnames and names of corporations and commercial banks they represent see: *Vedomosty*, February 27, 2001.

²³ *Segodnya*, February 27, 2001.

²⁴ See more details about peripeteia of struggle on order of presidential elections, about administrative restructurization of RUIE Board of Directors, consisting of 179 members, etc. see: *Nezavisimaya Gazeta*, February 28, 2001; *Vedomosty*, February 27 and 28, 2001; *Segodnya*, February 27, 2001.

²⁵ *Vedomosty*, February 15, 2001.

²⁶ *Vedomosty*, February 22, 2001.

²⁷ *Moskovski Komsomolets*, February 9, 2001.

²⁸ *Segodnya*, January 25 and February 13, 2001; *Nezavisimaya Gazeta*, January 26, 2001.

²⁹ *Segodnya*, March 3, 2001.

³⁰ See the details in: *Brifing* (Moscow Carnegie Center), v.2, ed.11, November 2000.

³¹ *Moskovski Komsomolets*, February 9, 2001.

³² In February 2001 Putin introduced to the Duma for ratification Convention on laundring of incomes from criminal activity of November 8, 1990, signed in Budapest on behalf of RF on May 7, 1999 (*Nezavisimaya Gazeta*, February 20, 2001).