

A balance sheet of the Yeltsin era

Peter Schwarz
9 September 1998

Following the recent crisis in Russia, numerous articles have appeared in the European press depicting the parasitic and semicriminal character of the economic system which has arisen there in the last years.

A typical example of this is a report which appeared in the daily *Frankfurter Rundschau*, which characterised the successes of Russian capitalism in the following way: 'The centre has pushed through privatisation mafia-style. A quite considerable part of the monetary worth of the state-owned property has emigrated to various foreign tax havens. The population has effectively been expropriated and cheated of the products of its life's work. Their standard of living now approaches African conditions, apart from a small urban upper middle class and the crisis-profiteers, the 'new Russians.'

The British Sunday newspaper the *Observer* recently quoted a former head of the KGB's overseas secret service operations, Leonid Sherbarshin, who today runs a private security service for banks. 'Thousands of banks sprouted up like mushrooms. There was chaotic stripping of national wealth. No other country has experienced privatisation on such a scale. The atmosphere was one of boundless greed, of a desire to enrich yourself at any price. The people who were in power looked at this power as an instrument of direct and brazen self-enrichment. Over several years we created not just millionaires, but billionaires. I don't think there's a precedent in world history for this, apart from the emergence of the drug barons.'

A dossier in the weekly newspaper *Die Zeit* of August 27 examines the developments of the last years and levels serious accusations against the International Monetary Fund, Western governments and the Russian powers-that-be. According to *Die Zeit*, if Ludwig Erhard, the post-war German Economics Minister, had followed the recipes of the Russian reformers and allowed the German currency to be freely convertible, it would have been over for the German 'Wirtschaftswunder' (economic miracle) by 1952 at the latest.

This insight has come somewhat late. After all, the changes in Russia were not only supported by Western governments, the press also never tired of praising them as necessary economic and democratic reforms. Now that the Russian crisis threatens to infect the whole world, they have suddenly discovered these past mistakes.

However, the course pursued over the last years was neither a mistake nor a misunderstanding. It corresponded to very definite social interests. Both the transnational corporations and the millionaire speculators who dominate international economic life, as well as the Russian *nouveaux riches*, wanted to destroy the social structures of the former Soviet Union as quickly and as thoroughly as possible. The shock therapy, which literally opened up the country for plunder overnight, was the only adequate means for them to do this, regardless of its foreseeable explosive consequences.

This is also the reason why Yeltsin, whose name is inseparably linked with this phase of Russian history, enjoyed the support of all the Western governments and was praised as a guarantor of progress and democracy, even when he ordered the tanks to fire against his own parliament, bringing about the deaths of hundreds of people. Very definite political and economic interests have always underlain Chancellor Kohl's close

personal friendship with Yeltsin, whose consummate expression was their unsavoury joint visits to the sauna.

The Yeltsin era

The August putsch of 1991 set the course for Yeltsin's rise to become the most powerful man in the former Soviet Union.

At that time, a group of Stalinists, supported by sections of the army and the KGB, undertook an amateurish attempted coup against the Soviet president Mikhail Gorbachev. Yeltsin, the newly elected president of the Russian Federation, rushed to Gorbachev's aid and used the opportunity to carry out a sort of counter-coup. He banned the Communist Party. Four months later the Soviet Union was dissolved and Gorbachev had been disempowered.

The International Committee of the Fourth International characterised Gorbachev at that time as a representative of 'that section of the bureaucracy which has sought to keep the transition to capitalism in the hands of the traditional mechanisms of the Stalinist apparatus,' whereas Yeltsin represented the rising bourgeoisie. The ICFI described the 'fight between the Stalinist apparatus, led on the one hand by Gorbachev, and the rising Soviet compradors, led by Yeltsin' as a 'struggle between two rival mafias over the control of turf and state assets.' (*Fourth International*, vol. 19/1, p. 88) In order to keep his opponent in check, Yeltsin had to strengthen his own social base and create a class of property owners as quickly as possible, without regard for the long-term consequences.

This analysis is now retrospectively confirmed in the pages of *Die Zeit*. 'Boris Yeltsin and Yegor Gaidar, the president and vice-president of a 're-born Russia', they write, 'wanted to transform the biggest of the successor states to the Soviet Union from a planned economy to a market economy by means of a radical cure, in order to justify and secure the power they had stolen from Mikail Gorbachev at the end of 1991.... Shock therapy seemed to be the only practical course. Life demands liberalisation, announced Anatoly Chubais, the Young Communist who rose to take charge of privatisation. Thus, Chubais became the idol of an emerging market that lacked any social responsibilities and guarantees of its effectiveness. The predominant concern of the reformers was not the creation of conditions to foster competitiveness but of securing loyalty through the granting of lucrative government contracts. Corruption and the flight of capital abroad reached enormous proportions, long-term credits for production could hardly be obtained. Small firms had practically no chance.'

The beneficiaries of this policy were a tiny social layer, mainly coming out of the communist youth organisation Komsomol, who acquired the disintegrating state's property often by criminal means. By 1995, over 2,000 private banks had been formed. The *Süddeutsche Zeitung* wrote of the way they function: 'The falling exchange rate of the rouble meant the new banks earned millions if not billions. Many of them became the financial basis for organised crime. According to an internal study of the Moscow Central Bank, in the mid-1990s three-quarters of the banks were under the influence of the mafia. The FBI and German Federal Criminal

Police maintain that a great part of international drugs money is washed via the Russian banks.'

At the head of this semicriminal layer of *nouveaux riches* stand the so-called 'oligarchs', barely a dozen billionaires who can count the large finance and industrial empires as their own, who control the media and move within the circles of power. The most well-known of them is Boris Berezovsky, the finance and oil magnate. For a time, he was secretary of the powerful Security Council. He is one of the closest confidantes of Tatyana Dyachenko, Yeltsin's daughter and advisor, and he pulled the strings behind the scenes during the latest change in government. He also administers the now considerable private fortune of the Yeltsin family. Amongst the oligarchs can also be found Vladimir Potanin, long-time head of the Onexim Bank, and former vice-premier, Vladimir Gussinsky, chief of the Most-Bank, which is a strong force in the media sector.

The economic balance sheet of the Yeltsin era is catastrophic. The economy has shrunk by half, to just 48 percent of its 1990 level. Agricultural production has completely collapsed. One of the largest agricultural countries of the world now imports half of its food. The social statistics are even worse. The epidemic growth of poverty coincides with the disintegration of all social and welfare provisions. The monthly wage of a miner just suffices to buy 40 kilograms of meat. However, their wages have not been paid for months. In July, the total wages owed came to 67 billion roubles, the equivalent of all the credits agreed by the IMF for Russia throughout the whole year.

With the devaluation of the rouble, the crisis has taken on a scale which echoes the last years of the Weimar Republic. The 50 percent increase in the cost of a metro ticket in Moscow is just symptomatic of the drastic price rises that are further undermining the standard of living. At the same time, the collapses of numerous banks are eating up most ordinary citizens' savings.

Moscow power struggle

The financial crisis also threatens the position of the oligarchs, with numerous banks facing bankruptcy. This is the background to the power struggle presently raging in Moscow. It also signals the end of the Yeltsin era, even should he be able to cling on to the presidency for a few more months.

Yeltsin's power depended on his ability to unite behind him the international bourgeoisie and the Russian 'bisnismeni', the business men and crisis profiteers. Two years ago he owed his re-election as president to the illegal campaign donations worth millions by the oligarchs and the massive international injections of finances. Chancellor Kohl travelled to Moscow at the time with a 5 billion mark credit in his pocket, the best campaign 'donation' possible.

As a Bonapartist figure with dictatorial powers, Yeltsin regulated the conflicts within the ruling circles while at the same time holding the so-called opposition in the Duma (parliament) in check. He would by turns threaten to withdraw their privileges and to expose them to the anger on the streets. In the face of the bitter struggles inside the ruling elite and the growing opposition of the population these mechanisms of rule are beginning to fail.

In March this year, Yeltsin was still able to force through the appointment of Kiriyenko as prime minister by threatening to dissolve the Duma if they did not ratify the nomination. However, Kiriyenko's attempts to push through the conditions demanded by the IMF met with the bitter opposition of the oligarchs: he wanted the payment of outstanding taxes, to scrutinise the operations of the big banks and to declare several raw materials concerns bankrupt.

It is now common knowledge that the downfall of Kiriyenko and the return of his predecessor Chernomyrdin to head the government was directly organised by Boris Berezovsky. Chernomyrdin, the long-time

head of the gas giant Gazprom, the most profitable Russian corporation, is regarded as the guardian of the oligarchs' interests. He helped them gain their millions through the sale of state-owned concerns at give-away prices, by granting licences to found private banks and conduct export trade, and earn fantastic profits through short-term state loans.

For a short time it looked as if Chernomyrdin would be able to weld together an alliance of all the parties in the Duma and transfer a number of the president's powers to the prime minister's office. On August 30 the largest factions in the Duma even signed an agreement to this effect. However, in face of the catastrophic economic decline the agreement only lasted a few hours. Next day in the Duma, Chernomyrdin suffered a devastating defeat.

It still remains open whether Yeltsin will be able to push through the election of Chernomyrdin, or whether he will be forced to resign himself, or whether in the end a compromise will emerge. But one thing is certain, any government which comes to power within the framework of the present forms of rule will be extremely short-lived and unstable.

What comes after Yeltsin?

Social conditions have reached the breaking point and demand new forms of rule. What they will look like is still undecided. However, there are many waiting to take power after Yeltsin.

At the front of the queue can be found the provincial barons, the presidents and governors of the republics and regions inside the Russian Federation. Over the past years they have been able to considerably increase their powers and now act with increasing self-assurance. The most well known include Moscow's mayor, Yuri Lushkov, and the governor of the Krasnoyarsk region, General Lebed.

Lushkov formed an alliance a year ago called 'Unity', which combines Russian nationalism with socialist demagogy.

Lebed openly lays claim to the presidency. He has spent the last days in Moscow, where he has been in negotiations with Chernomyrdin whom he has pledged to support. He also enjoys close relations with Berezovsky, who financed his election campaign in Krasnoyarsk, and who is now calling for Yeltsin's resignation.

Lebed says little about his political perspectives. However, he never tires of repeating that Russia needs a 'strong hand' and is not ready for Western-style democracy. Any government he heads would certainly exhibit very strong nationalist and authoritarian tendencies. *Die Zeit* speaks of 'fatherland capitalism', which they characterise with the words, 'an elected authoritarian-populist president would enjoy sufficient room for manoeuvre to quickly implement law and order. The much-implored national idea would be implemented in confrontation with the West. Search of 'lost values', praise for great Russia, and a defiant protectionism would belong to the new tone.'

Such a government could, under certain circumstances, also count on the support of the Communist Party, which is the largest faction inside the present Duma. This party is just as little communist as its predecessor under Stalin. Its programme has a strong national-patriotic colouring and overlaps in many points with Lebed's conceptions. Their call for stronger state control over the economy is not itself a communist demand. Right-wing authoritarians and even fascist governments have, in the past, often carried through such measures. Above all, such policies would benefit those layers in the old bureaucracy that have so far lost out in the plundering of state property.

Political circles in Germany have shown a great deal of interest in Lebed. Hardly a week goes by without a newspaper carrying an extensive interview with him. In March, the social democratic government in the state of Hesse even awarded him their peace prize worth 50,000DM. This embarrassing matter was initiated by Egon Bahr, the East European expert in Willy Brandt and Helmut Schmidt's social democratic-led governments

in the 1970s. Such sympathies for Lebed show that German politicians can quite easily conceive of collaborating with a nationalist oriented Russia. After all, a strong axis between Berlin and Moscow does not contradict the traditions of Russian nationalism.

The big incalculable in the intrigues and power struggles presently gripping Russia is the working class. Social tensions have reached an intolerable level. For months Russian miners, teachers and other sections of the working population have been striking and protesting. Politicians never tire, above all Lebed, of warning about such protests, uprisings and social explosions.

Up to the present, however, the mass of the population has not been able to articulate their interests politically. All the parties which play a role in Russia represent the interests of one or other wing of the old bureaucracy, or the new bourgeoisie. This alone explains the fact that a relatively small and isolated clique under Yeltsin has been able to inflict such an economic and social catastrophe in just a few years, which is historically unique in peacetime.

The lack of political orientation in the working class is the worst consequence of Stalinism, whose real crime was its decades of repression of every critical thought and of all genuine socialists, who were systematically persecuted and destroyed. This has made workers susceptible to the propaganda that followed the collapse of the Soviet Union: that socialism has failed and capitalism is the only workable social system.

However, in light of the most recent crisis, this myth is increasingly losing its appeal. The claim could now quite justifiably be made that it is not socialism--betrayed by Stalinism 70 years ago--that has failed in Russia, but capitalism.

See Also:

Russia descends into economic and political chaos

[4 September 1998]

Salesman for a failed system

Clinton preaches for capitalism in Moscow visit

[3 September 1998]

'Tough love' message from Russia's false friends

[3 September 1998]

A balance sheet of capitalist restoration in Russia

[2 May 1998]



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact