

# Khodorkovsky's arrest and the defenders of billionaires' "democracy"

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On October 25, Russian billionaire oil mogul Mikhail Khodorkovsky was arrested on charges of tax evasion and corruption dating back to the wholesale theft of state property that constituted the privatization process of the early 1990s.

Khodorkovsky's jailing has prompted cries of outrage from the US corporate-controlled media.

Editorials have appeared in a number of major dailies describing the detention of Khodorkovsky—the world's eighth richest man, with a fortune estimated at over \$8 billion—as an act of “authoritarianism,” a threat to the “preservation of democracy” and even a return to the police-state methods of the Stalin-era Soviet Union.

“After laboring to project the image of a rational, law-abiding statesman, President Vladimir Putin of Russia has reverted to the vengeful violence of his old employer, the KGB,” the *New York Times* declared in an October 29 editorial. “No longer willing to pursue Russia's most prominent tycoon through the courts, Mr. Putin sent masked agents to seize the business magnate.” The newspaper went on to cite international fears that “the Kremlin was showing its true authoritarian colors.”

The *Washington Post*, in an October 28 editorial, charged that the arrest demonstrated that “no one is safe from arbitrary prosecution, or from the political whims of the Kremlin.”

“If the Russian government were to hold all wealthy businessmen to account for the laws they broke while accumulating capital over the past decade, far more people would be under arrest,” the *Post* declared.

Sounding a similar defense, an op-ed piece in the *Times* by Leon Aron, director of Russian studies at the American Enterprise Institute, said of Khodorkovsky: “...it is likely that in the 1990s he broke some laws. But in the chaotic Russian economy of the time, when the state was privatizing its assets on a grand scale, no large business in Russia was ‘clean’—and the larger the company, the greater chance it committed violations.”

A US State Department spokesman suggested that Khodorkovsky's arrest was a case of “selective prosecution,” adding, “We are concerned about the rule of law, about maintaining the basic freedom of Russians.”

Expressions of concern only intensified after the Russian government froze some 44 percent of the stock in Yukos, Khodorkovsky's giant oil company. He announced his resignation as the company's chief executive Monday, in an apparent bid to shield Yukos from government action and perhaps cut a deal for his own release.

The outrage over the arrest of a single individual—who happens to be a billionaire—far exceeds that exhibited by the major media and the

Bush administration over practices of the Putin regime that would appear to raise far more troubling questions concerning freedom, democracy and authoritarianism in Russia. There was no such storm of protest, for example, when Russian secret police stormed a Moscow theater a year ago, killing over 100 hostages with poison gas and carrying out the cold-blooded executions of over 50 Chechen separatists. Nor has the media overly troubled itself over the reign of terror in Chechnya itself and the tens of thousands who have died there under Putin's rule.

As for the *Times*' protest about the Putin regime sending “masked agents” to arrest the oil magnate, rather than pursuing him through the courts, the fact is that Khodorkovsky defied a court order that he appear to answer prosecutors' questions. Such behavior results in arrest in most countries—though rarely, if ever, the arrest of billionaires.

The argument that “they all did it,” and therefore the arrest of Khodorkovsky is unjust, ignores precisely what it is they all did. References to committing “violations” suggests that the billionaire failed to file an appropriate form with the finance ministry. It hardly captures the criminal methods that resulted in the collective wealth of one of the world's largest countries being stolen from its people by a handful of politically connected gangsters.

Among the charges swirling around Yukos and its chief are several murders and attempted murders involving officials and business associates who got in the company's way. One of these killings was carried out on Khodorkovsky's birthday, allegedly as a present to the oil mogul.

Khodorkovsky got his start as a Stalinist bureaucrat in the Soviet Young Communist League, or Komsomol. In 1987, he used his control of a Komsomol district committee to organize a commercial entity known as Menatep, which was supposed to promote inventions and industrial innovations. In the drive toward capitalist restoration that accelerated under Gorbachev's perestroika program, the firm was transformed into a trading outfit and then a bank, which quietly absorbed untended state funds. It then sold shares of stock, promising dividends that never materialized.

When wholesale privatization was carried out in the 1990s, Khodorkovsky used these funds stolen from the state and unwary investors to make deals with his friends in the Kremlin to purchase huge blocks of formerly state-owned industrial enterprises and petrochemical facilities at a fraction of their value. In 1995, for example, he managed to buy Yukos's assets from the state for \$300 million. The company's market value is presently estimated at \$30 billion—a 100-fold increase.

Khodorkovsky was the biggest winner in a process that saw the

transfer of some 70 percent of the wealth of the former Soviet Union into the hands of barely a dozen individuals. It involved the wholesale shutdown of industries, the wiping out of millions of jobs and the shipping out of the country of several hundreds of billions of dollars.

For the broad masses of working people in the former Soviet Union the process that made Khodorkovsky one of the world's richest men was an unmitigated catastrophe, resulting in an unprecedented destruction of jobs and incomes.

The Russian government has estimated that 31 million Russians—more than 20 percent of the population—are today subsisting on less than \$50 a month. A recent United Nations, survey, meanwhile, found that half the country's population is living in poverty; and the Russian State Statistics Committee last year revealed that more than 40 million Russians suffer undernourishment on a regular basis. Social polarization in Russia rivals that which exists in Latin America, while the destruction of both living conditions and the health care system sent the country's life expectancy plummeting to 57 and resulted in a population loss comparable only to periods of catastrophic wars, plagues and famines.

There are no doubt powerful political motives behind the prosecution of Khodorkovsky. First, there is the indication that he had decided to use his immense personal fortune to bankroll opposition parties in Russia. This apparently broke an unwritten covenant between the so-called "oligarchs" and the Kremlin leadership committing the former to keeping out of politics in return for the state's keeping quiet about the illicit origins of their fortunes.

Secondly, he was using his Yukos oil company to pursue what amounts to an independent foreign policy in league with Washington and the US-based energy conglomerates Chevron and Exxon, which were reportedly negotiating to buy as much as a 50-percent stake in Yukos. The Russian company has unveiled plans for breaking the state monopoly on oil pipelines, proposing to construct its own network, and shift the flow of oil. These are issues over which wars have been threatened and fought in the region.

It should be noted that the proposed merger deal, Khodorkovsky's political ties to the White House and the expressions of outrage in the US media are tightly interwoven. Before her appointment as national security adviser, Condoleezza Rice was a member of the Chevron board of directors, selected in large part because of her expertise on Russia. The executive editor of the *New York Times*, Bill Keller, the presumed author of the editorial denouncing the Russian prosecutors for going after the oil mogul, is himself the son of Chevron's former CEO.

Finally, the state crackdown on Khodorkovsky is a politically popular measure, likely taken by Putin with the aim of winning support in parliamentary elections set for December. Those protesting the oil mogul's arrest who invoke the sanctity of democracy ignore the fact that the majority of the Russian population would like to see all of the gangster oligarchs prosecuted and punished for the social destruction that they have wrought.

This is certainly not Putin's intent. He is himself a creature of the oligarchs, committed to the formation of a strong state to defend their interests. He has insisted that he has no intention of calling into question the entire privatization process of the 1990s. The dispute with Khodorkovsky has the character of a falling out among thieves.

The extreme sensitivity of the US media and the government to the Khodorkovsky affair stems from both the considerable geopolitical interests at stake in Russia itself, and considerations that are to be found much closer to home.

The case against Khodorkovsky implicitly indicts the entire process that created today's 17 Russian billionaires—the destruction of the Soviet Union and the restoration of capitalism—as essentially a criminal enterprise. These crimes were not just the work of the relative handful of individuals who became Russian "oligarchs." The Stalinist bureaucracy and world capitalism united to carry out this brutal and rapacious operation.

To call into question the legitimacy of the restoration of capitalism in what was once the USSR puts a question mark over not only the fortunes amassed by Khodorkovsky and similar figures in Russia, but also the far greater profits reaped by banks and financiers in the US and Europe, who were the principal beneficiaries of the massive capital flight that began in the 1990s and continues to this day. These hundreds of billions of dollars were stolen from the people of the former Soviet Union.

Moreover, the criminal methods employed to restore capitalism in the USSR are not entirely unique. Rather, they constitute a particularly concentrated expression of tendencies that have operated on a world scale. Over the past two decades, vast transfers of wealth from the working population into the portfolios of a relative handful of multi-millionaires and billionaires have characterized "free market" economic development all over the world, and especially in the US.

The consequences—falling living standards; the destruction of jobs, health care and social services; deepening poverty and inequality—are likewise common features of social life in America, Russia and, to one degree or another, the entire world.

Nor is the criminality of Russia's oligarchs an aberration. In the US, corporate CEOs and Wall Street financiers have amassed obscene fortunes, collecting annual compensation in the hundreds of millions of dollars by looting the assets of companies and funds for which they are responsible.

As the revelations at Enron, WorldCom, Global Crossing, Tyco and a number of other firms have made clear, wealth has been created for a tiny layer at the top by defrauding investors while wiping out the jobs, pension funds and life savings of millions of people. The criminal methods at home find their corollary abroad in the illegal war to seize Iraq's oil wealth. Both are driven by a deep-seated crisis within the profit system and the attempts by the ruling elite to offset that crisis.

"Behind every great fortune is a crime," Balzac said in the 19th century. Never has this aphorism been so verifiably accurate as today, both in Russia and in the US. The exaggerated concern for the fate of Khodorkovsky is rooted in a sense of "there but for the grace of God go I," among the ruling elite in the US and elsewhere.

Behind the bleating about democracy and freedom in relation to the Khodorkovsky case is a palpable fear among this layer that calling into question the legitimacy of ill-gotten wealth in Russia or anywhere could have unforeseen and far-reaching consequences.



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