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**The formation  
of the new dominant groups and of democratic order in Russia  
as a factor of Atlantic security.**

**1.Introduction**

**1.1.** Every acquisition is a loss and every loss is an acquisition. Formation and coming to power of new dominant groups in this or that country usually has a promise of renovation, of new prospects of development for the country. At the same time very often new dominant groups are trying to establish themselves not only internally (nationally) but externally (internationally) as well. More often than less it leads to more insecurity in (macro)regional system and in the world system. This regularity proves itself from the times of ancient Egypt and Rome and up to the XIXth century's France, Germany or USA. Russia (including Soviet Union) also fits in this regularity.

Historically each formation and coming to power of the new dominant groups in Russia led to changes in the Russian foreign policy, to confrontations with neighbours, to less regional and (in the XXth century - with the rise of Communist order) world insecurity.

There has been four major restructurings of the dominant groups in Russia during the last 400-500 years, which entailed redistribution of power and property in domestic scene and (with one exclusion) confrontation with the West on the international scene.

These restructurings and redistributions were:

- the real birth of the Moscovian Autocracy during the reign of Ivan the Terrible, especially in the 1560-1570 (the so called «oprichnina»);
- the birth of the Petersburg Autocracy during the reign of Peter the Great (the first quarter of the XVIII century);
- the birth of the Communist regime (1917-1939);
- the birth of Postcommunist regime (1991 - up to our days).

The first three of above mentioned restructurings and (re)formations of the dominant groups were accompanied by drastic changes in the foreign policy and entailed wars - the Livonian war in the XVIth century, the Northern war in the XVIIIth and the whole pack of wars - «hot» and «cold» - in the XXth century. Only the last, that of 1990s, Russian formation of the new dominant groups did not lead to confrontation with the West, just the opposite, at least up to now.

The very confrontations I am speaking about, be they «hot» or «cold» were in fact an integral part of the process of the new dominant group's formation and of the new political order. International problems, foreign policy issues were becoming elements in the struggle for power and position within country, international face of the last one was in fact the face of the new dominant group having all marks and «scars» which emerged during its genesis.

Of course we must admit that the growing regional or international insecurity in the periods of coming to power of the new dominant groups in this or that country is determined not only by this process, but also by another fact. The thing is that the periods of formation of the new dominant groups usually weaken the country this process is developing, and quite often neighbours try to profit from the situation, intervening directly or indirectly in the favor of different groups. In case of Russia it is evident in the events of 1598-1613/19 Time of Trouble, Civil war (1918-1921) and nowadays. Though we should constantly remember this fact, the task of the present works is to study the process of formation of new dominant group and their political (power) order in itself and as

a factor of regional/international security. Hence - the analytical order of the present study and hierarchy of tasks.

Now about another order - political. Historically among four political orders constructed by new dominant groups coming to power in Russia during the last four centuries three were less democratic than the predecessors, and only the last one - postcommunist - was more democratic, at least formally and superficially. The correlation between the character of political order, democratic or anti(or non)democratic orders - that of Ivan the Terrible (since mid-sixties in the XVI century), Peter the Great and Bolshevic - were quite aggressive in their foreign policy and hence contributed to undermining or at least weakening of regional/international security.

Democratic political orders in Russia promise more regional and international stability; as a rule they are oriented to the West or at least they are not hostile to it. Nevertheless these new political orders also do not always contribute much to regional/international security, but in quite a different way in comparison with nondemocratic orders. The thing is that democratic political orders in Russia, including the present one, are unstable and weak and cannot sustain international balance of power which is precarious by definition. And this also weakens international/regional security. For example, current situation in ex-Yugoslavia. It could not emerge during the «good old days» of Cold war, when the world was relatively stable and predictable - in the time of US-Soviet confrontation. Thanks God this confrontation is gone and its insecurities with it. But, as Pascal would say, nature does not tolerate emptiness, so the nature of international relations does. Now some other insecurities emerged and came, which are connected with the end of confrontation, which proves once more: every acquisition is a loss and every loss is an acquisition.

The events of 1990s in Russia were stormy and colourful. But as the French historian Braudel used to say «event is dust». He meant that to understand the

real meaning of events and to be able to make a prognosis on the future trajectory of development we should analyze them not in the short term («event-centered») perspective, but in the medium-term (up to 50-100 years) and in the long-term (100 years and more).

One of the major weaknesses of different studies and analyses of the Russian development in the 1990s was what I would call event-centeredness. To go beyond the events and their «dust» presupposes two things which were and to a large degree are absent in the analysis of the Soviet and Postsoviet society - theory and history. Going beyond events and short-term perspective means theoretical study of history. Event-centeredness, overconcentration on the «today», expertise instead of theory - all these things made both academic sovietology and «practical specialists» from such structures as, for example, CIA insensitive to the «Bells of History»; they were caught unprepared both by Perestroika and disintegration of the Soviet Union.

This is not only my opinion. If we take for example three rather good review-type books of 1990s: «Post-communist studies and political science: methodology and empirical theory in Sovietology» ed.by F.J.Freron (Jr.) and E.P.Hoffman (1992), «Beyond soviet studies» ed. By D.Orlovsky (1995) and «New world disorder: Leninist extinction» (1992) written by K.Jowitt, the majority of the presented authors, first agree that «Sovietology was not prepared for perestroika and postcommunism»; second, connect this impotence to the fact that sovietology from the very start developed in isolation from social science and social theory. And of course I must add here isolation of social theory on the one side from history and on the other side from the latest methodological approaches in natural sciences. I mean first of all I.Prigogine's «dissipation structures» and «chaos studies». So in my paper I will try to analyze current events from the point of view Ch. Tilly would call «big structures, large processes, huge comparisons». My view on the process of the formation of new

dominant groups in postcommunist Russia is a view of social theorist and historian.

Unfortunately there are few pieces of scholarship in Russian, English, and French (I do not read German) on the problem of the formation of the new dominant groups in Russia in the late 1980s - 1990s. Mainly we have journalistic works - articles in the newspapers and magazines, seldom books; larger part of these publications are superficial and aiming at sensations more than at the real analysis. Partly such a situation is understandable and there are both «pluses» and «minuses» in it. Pluses: the researcher begins as if from the clean sheet, he is not pressed and burdened by historiography, he should not prove his qualities showing a vast bibliography («this is how much I do know» - as if knowledge automatically means understanding). Minuses: the researcher must build the basis of his work himself; he has nothing or almost nothing to rely upon. But it is precisely these minuses which push the researcher of current processes in the direction of social theory and history; as the Russian proverb says, it had not been happiness if unhappiness would not help.

Few, if any tried to look at these ten years which shook Russia (and the world together with it) in the long-term perspective, as the logical end or, at least, logical development of the course (or cycle) which began several centuries ago. Something in this course was changed by the events of the 1990s, something was stopped and eliminated, something reversed, and something even developed further. We have a very contradictory picture which reflects a very contradictory reality, the one which is rather of mosaic and summative than of wholistic nature. The thing is that Russia as in a kind of science fiction thriller was thrown at the same time into different «wells of Time».

**1.2.** From the point of view of foreign policy Russia is as if somewhere in the second half of the 1850s, when after the Crimean war it was pushed out of

Europe and the European door was locked behind it. From geostrategic, geospatial point of view Russia as if returned to the middle of the XVIIth century, before the unification with Ukraine and Byelorussia. From the point of view of the relations between the Center and the regions Russia is even further - in the 1470s. With one significant new feature. During all Russian history Moscow as a capital was always a place where the Power sat. Now for the first time Moscow is a quasiautonomous agent of power and not only a powerspace.

1470s is not the bottom of the Well of Time. In many respects current Russia reminds Kievan Russia of X-XII centuries AD. The same loose power structure, the same decentralization, the same attempts of different regions to integrate themselves in the «world market».

All this means that 1991 came not only as Terminator of Communist but simultaneously of some other periods of the Russian history. The fall of Communism uncovered and revealed several layers of the past which had not been overcome totally by Communism. Now coming of these layers and structures makes the whole picture a kind of Time Machine game. Though these layers (elements) and groups representing them do not form a whole and in many respects contradict and fight each other, in some other respects by the very conflict they hold or even reinforce each other rendering society a certain (quite limited) degree of organics and sometimes cohesion.

Russia still lives in the process (zone, shadow - concrete term depends on the taste) of decomposition of communism, or, as I will try to show further, in the «privatized communism», which means in practice extreme social complexity and multidimensionality, interpenetration of different, sometimes diametrically opposite processes. It especially concerns the formation of the dominant groups.

I have to repeat: we face a reality which is complex and full of contradictions, and it is that kind of reality pondering on which Russian philosopher A.Zinoviev said desperately: «history leaves no traces, just only consequences which have

nothing to do with the reasons which gave birth to them». We should not fall into desperation, not because Christianity teaches that this is one of the worst sins, but because it is irrational, and science and scholarship are rational kinds of business. To go smoothly between Scilla of empirical event-centeredness and Kharibda of theoretical desperation we should begin with a brief expose of the long-term period of XVI-XX centuries of the Russian history and to place the 1990s within it. This will enable us to understand the hidden transcript - social and political - of these years and will help us to understand the logic of the formation of the new dominant groups in postcommunist Russia.

## **2. Historical roots and preconditions of the present situation.**

**2.1. The Russian past.** The central agent of the Russian history since the Golden Horde times was Power - not political power, but social Power. Power meant access to property, very seldom than vice versa. Such a situation was a logical result of the Golden Horde order. Before Mongolian time in the Russian principalities, as almost everywhere in Europe there were several centers of power, which struggled with each other - state, nobility, cities, church. The mongols acted in such a way that only one agent of power remained as a significant one - state. But it acquired such a volume of power, which exceeded normal state level and therewith I am speaking about Power. It was not a power structure of oriental-despotic type. Russian power remained a European and a Christian one; the difference with Europe was that in contrast to Europe all other power of agents were eliminated.

Such a Power was able to create new social groups, new nobilities as its functional organs; it acted as a kind of Social Demiurg in the system<sup>1</sup>. The way of the creation was simple - enserfment of the whole society, not only of the peasants, but also that of city dwellers and gentry; the last one had to serve, it

was its obligation without which it could not keep its status. As the Russian philosopher and lawyer of the XIX century B.N.Chicherin used to say, power (or state) creates orders (social groups) by enserfing them. This was the usual way out of Time of Trouble.

The enserfment of orders could not be eternal. The first enserfment took place in 1649; Peter the Great made it maximally acute, but in 1762 on the February, 18 the Power freed gentry, giving it the right not to serve; from 1762 gentry became a privileged, not a service group. Next day, February, 19, but 99 years later - in 1861, Power (state) freed the peasants, and Russia began its way into a new Time of Trouble, the apogee of which came between 1905 and 1917. 1929 witnessed a new enserfment by Power of society as a whole, not only of peasants. In 1953-1956 Power (nomenclatura) freed itself, in the second half of 1980s it freed population, and - here you are - a new Time of Trouble: Perestroika and Postperestroika. (New enserfment seems impossible due to the character of contemporary production and communication processes).

We have a regularity («enserfment-freeing» cycle) of the functioning of Power and dominant groups in Russia. Power performed its social demiurgic functions several times during the last 400-450 years. The power groups created by it were old nobility (boyarstvo) of the XV-XVII centuries, gentry new nobility (dvoryanstvo) of the XVII-XIX centuries, functionaries of the XIXth - early XX centuries, and communist nomenclatura. With exception of Communist nomenclatura all other groups were created by Power in its own interests and were supported by it until the moment they began to be a social menace for Power, until the moment these groups began: 1) to transform themselves into class in the strict sense of the word; and 2) to push Power in the direction of transformation into state in the strict sense of the term. In such cases (or moments) Power structures reacted in one and the same way: it undermined their social positions using gentry and low-ranking groups of nobility against nobility

and putting them on the place of the high-ranking groups. The Russian philosopher G.Fedotov called this process «democratization of the ruling groups in Russia».

Such «democratizations» performed by Power from above solved short and medium-term problems for Power-structures, but at the same time created their own medium- and long-term problems. The thing is that each «democratization from above» of the dominant groups made them more numerous and more poor at the same time. The number of the representatives of gentry created by Petersburg Autocracy was much more than the number of nobility in Moscovian Autocratic system, and they were more poor. Between 1777 and 1858 only 20% of nobility had 100 and more «souls» of serves in their possession (or money equivalent of this quantity of «souls»). To have less than «100 souls» meant virtual inability to lead an acceptable for the representative of gentry way of life. It means that 80% of representative of «dominant groups» exploited their peasant but hardly can be qualified as «dominant». By mid-XIX century this situation worsened; on the eve of abolition of serfdom 66% of serves were mortgaged by their masters to the state.

Economic decline of nobility was developing simultaneously with political (power) decline. After 1825 coup d'état attempt performed by the officers representatives of the gentry («Decembrists») Autocracy began to recruit functionaries not on «class» but on purely «bureaucratic» principles. The result was simple: in fact a «divorce» between gentry and state («power») service, on the one hand, and almost a «divorce» between functionaries and property. In the mid-XIX century among the lower and middle groups of functionaries only 20% were of hereditary (noble) origin; half of gentry had never been on any kind of «state service». Another side: 50% of functionaries had no serves; 40% of upper-level functionaries had no serves, being in fact «honourable salariat». From that point of view it is quite understandable why, all other things equal, the

state (power) had vested interest in the abolition of serfs in 1861 and in the whole bloc of reforms of 1860-1870s. The gentry could not compete with the functionaries. Rapid growth of this social group was one of the central features of the Russian development in the XIX century: in 1796 there was functionary for 2250 persons; in 1851 - 1 for 929; in 1903 - 1 for 335. Functionarization and to a large extent depropertization of dominant groups in the XIX century as major tendency, much more important for Russia than awkward development of capitalism during that period.

From the point of view of this long-term systemic Russian development October revolution of 1917 and Communist regime, being a historical break with Autocracy, at the same time on a more deep and fundamental level represented a logical continuation of it. More than that, to some extent it led the Russian historical development to the logical end having freed power from property and from all dominant groups connected with property. Communist nomenclatura which was born as early as in 1920-1922 was - for the first time in the Russian history - a purely power dominant group, a group with «power of power» («cratocracy»). From this point of view Communist revolution and the rise of nomenclature was a negation, a rejection of all «impure» forms of power, of power connected with «property», «class qualities» etc. It was a kind of «final solution» for the Russian Power. Russian genius Leo Tolstoy appears to be right. Once in his diary he wrote that there would be a revolution in Russia, and it would be directed not against state or dominant groups per se, but against property.

Having created nomenclatura as dominant group based on power and divorced completely from any property («state property» in the absence of any other kind of property is power and only power, not property and even not a state: negation in theory and practice of classes and private property automatically means negation of state, politics and civil society and emergence of

completely different type of social system - communist, or cratocratic) Stalin realized cherished dream of Ivan the Terrible, the dream the Russian Power was trying - logically - to fulfill during almost 350 years. In nomenclatura Ivan the Terrible and Joseph the Fearsome shook hands.

**2.2. The Soviet past.** Having solved one of the central contradiction of the Russian Power - the one between power itself and property (on material factors of production) as a quality of dominant groups, Communist order created its own contradictions, which in fact were the seeds of its decline and fall and out of which «postcommunism» emerged. Each contradiction or to be more precise, its solution, unfolding historically became one of the sources of the formation of dominant groups in the 1990s. The contradictions I am speaking about are following.

First, being deprived of property nomenclatura faced an acute problem of translation of its privileges and positions to their children. Education was necessary but not sufficient condition of such a translation. Social and economic guarantees were needed. Partially they were provided in the so called «stagnation» period (1964-1985), during which vertical mobility («rotation») within nomenclatura virtually came to an end (hence the very term «stagnation»). In many respects this blocked social development of the system as a whole, but at the same time it did not bring a guaranteed solution of the translation of privileges problem. Power was immaterial, «metaphysical»; guarantees could be achieved only on material, «physical» level. By mid-1980s some kind of «propertization» of nomenclatura was on the agenda. The problem was how to do it and at the expense of whom, because by that time the system exhausted not only extraeconomic potentialities of development, but also extensive economic ones; as for intensive economic ones they in fact did not exist. To acquire property nomenclatura, first, had to find economic source for it; second, it had

to provide access to such a source which in its turn demanded to undermine those structures whose main functions remained extraeconomic - CPSU and KGB. And this one automatically meant decentralization and entailed the risk of the disintegration of the Soviet Union. Such a risk was to be enormously increased by some particularities of the Communist order and Communist Power, and here we come to the second contradiction of the Soviet System.

Communist power neither was political, economic, or ideological, nor represented the sum of them. In the Communist order the cell of power coincided completely with the cell of production; the organizational principle of CPSU was productionist, not territorial; an attempt of Khrushchev in 1962 to subdivide CPSU into territorial organizations - city and village ones - cost him position two years later; Yeltzin's «decree N 14» (July, 1991) on departization of productive collectivities led to August putsch; the only group in CPSU who had territorial organization were pensioners.

Due to the complete overlapping of production and power cells power in Communist order was just social power - undifferentiated and homogenous in its by its nature and its substance but capable to fulfill different functions not changing its substance<sup>2</sup>. Such type of power could not develop by differentiation - it meant social death of Communism, and it happened so in the late 1980s, when in the soviet society there emerged political and economic dimension apart «cratocratic» one.

The only possible way of development of (and for) Communist power and cratocracy was segmentation, fragmentation, during which though minimized it retained its substance and qualities.

During Stalin period the segmentation tendencies were checked by repressive structures. But in the 1950s and especially in the 1960s - 1970s («golden age of nomenclatura») this process began to develop with more and more force. Of course segmentation and miniaturization of power cannot reach social bottom,

and it did not. In Brezhnev period the process of power segmentation stopped and stabilized on the middle level: provincial party committees, at one hand, and the ministries, at another. What is important, ministries, at least many of them were becoming more important: they controlled money, and provincial party secretaries had to have a law profile towards them to get investments for their regions.

I believe that de facto Soviet Union ceased to exist as a “single” country in the late 1970s - early 1980s. By that time it represented rather a complex of ministries than a really cohesive whole. It was precisely the «State», or to be more precise, central power with two heads - CPSU and KGB - which was on the way of full realization of social nature of Communist power. By mid-1980s ministries, at least many of them did not need central authorities with the functions performed by CPSU and KGB. What is also important vast segments of nomenclatura also did not need these structures with mainly extraeconomic functions. Here we come to the third contradiction of the Soviet system, which fixes the third source of the formation of dominant groups in postcommunist Russia.

Communist power had extraeconomic nature, it was based on the appropriation by the dominant groups of the factors which Marxist would call «social and spiritual factors of production». Having proclaimed Communist party «the highest type of social organization» and having conditioned the very existence of all other organizations by the fact they recognize Communist party (with its marxist-leninist values and aims) the highest and hence superior organization, Communist regime in fact deprived population the rights to create freely the collectivities of their own and to have beliefs of their own - «social and spiritual factors of production». Here the extraeconomic appropriation was a precondition of economic exploitation (appropriation of economic product). Nonmaterial factors could be and were appropriated only on the collective basis,

by the ruling (dominant) group as a collectivity. Any individualization was a social menace to the group. The consumption of the appropriated product had to develop also in the collective line - strictly according to the rank.

But at the same time every representative of nomenclatura wanted to consume more than his rank allowed - this is human. Hence the phenomenon of the Communist system which is incorrectly called «corruption». As corruption is the use of public sphere for private ends, it is impossible in Communist order which knows not the distinction between public and private - all is public. What we have is not a corruption, but a redistribution of the product determined by the nature of the system and at the same time undermining this system.

During Stalin's period, especially before the II World war such a redistribution and a «consumptization» of nomenclatura were punished severely. After the war the redistribution practice began to develop, of course within certain limits, but in Brezhnev period the limits were becoming more and more wide. More than that, as there were no legal private economic sphere, there emerged a shadow economy. «Economization» of nomenclatura meant illegalization - from the point of view of the Soviet law. There were two ways to deal with the problem of «economization» of nomenclatura. The first one was to crush it. Andropov tried to do it, but failed - the strength and inertia of this tendency became enormous. Another way was to legalize it - this was Gorbachev's choice. But it was a tricky choice, because further economization meant leaving the power where it shifted to in the 1970<sup>s</sup> - at the level of provinces and ministries. One of the tasks of Gorbachev was to regain this power and to return it to the center. But this contradicted the economization trend.

Gorbachev and his team found their way out of deadlock - «Perestroika and Glasnost»: if you cannot regain power, if this contradict some other of your measures, make those who have this power to lose it in the favor of... population. Hence - long live Perestroika, Glasnost, and democratization!<sup>3</sup>

For the first time in the Soviet history to solve nomenclatura problems the leaders began to use population and in fact freed it of social control. This was the price part nomenclatura was ready to pay for the solution of otherwise unsolvable problems stemming from the nature of the system. Here we come to the fourth contradiction.

Communist system was mass power society. Up to 40%-50% of population somehow were engaged in the execution of power. Of course the larger part of those engaged had minimal volume of power at their disposal, but in a system where (private)property does not exist, even petty clerk with a small piece of power becomes a social figure of significance, at least on his (or her) own level.

This level in the volume of executed social control (power) was limited by superior level and thus - up to the highest level. When the social control was weakened both those who were under control and those who exercised it had central structures p CPSU and KGB as the main targets of sharp critique; these last ones were blamed almost in everything. To some extent it was a revolt of cratocratic “atoms” against cratocratic “molecules”, the revolt in which bargaining positions of the “atoms” appeared to be stronger because here another factor connected with mass character of Communist power acted against the Center.

The fact is that in the 1980s vast quantity of those engaged in power structures was a barrier on the way of nomenclatura to enlarge its part of the «social pie». More than that, the very existence of the central structures -CPSU, KGB - made this «enlargement» problematic. Partly this task was solved by channelling mass social anger against these structures. But it did not provide nomenclatura with the means and mechanisms of enlargement of their part of «social pie», of cutting off vast segments of population from this pie. Private exploitation and its channel was legally abolished and did not exist in the USSR. This left «reformist nomenclatura» only one channel and mechanism - illegal, that

«shadow economy» which could help not in the exploitation of population, but in its almost expropriation as well. Hence - illegalization of many social and economic proces in the late 1980s and in the 1990s. And this illegalization contributed to decentralization, regionalization, which began to develop as a result of the actions of the popular forces Gorbachev let to act against nomenclatura: democratization led to the pressure against Gorbachev himself and was used by republican and regional leaders, first of all by Yeltzin. Now the situation repeats itself in Russia, and we have one more source of the formation of new dominant groups - regionalization of Russia.

To sum up. Several long-term processes of Russian and Soviet history and inherent to them contradictions developing both separately and in combination (cooperation/struggle) with each other lead to dissolution of the Soviet Union. These processes/tendencies are:

- «economization» («consumptization») of nomenclatura;
- decentralization (regionalization) of country and power which was and is facilitated by undifferentiated and homogenous character of communist power, making it easier to fragment and privatize it than to transform in political or economic type of power;
- illegalization of some economic and social processes.

Hence - the main sources of the formation of the new dominant groups in postcommunist Russia:

- middle level nomenclatura of ministries and «state committies»;
- regional leaders;
- criminal and subcriminal groups as well as the representatives of repressive structures dealing with criminal spheres, «corruption and economic crime», especially on the regional levels.

Of course there were, are and will be some minor sources. But in principle we can speak about the three major sources and constitutive parts of the new

dominant groups in postcommunist Russia. What I want to stress is that these «sources» and «parts» did not come by chance or from the heavens. They are the logical result of development of Russian and Soviet societies which emerges as unfolding of the contradictions built in the long-term and medium-term trends, tendencies, and regularities.

And now from the long- and medium-term to short-term development, to postcommunist Russia of the 1990s where and when we witness the process of formation of the new dominant groups - how the things were in reality and what was behind them.

### **3. The formation of the new dominant groups in late communist USSR (second half of the 1980s) and in postcommunist Russia (the 1990s).**

#### **3.1.»Privatization» - a code word and a key to the process of the formation of the new dominant groups in Russia. Some general premises.**

Since the beginning of the 1990s people in Russia are speaking about privatization. But «privatization» of what? Usually privatization of «state property» or of «belongings». But privatization of «state property» is impossible without having some state (or power) levers. But to have power levers at one's - be it individual or group - disposal - one has to privatize power, part of it. Privatization of power preceded privatization of property, or belongings. Property is a legal relation, without it we deal only with belonging, which has no legal protection and can be ordered or commanded just by anybody having power. The soviet leaders themselves understood this very well. One example.

On the 23, August, 1990 Mr.Ivashko, secretary of Politburo of CPSU and party deputy of Mr.Gorbachev wrote a memorandum (N 15703), which became

known in 1992. The title was «On the urgent measures for the organization of commercial and economic activities of the Party».

Memorandum says: «the lessons of the Eastern Europe show that not to make timely steps in the legal fixation of the Party belongings in accordance with the needs of commercial activities and integration of it into normal economic process, especially in the period of transition to the market economy, means grave consequences for the party». Further Mr.Ivashko proposed «adequate measures»: «commercialization of the party belongings», creation of «invisible party economy» (in the form of the foundations, associations etc.).

Astonishing in this document is that the Party chief N 2 admits that the party has no (legal) property, only belongings, and they should be protected in almost clandestine, illegal manner - one more «shadow zone». And of course mastering of this zone, of «invisible party economy» was one of the sources of formation of the new dominant groups. It is evident that this kind of «mastering» very easily paves the way to privatization of power, and after August (1991) putsch, virtual ban of CPSU and demolition of KGB there was almost nothing significant blocking both this way and formation of postcommunist «corporations of power». Privatization of power is necessary but not sufficient condition of privatization of property, of transformation belongings into property. More than that, very often privatization of power is or is used as a means which guarantees nontransformation of belonging into property, its functioning as an object being ordered, not owned, as de facto collective property or, using of Marx's metaphors, «shadow property». If we note that privatized power is very often a «shadow power» (even «state» itself in such a situation partly can become «a shadow state», as A.Nandy put it, or «la zone du nondroit», using E.Baladur's metaphor); if we note, that a significant part of the soviet economy was «a shadow economy», then postcommunist Russia is a kind of social and power «shadow landscape». «Shadow» here is a metaphor for illegal or extralegal.

Property as a legal relation means responsibility - both legal and economic. It also means a certain degree of social control over power and over «privatization of property», i.e. over the processes of formation of the new dominant groups which try to establish their power control over society and economy and not to be responsible before society and for economy. That means that largely the process of formation of the new dominant groups in Russia is developing in the extralegal zone; the very persistence of this zone is the function of this process, its locus standi and field of employment.

Though this process looks like what H. de Soto described as “informal economy”, A.Minc called «les zones gris», and F.Lane called «protection rent» (or «political rent»), these analogies are superficial. «Extralegal» or even «asocial» type of formation of the new dominant groups has to do, first, as it was said earlier, with the peculiar nature of the Russian Power as of special agent of historical development and with the logic of development and decomposition of Communist order and, second, with the scientific and technological revolution, computerization of production, finance, and communication, with globalization. All these processes weaken the nation-state. «Fading away of the state»- this phrase became standard in anglo-saxon countries), undermine it, contribute to the privatization of the state power (not only in the Third World, but in the First World also: are Marseille and Naples governed in the same way as Hannover and Glasgow? - asks A.Minc.

So the privatization of power and the decline of central authorities («state») in the late communist and in the postcommunist Russia takes place in the zone of intersection of Russian (communist) and global (capitalist) processes. But by no means we should qualify these processes in Russia neither as «economic reforms» (this is official rhetorics), nor as capitalism» be it in «bureaucratic», «nomenclatura», «gangster» or even «pirate» form. Capitalism is not just market, it is combination of private property (which means rule of law), civil society and

liberal values (including respect to the legal forms). I would like to stress once more: what we have is communism being decomposed and privatized.

Decomposition and privatization of communism by the very elements of its decomposition is the process of the formation of the new dominant groups in Russia.

Now - to the process itself.

**3.2. Periodization.** The process of the formation of the dominant groups in late communist USSR and postcommunist Russia can be divided into five major phases:

1. 1987 - August 1991
2. August, 1991 - October, 1993
3. October, 1993 - Spring 1995
4. June, 1996 - August, 1998
5. August, 1998 - up to our days.

Of course as any periodization this one is schematical - life is much more rich than any periodization and theory. Another thing is that the formation of what is now new dominant groups began in the 1970s; but this lies beyond the chronological limits of this paper and we have rather arbitrarily stop somewhere. But in any case we should remember that scientific facts do exist only being integrated within theoretical framework; outside it we can deal only with crude empirical facts: «there is no truth about the flowers, just science of botanics»

**3.3. 1987 - August, 1991.** There were two main «economic» directions of the formation of the new dominant groups during the last years of the Communist order. The first one began with the law on the «individual economic activities» (November, 19, 1986). This decree legalized «private» economic activities in

more than 30 different types of production of commodities and services. Though the tax on this kind of activities was 65%, by the spring, 1991 7 millions men and women (55 of all capable of working population) were engaged in «private» sector. By-product of this decree was an ominous one - legalization of «shadow economy»; «private» sector began to «wash up» 70-90 billions roubles per year. This was the start of the criminal groups on their way to power.

The second direction («economic reform» in the strict sense of the word) was conditioned by the law «on state enterprise» (June, 30, 1987; its realization began a year later).

According to the law state enterprise was to be transformed into selffinancing unit of production; some enterprises were allowed an autonomous ccess to the world market. Stat plan was changed by «state order». The idea was to minimize inter vention of the state and ministries into production. But in reality it only strengthened positions of ministries; if was ministries who became autonomous to the state and hence real masters in their respective spheres of production.

Due to the underdevelopment of market, absence of wholesale trade system etc., at one side, and weak legal basis, at another side both the directors of enterprises and functionaries of the ministries began to use «shadow economy» in incomparably more intensive way than earlier. The process of criminalization of economy and of the lower and middle layers of power accelerated - now under the cover and in the name of «economic reform» and «transition to the market». As early as 1988 the first official soviet millionaires came into being. But of course they would be impossible without power coverage.

Retreat of the state combined with the pressure of ministries led to the fact that by summer, 1991, the Soviet government headed by V.Pavlov exhausted all possibilities of fiscal economic regulation. As a result there were only two alternatives:

- 1) to stop «reforms»; this meant repressive measures with unclear end, because vast segments of population and many power structures had vested interest into privatization of power and belongings;
- 2) liberalization of economy of prices; this which presupposed demolition of the last powerful extraeconomic structures - CPSU and KGB.

The first alternative was hardly possible, and the failure of August putsch proved that. The second alternative realized itself and this opened a new phase in the privatization of power and «property» and in formation of the new dominant groups in Russia. But before coming to this second phase let us return to 1988 and try to trace some power and «political» sources of the formation of the new «bosses of Russia».

The real beginning of changes in power sphere came in 1988. Reacting onto conservatives' actions, Gorbachev organized XIXth party conference (June, 1988). By intricate manoevers Gorbachev made the conference to take a decision that from now on the party secretaries were in fact put under pressure of nonpartizan population: as the functions of chairmen of the soviets of different levels were now to be combined with the functions of party secretaries, and the elections of the chaimen preceeded those of party secretaries, only those party nominees who were supported by «nonpartizan masses» were able to become party secretaries!

It means that for the first time in the Soviet history one part of nomenclatura began to use systematically and widely population again another part. What is more important «reformist party nomenclatura» - again for the first time in the Soviet history and in violation of CPSU charter let population to form its own organizations. It was the birth of politics in the USSR.

In 1988 there emerged a protopolitical protoparty «Democratic platform» which very soon posed the question on the abolition of the 6<sup>th</sup> article of the

Soviet Constitution («on the leading and guiding role of the Communist party»). The article was abolished in 1990.

By that time the Center was weakened both in economic and in power spheres and could not guarantee republican nomenclaturas their positions. To survive they had no other choice as to take «democratic political position» against totalitarianism, and «national» position against «international center». The same position was taken in Moscow by many ministries who began to side with Russian Federation (RF) government and democratic political groups against central (Soviet Union) authorities. Failed putsch accelerated the process of disintegration of the Soviet Union and of coming new forces to power. But «new forces» does not mean «new dominant groups» - they had to crystallize themselves, and the only form of crystallization was struggle - «father of everything» as Heraclitus used to say.

**3.4. August 1991 - October 1993.** The new RF government was free both from CPSU and KGB control. That means ministries at last were almost the masters of their own. The struggle which began in Khrushchev times and intensified in Brezhnev period ended with the victory of the ministries over Power («The Center», «the state»). The ministries only changed their form - proclaimed themselves «firms» and «concerns» instead, but kept their monopolies. They profited enormously from reforms aimed at creation of «the market economy». Liberalization of prices (January, 1992) which took place in the conditions of extreme monopolization of production led to the rise of prices not in 3-5 times, but in 100-150 times, and it was not compensated by the increase of salaries. In fact it meant that the state confiscated all savings of the citizens they had in banks.

By the end of 1992 the state in fact ceased to control ministries and tried to regulate economy as patron. One of the central things in this regulation were decisions made by government which ministries, which firms, concerns, enterprises and financial groups would get privileges and advantages and which would not. The most important sphere of getting these privileges was (and is) export policies - the right to export and sell raw materials and strategic sort of commodities. During Gaidar period approximately 200 concerns and firms (which were either ex-ministries or firms created by existing ministries) got this right. It meant access to hard currency, possibility to place it in foreign banks etc. Apart these 200 happy concerns all others were cut off, excluded.

Among those excluded there was a larger part of directors of the plants and factories of military-industrial complex. They were pushed aside in the process of privatization of the «state property», the first lines were occupied by state functionaries, financial groups, and representatives of raw material sector. And of course by criminal structures. If in Weimar republic there was struggle between two groupings of concerns - «steel + coal» against «electricity technology + machines + chemistry», in Russia in 1992-1993 the main agents of the struggle were «gas + oil + metal» on the one side and «engineering industry + instrument making industry» on another side. The fields of the struggle - control over inflation and privatization of «state property». Inflation was very high. The aim of inflation was to move capitals from one hands to the other hands. Weak rouble, hyperinflation are needed: 1) to concentrate properties and capitals in one hand; 2) to transfer in certain directions enormous sums of money and gain by it not only profit, but control over economy.

It is clear that «gas - oil» block (and within it «gas group») got more possibilities than the other group which could not export its product. But of course one cannot get gas and oil without machines. Hence - compromise and the need to regulate and to reduce the quantity of the «members of the club».

This is one of the reasons of Chernomyrdin's coming to the prime-minister's chair in 1992.

As for privatization of «state property», the first phase of it began in the summer, 1992. It was planned by vice-premier A.Chubais. The first phase of privatization was «vaucher privatization». Vaucher were given to every citizen of RF including babies. There emerged 40 millions of shareholders. One could invest them into shares of privatized enter prises. Of course there began stock-jobbing; due to this fact and to the tricks with vauchers 70% of shares were concentrated in the hands of ex-commanders of soviet «property» and finance: nomenclatura, directors of plants and factories, finance bosses and criminal structures.

Privatization a la Chubais was the first step and at the same time the basis of the formation in postcomunist Russia of the new dominant groups and their corporations (finance-industrial groups).

Let us have a look at two of them, representing effective links of socialist economy. Their history is part and parcel of the formation of the new dominant groups.

Concern «Gazprom» was organized in 1989 on the basis of a very powerful - Ministry of gas industry. That is why from the very start they monopolized 95% of gas output, 100% of sulfur and control over network of pipelmes through which gas was exported to all republics.

From the 1970s The Ministry also controlled export of gas to Germany and Italy. Its German its counterpart was concern «Rurgas», in Italy - state holding company «ENI». Payments for gas and oil went through the «Soviet Zagranbank» in Luxemburg.

Oil directors also were active; though they ceded the first roles to gas directors. In 1991 the three most powerful groupings of oil industry established

concern «Lukoil» - the first Russian oil company organized and working on technological principle.

Another effective link of the socialist economy - «Avtovaz» (Volga automobile plant) is also a Russian industrial giant of world scale. Its automobile «Lada» was sold in many countries, including Latin America. Within «Avtovaz» there was organized a joint stock company «Logovaz» - the most powerful hard currency dealer in the Russian automobile market, B.Beryezovsky was the central figure in Logovaz».

In 1990 a new bank - «Imperial» - was registered. It was founded by «Gasprom», its daughter company «Gasexport», corporation «Zarubezhneftestroi», trade house «Lukoil». For some time almost nobody paid attention onto «Imperial». But as early as in 1992 it was one of the most powerful banks in Russia. By autumn, 1992 «Imperial» became the owner of control share holding of the former «Sovzagranbank» in Luxembourg. That gave legal ground for its oil and gas clients to keep currence abroad. «Imperial» had a klearing inter bank center. Among its share holders are «Menatep» and «Credit-Moscow» banks - very powerful ones .

Another step of «Imperial» was organization of consortium with bank «Yugorsky». The month circultation of this bank is 150 billions of roubles. These banks decided to unite their capitals for credits, agreed on the amounts and rates of exchange for buying and selling currency at Moscow International Currency Exchange. Now they can influence rate of exchange and economic conjuncture.

«Avtovaz» Empire has its own bank - «Avtovazbank».

Of course such powerful groupings have their political lobbies.

Many people know about «The industrial Union» (A.Volsky was its leader). But there are also two more very important organizations: «The league of defence industries» and «The Federation of commodity producers». These organizations

represent interests first of all of those directors who actively participate in privatization process.

In privatization - «Gasprom» and «Avtovas» empires partially shook hands. Just after the failed August putsch an «Interprivatization» foundation was organized with the participation of Austrian and Swiss firms.

Among 85 members of «Interprivatization» there «Gasprom», «Avtovas», «Kamas», «Agrohim», «Neftehimbank». During only 1 year of functioning this international and nongovernmental foundation could get 2,7 billions of \$ for CIS. From 100 largest privatized plants in Russia 70 were privatized with the help of «Interprivatization».

By the end of 1992 «Avtovas» and «Gasprom» financial-industrial groups were ripe to have their man on the upper step of power pyramid. That happened during December crisis in 1992.

A feature of interest: during the crisis A.Volsky cinically said «It is good that they - President and Parliament - neutrilize each other». And really on the basis of this power struggle a new government representing gas-oil interests consolidated itself in 1993.

Now about the political (power) aspect of this period. Being political in form, President and Parliament were trying to obtain all power and to remain the only power. By the logic of confrontation all ex-communists and opponents of Yeltzin went to the side of Parliament which represented the only power remnant of the Communist system - Soviet. Several political crises (especially that of March, 1993) led to Yeltzin's decree N 1400 (ban of the Soviets) and to October crisis of 1993 which marked the end of the Soviet power in Russia.

During that almost year long crisis as President and Parliament were weakening each other, real power was shifting in the heads of corporations and Russia was becoming like a combination, a sum of corporations. But still they did not have an overall control of the ex-state property.

**3.5. October, 1993 - Spring 1995.** The second phase of privatization had to solve this problem. During this phase privatized enterprises were being sold freely at stock-exchanges according to the market course of rouble. All process was organized in such a way that big corporations and criminal structures were able to buy enterprises for 5-20% of their real value. Between October, 1993, and April, 1995 corporations consolidated their success and positions they had in 1991-1993. By April, 1995 almost all state property which was «planned» for privatization and it is not coincidence that in the end of April Chernomyrdin said: «Revolution is over». He was right. Redistribution of the main sectors of ex-state property was over. But there were many of those who recieved little or less they wanted to. Another phase of redistribution was on the agenda, but in comparison with 1991-1995 redistribution it was to begin on purely postcommunist basis. But before coming to the period 1995-1998 - one remark.

It concerns the situation of the state. The only achievement of the period of 1993-1995 was a reduction of state expenditures. If in 1992 state expenditures rose up to 80% of general national product. As a rule such expenditures are characteristics of wartime; Russia demonstrated them in time of place; 80% of GDR as state expenditures is much more than in the USSR in the 1980s (47-50). A.Illarionov correctly concludes that all this means only one thing: gigantic reserves which were freed as a result of «transition to market economy» were absorbed by the state; he calls that «not a liberalization of the state»<sup>4</sup>.

This idea supports my conclusion about freeing state and ministerial apparatuses from CPSU and KGB control as a factor of formation of the new dominant groups in postcommunist Russia. We must speak about «privatization of power» and after that - about «privatization of state» and of course, «privatization of violence». One of the features of current redistribution of «power and property» which contrasts it to those of mid-XVIth century, early

XVIIIth and early XX is the fact that there is no «vertical» and centralized terror. The volume of terror did not change significantly, but it is now «horizontal» and decentralized. Power (state) lost its monopoly onto terror.

So in 1993 - early 1995 state expenditures were reduced, but from the spring, 1995 they were increased again. What happened?

**3.6. Spring 1995 - August, 1998.** In spring, 1995 several most powerful banks worked out a program of a new privatization - «deposit (or security) privatization». On 31, August President signed a decree in which it was said about a credit guaranteed by state property. But in fact it was a covered sale of shares. Deposit auctions were organized in such a way that banks and state officials could gain maximum of profits for themselves. Thus the second half of 1995 became a birth time of the so called «oligarchs» and of «oligarchic capitalism»; but of course there was nothing capitalist in it, it was oligarchic socialism or even communism.

I agree with A. Illarionov, that the auctions of the second half of 1995 and of early 1996 began a new round of redistribution of «state property» in the favor of financial oligarchy. This does not mean that financial oligarchy became central and independent agent of the Russian scene - they could not function without the support and financial resources of the state, and it is no surprise that when the resources diminished in summer, 1998, «oligarchs» lost large part of their strength. This does not mean that gas and oil magnates were pushed aside - the banks were to a large degree controlled by different industrial groups. But this does mean that financial magnates as a segment became a distinct and autonomous

group within new dominant groups and in this respect the situation of 1995 -1998 differs from that of 1991-1995.

It is no surprise that the main oligarch was of purely financial and impersonal character - Central Bank of Russia. Apart Central Bank there were many others: «Gasprom» headed by R.Vyakhirev (gas), «Yukoil» (17% of Russian oil production), headed by V.Alekperov, «Rosprom» headed by M.Khodorovsky, whose name was often associated with JUKOS corporation (11,4% of Russian oil production); «ONEKSIM-bank» (V.Potinin), «Alfa-bank» (P.Aven), «Most bank» (V.Gusinsky). The list can be long.

It was first of all in the interests of «oligarchs» that Yeltzin remained president for another term (1996-2000) because this guaranteed them uninterrupted accumulation of capital. Their financial and mass media support helped Yeltzin to win 1996 elections and, as a consequence, let them unprecedented financial enrichment in 1996-1997. These two years became a «golden age» of finance-industrial groups and it is precisely the time when Mr.Byerezovsky became one of the main figures of the Russian politics.

The price Yeltzin's regime had to pay to oligarchs for their support was high: weakening and decentralization of the state, transformation of corruption into normal type of relation between power (politics) and economy, the rise of the state expenditures (to feed financial magnates and to transform political power of state functionaries in their private wealth).

In such circumstances the real level of power and political decisions shifted on the level of regions, of the «subjects of federation». At a certain point of view economically this was a by-product of the emergence of the financial oligarchies. But politically it was the result of constant conflict between President and Parliament (Duma). In this conflict President had to rely of the Council of Federation which is represented by the governors. All this led to the strengthening of regional element of the new dominant groups. And the further

from Moscow, all other things equal, the more power of criminal and subcriminal groups, the more their role in regional economy. A good example - Krasnoyarsk, where governor Alexander Lebed had to ask central authorities to help him in confrontation with semicriminal aluminium bosses of the region.

One can conclude that «financial oligarchy» phase of postcommunist Russia had two hidden transcripts - regional and criminal, and though regionalization and criminalization of Russia were developing since 1991, distinctly regional and criminal elements («faces») of new dominant groups showed themselves in 1995-1998.

E.Hemingway has a story «Short happy life of Francis Macomber». We can apply the first half of the title to financial oligarchies. Their «short happy life» lasted until August, 17, 1998.

Financial oligarchies had no real economic basis; they lived and acted in virtual reality false, not real economy. They had nothing to do with production. The fall of the latter was another side of the rise of financial and speculation «capital» - a zero sum game. But financial speculations cannot be a solid base for development. August, 1998, showed it very well. But of course the situation with August crisis, which to some extent was a turning point in the formation of the dominant groups in Russia, is not so simple.

Before coming to it let us have a look at some indicators. In 1991 the fall of general domestic product in Russia was 3%, inflation is 90%, budget deficit - 15%. In 1998 GDP fall is 4,6%, inflation is 85% budget deficit - 15%<sup>5</sup>. Superficially we have a picture «Russia is running at one at the same place» - just like the queen from «Alice in Wonderland», who had to run all the time to stay at one and the same place. But under the surface the reality is much more grave. Independent economists show that economic potential of Russia in 1998 was 40% less than in 1991; the debt increased during that period from 100 billions of US dollars up to 200 billions.

These 100 billions and 40% of economic potential is precisely the material basis of the formation of the new dominant groups in Russia.

In the beginning of 1998 the grave character of the situation became evident to President and government and government began to press finance-industrial groups. They began to strike back. The strongest of the groups - Central Bank - in fact began a financial war against the government. I agree with A.Illarionow that having got rid from the short-term state obligations and having bought mass of hard currency Central Bank provoked a financial crisis followed by political one.

As a result many finance-industrial groups were undermined or at least weakened.

**3.7. August, 1998 - up to our days.** Since August, 1998 and up to now, May, 1999 we live in The Period of Great Confusion and Embarassement, both politically and economically. The resources and reserves for the further development of the process of formation of the new dominant groups are practically exhausted. What is more important the very nature of these groups does not presuppose autodevelopment; being of parasitic and plundering nature they need external sources. it seems there is a new redistribution of power and property on the agenda. Who will exclude whom? And this brings us to the problem of inner character and inner structure of the new dominant groups, of their typical corporations etc.

#### **4. The new dominant groups: outside/inside view.**

**4.1.** From the very start I was deliberately speaking not of dominant class or group, but about «dominant groups». Of course when new social clusters emerge they develop from many sources as many groups which later in the

course conflict and cooperation transform in one large group or class. We can hardly foresee such a process in Russia in the near future. As the way and the mechanism of the formation of the new dominant groups was redistribution ranging from semilegal forms to mere plundering, often in and by union with criminal and subcriminal groups, there could not have been formed a basis for real unification and consolidation of the dominant groups. On the contrary, there even could not have been formed a normal and civilized form of the interaction between them; this interaction is of rather chaotic and sometimes violent type.

What is also important that the new dominant groups did not elaborate their common national idea and identity. Desperate order of president Yeltzin «to create a new Russian idea within a year» was not heard. In such a situation one can hardly be surprised that regional and corporate interests prevail over national; clan interests prevail over regional and corporate, and family interests prevail over clan ones. Fragmentation or even atomization is a characteristic feature of the new dominant groups. They exploit the process of decomposition of communism, privatize it and do not create anything new which means, as philosophers would say, inability to transform negative decomposition into positive/constructive, and of the last one - into a new composition. That is why demodernization and deindustrialization lead here not to postmodern and postindustrial society, but to archaization and brutalization of social and economic processes, and the very process of social decomposition has a tendency to reproduce itself on its own basis.

«Amoral familiism» - this title of the book written in mid-1950s by E.Banfield about village life in Sicily seems to fit well present Russian situation, especially if we note that one of the main actors on the Russian scene is called «Family». Capital letter fixes that this is the family of President.

**4.2.** Inside view at the new dominant groups, to be more precise, at basic unit of its organization - corporation - is not a task of this paper; we are speaking about processes, not about structures. Yet a few words about basic unit of organization of the new dominant groups should be said, because it characterizes the social fabric of the process being analyzed.

Standard corporation (not in the western capitalist sense of course) comprises up to 1000 persons. Due to the lack of adequate social institutional forms its organization is based on the combination of two principles: professional and congeneric<sup>6</sup>; social is being dissolved in and absorbed by professional and congeneric which renders a kind of archaic (or neolithic) qualities to the whole situation and its agents. Professional and congeneric aspects (or - in different context - elements) may have different weight in different corporations. For example army and its structures as corporations are much more professional than congeneric. Congeneric aspect of Zhirinovsky's Liberal Democratic party as of political corporation is more pronounced than professional one. And of course one can imagine corporations on almost purely congeneric basis. They are rarity but they do exist.

Earlier I was speaking about corporations, clans, and families as the consequent steps and forms of organization of the new dominant groups. But of course some powerful clans can equal medium-size corporations, and of course there is one family (or rather Family) which functionally equals the whole corporation and to which many corporations want to be useful. It is the family of the President.

One of the last issues of weekly newspaper «Argumenty i fakty» published a scheme of the Family which demonstrate that it is in fact corporation (or holding) N 1. Included into family are: T.Dyachenko (daughter of the President), R.Abramovich (the finance man), V.Yumashev (ex-chief of the President's administration), A.Voloshin (chief of President's administration).

As the Family's men in the important «points» newspaper names (and here not names are important, but «points»): Ministry of finance - Minister, M.Kasyanov; State custom committee - head, M.Vanin; Ministry of Taxes - minister, A.Pochinok; Ministry of fuel and energy - minister, V.Kalyuzhny; Ministry of railway - minister, V.Starostenko; Pension foundation - head, M.Zurabov. Newspaper also fixes the sum of money which are at disposal of Family due to the control of these points - 75-85 billions of dollars.

For the purpose of this paper it is important to note: in the current process of formation of the new dominant groups Russian President (or Family) must function as corporations, as a holding to fight or to cooperate with other corporation. This proves once more two things. First, we witness the process of fragmentation and degeneration of social potentialities of society. Second, formation of corporations and corporatization of important segments of society undermines or even eliminates the possibilities of formation of normal dominant group. Instead we have a «lonely crowd» of corporations, clans, and families.

**4.3.** As of political democratic order, it really exists in Russia, at least formally. Both «privatization of property» and fragmented character of new dominant groups have an ambiguous influence onto democratic order. On the one hand «destatization of property» demanded democratic order, at least formally. But real and consistent democracy would deprive ex-nomenclatura and directors of getting the lion's share of shares during voucher privatization. Hence, new dominant groups need precarious balance between real and formal democracy.

Fragmented character of the new dominant groups, their competition and confrontation also widen the space for democracy. But the very fragmentation reflects parasitic character of many segments of the new dominant groups, which in fact do not need democracy per se.

One powerful source of persistence of democracy is in fact the legacy of political anticommunist struggle of 1988-1991/1993. Of course it is reflected more in rhetorics than in reality but still it is important. Being more useful than harmful to many segments of the new dominant groups democratic order is preserved. But they had to deal with the inconveniencies democratic order brings to them and their activities. Usually these problems are solved in ilegal zone («la zone du nondroit»), by illegal or simply criminal means. Criminal segment (or organ or function) of the new dominant groups does dirty job, which enables new groups to keep or et least to tolerate democratic façade. Here I see superficial analogy with contemporary India where caste system solves many problems on one level and thus makes possible efficient functioning of democratic institutions on the other level. One should not think that there are two distinct segments of the new dominant groups - «normal» and «criminal»; rather there are different functions of one and the same group acting both in «la zone du droit» and in «la zone du nondroit».

**4.4.** Now to the question of the formation of the new dominant groups as a factor of regional/international (including Atlantic) security. Common sense says that the more fragmentated character of the dominant groups is, the more they are busy with their internal conflicts, the more their «politics» is «infrapolitics», the more they are safe for their neighbours and international community. But common sense is not always a good councillor, for example it «says» that it is the Sun who goes round the Earth, but we definitely know that it is just the opposite.

Russia is a nuclear power. The more the new dominant groups are fragmented, the more self-interested, the more criminalized and the less nationally oriented, the less control will be over nuclear weapons, over atomic stations, over the flow of narcotics to Europe. Of course a country with a strong, single

and nationally oriented elite will not behave as, for example, Russia in the Yugoslavian crisis and will take much tougher position. But such a country will also be much more predictable and will not be a potential source of the nuclear arms proliferation. Cold War period when Soviet Union was strong was an alarming period of human history, but also an extremely stable one; only period of 1815-1853 can be compared with it from that point of view. What I am going to say is not that Cold War was good or the Soviet Union was good (though of course Soviet Union was not an «Empire of Evil», as president Reagan used to say), but that strong Russian state and consolidated dominant group is good guarantee for regional/international security, a positive factor for it.

### **Conclusion.**

The process of formation of the new dominant groups in postcommunist Russia develops in the context of decomposition of communist order, first of all as a process of privatization of (ex)Communist power and - on that basis - of property. Current events in Russia are not of a manifestation a game of historical chances, they are determined, as I tried to show, by the logic and contradictions of historical development of Russian Power and Communist order on the one hand and are reinforced by the global shifts in power and property connected with scientific and technological revolution and formation of postindustrial society.

Privatized power allows redistribution of resources, including Western loans in the favor of those who control power.

«If you get them by the balls, all other parts of the body will come by themselves»,- used to say Mr.Nixon's aid Chuck Colson. Power is «the balls» of postcommunist Russia. To fix present Russian situation we should change Marx's

formulation «commodity - money - commodity» into: «power - money («property») - power».

Mainly there were three sources of the formation of the new dominant groups: middle level communist nomenclature, regional leaders, criminal and subcriminal groups. In this formation process they intermingle with each other, at least functionally. But the process is far from emergence of a single and homogenous national group. On the contrary, we watch a tendency of formation of such units of social and power organization which do not form a whole, a totality - corporations, clans. Such a totality will almost mean social death for them.

The formation and the functioning of the new dominant groups demands democratic political order, at least formally. The problem of real democratization is connected with the development of civil society and private property. But it is precisely many features of the formation, of genesis of the dominant groups which blocks or at least deforms development of private property, of civil society and its institutions. And we should remember the systemic rule: the way of the genesis of the system imprints if not determines its further development. The problem is not only in the fact that the new dominant groups do not contribute to the development of civil society; the problem is that they do not contribute to the development of society as of totality. Their way of genesis leads - at least led up to now - to rather fragmented structure, to social mosaic where eternal decomposition is hardly distinguishable from eternal genesis - so to say, eternal transition.

Transitions can be dangerous things, especially in the countries with nuclear potential. The sooner Russia will overcome its economic problems, the sooner strong state will control well regions, the sooner there will be strong dominant group, the more secure will be the world. Of course such Russia will be able to make respect itself, but it will also make the world (including its Atlantic part)

much more secure than it is now. And it is not really as secure as we want it to be. Should we be alarmed? I think yes - he who is alarmed is armed.

## Notes

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<sup>1</sup> On that see: Pivovarov Ju., Foursov A. The Russian system // Political science. – Moscow, 1997, <sup>1</sup> 2. – P.82-193; <sup>1</sup> 3. – P.64-190.

<sup>2</sup> On that see: Foursov A. Cratocracy (The social nature of the Soviet-type societies) // Socium. – Moscow, 1991. – <sup>1</sup> 8-12; 1992, <sup>1</sup> 1-8.

<sup>3</sup> On that see: Foursov A. The rise and the fall of Perestroika: April, 1985 – August, 1991 // Socium. – Moscow.

<sup>4</sup> Illarionov A. The price of Socialism // Nyezavisimaya gazeta, April, 13 and 14.

<sup>5</sup> Ibid.

<sup>6</sup> On that see: Morozov S.B. Conspiracy against peoples of Russia today. – Moscow, 1999. – P.70-71.