Preface

'Men whose aim is not increase of possessions do not go into business, particularly not on an independent footing.' - Thorstein Veblen (1904: 20).

When a change or transformation is forced on a population, be it from the state, the people themselves or from outside, they experience newness without forgoing their past vestiges and legacies. The institutions those so far in use either become superfluous or retained with changes which may be minor or major in nature.

The case with Russia was that, like the other republics of the erstwhile USSR, being hurried into a new system, in order to be cut off from its past. Though some remnants of its former institutions were present, they remained because new institutions to accommodate the new system were not in their place. This spelled new opportunities for the very few and struggle for most. Transitions, a decisive war, conflict, imposition of foreign rule etc. all give into changes. This also brings in changes in all spheres, especially in social structures. The thesis titled, *The Making of the Capitalist Class in Russia, 1991-2008*, aims to examine the change in the Russian society in relation to the entrepreneurial class.

The thesis is a part of my earlier dissertation on, *Rise of Oligarchs in Russia: The Yeltsin Era*. This dealt with only two aspects: one, it examined only a very tiny section of the population or the class famously called as the *oligarchs*. Though they formally belonged to the business elite, it is their affinity towards the state that notoriously gave them the title of oligarchs. Second, the time period chosen was the Presidential tenure of Yeltsin from 1991 up to 1999. The present study tends to cast its net over a longer time period and the class that is examined is not confined to the oligarchs alone, but the capitalist class that has emerged and established in Russia. The focus of the study in this milieu is to understand the burgeoning entrepreneurial or the business class-its rise, growth, consolidation, and continuity in the present Russia since 1991 to 2008.

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Piirainen (1997: 4) says that it is the, 'individual people who form the new structures, restructure the society. A social order is formed as a collective outcome of individual choices and actions, and the restructuration of a society may be seen as an interplay of old collective outcomes and new choices and actions made by individual members of the society.' Therefore a study of how individuals belonging to the business elite cope with transition period, and make their choices, activities they engage in, opportunities and constraints they encounter, the strategies they adopt, can be an arduous task. To make a deductive study and to surmise generally on the business environment from the actors perspective would require one's presence within the area of study, conduct interviews\(^2\) and also requires time which can extend to a considerable period. This kind of study was well beyond the means and capacity of the research. Hence the methodology that I best could resort to and which was within my means were inducing from primary sources (like reports, legislations and memoirs), secondary sources and analyzing data from secondary analysis.

The manner in which the class of private entrepreneurs emerged in Russia has occupied the interests of scholars and also led to general irk of the public: how did they emerge, as Russia before and during the Communist regime did not experience capitalism in actual form as it was stifled in its inception? Whether the capitalists styled on the Western model especially the "Robber Baron" style model of America? Would they hold the country at ransom as they had done to the economy during Yeltsin's presidency? Would they survive and continue as a capitalist class to carry on the private entrepreneurship under Putin's rule? Similarly the chapters, as delineated below, are also formatted in this pattern.

Chapter One is the introductory chapter will delineate the topic for research, clearly explain the rationale for the study and thereon its scope, lay down the research questions and give an outline

\(^2\) Rivera et al (2002) say that is difficult to apply techniques of research related to advanced industrial democracies and especially to the post-Soviet countries. The latter countries exhibit features that are unique, which results in obstacles confronted by those working in the post-communist world. They sum these obstacles and the reasons as the, 'experience of communist rule and its sudden collapse produced, in varying degrees, a disorganized and often disoriented civil society, poorly institutionalized political parties, weak and financially strapped states, only partially reconstructed security agencies, and in some regions, suspicion of the West. All of these features can pose unique problems for the elite researcher, examples of which include difficulties in constructing sampling frames due to incomplete information; problems in locating respondents who may work without receptionists or answering machines; a general apprehension towards foreigners and/or interviews; an aversion to advance scheduling; and suspicions aroused by standard demographic questions' (Rivera et al, 2002: 683).
to the structure of the thesis. Second, it will examine the historical legacy that has internally influenced the economic and political conditions in Russia and the external factors. Most importantly the chapter acts as a base as to how an economic elite emerged during perestroika out of the monolithic structure of the Soviet power structure. In this context the hypothesis that is being tested is that, the Russian capitalist class emerged from the sub-elite of the Soviet nomenklatura (i.e., the komsomol) due to their informal linkages and control over state property.

Chapter Two, **Theoretical Aspects Class and Capitalism** will contain a detailed review of relevant theoretical and empirical literature. Here the research aims to understand the contemporary meaning of ‘class’, and its unit ‘capitalist class’ and the ‘form of capitalism’. It will enable us to identify the parameters by which the Russian capitalist class can be defined. Here the existing dominant capitalist systems will be looked into. In this context it becomes easier to explain the kind of capitalism that has emerged in Russia—whether it is a copy of the dominant models or a kind of its own.

Chapter Three, **Rise of the Oligarchs under Yeltsin** will examine the methods employed by the capitalists to gain wealth and political clout during Yeltsin’s presidency. It will examine the radical economic reforms and the political institutions that the business elite capitalized to catapult them into becoming the top echelons of the society. Hence the hypothesis that is being tested is that the Russian capitalists utilized their financial resources to become a part of the ruling elite during the second term of President Yeltsin.

Chapter Four, **Putin and the Capitalists** will deal with how Putin came to power and consolidated his position and made the Russian presidency autonomous from the oligarchs. In short, how Putin dealt with the Yeltsin legacy and redefined the role of the capitalists in Russia. The chapter aims to examine the hypothesis that, The Russian capitalist class has been reduced from being ‘influential’ under President Yeltsin to becoming ‘non-autonomous’ under President Putin due to Russian government’s reassertion of strategic economic assets.

Chapter Five, **Role of Capitalists in the Russian Political System** more importantly, will try to analyze the status of capitalist class as an influential and powerful under Yeltsin, in contrast to
their non-autonomous and limited influential aspect under Putin. This will also try to understand their bargaining power with the state and negotiating methods amongst themselves as a class. Here the business elite will be dealt in terms of their attitudes, behaviors, their networking methods, their association with political structures and their positions within the economic structures. This will also include their role in terms of their contribution to the global economy. The hypothesis that is being tested is that, the failure to unite as strong and consistent pressure/interest groups has weakened the position of capitalists for collective bargaining with the state post 1999.

As conclusion Chapter Six will draw inferences through analyzing the position of capitalist class under the aegis of two the Presidentships between 1991 and 2008. It will also explain from the above chapters as a conclusion whether the capitalists in Russia are class for 'itself', and try to presage the possibilities for its homogeneity to arrive at broad consensus on economic and political matters. Also after the analysis of the rise and consolidation of the Russian capitalist class, it will explain as to what kind of capitalist system is taking shape and what form the capitalist class is molding into within Russia.

The thesis as a whole can be seen as an attempt to examine the institutionalization of business within Russia and its personnel, i.e., the business class or the capitalists. Institutionalization of business refers to a more or less enduring pattern of roles and collectivities (e.g., businessmen and firms), values (e.g., free enterprise), norms (e.g., laws of contract and property, informal business codes), and sanctions (profits, political controls over business, etc.). This form of institutionalization is taken from Smelser and Lipset (1966: 4). The reason for this is that they clearly explain the elements within the social structure, the social controls and how they can be institutionalized to understand any particular institution. Since the business class is the focus of research, I have borrowed directly from the example they have explained for institutionalization of business. They also add an important aspect i.e., the personnel or persons themselves within the social structure, because 'roles and organizations are always filled by persons whose 'motivation and behavior ... is extremely important in analyzing processes within social structures' (Smelser and Lipset, 1966: 5).