

# THE OLIGARCHS

## Money and Power in Capitalistic Russia

AUTHOR: CLAES ERICSON

E-BOOK ISBN: 978-91-87173-08-0

MARCH 2012

### PART I: THE DECADE OF OLIGARCH CAPITALISM (1990-2000)

#### 1. *Dissolution of the Union –*

##### *The Fall of Communism and Entry of Market Economy*

The final gold ingot is used to save the Soviet economy, but eventually the former super power goes bankrupt. Market economy is brutally introduced and the world's largest privatization campaign is launched by an eager reform team.

#### 2. *Bandit Capitalism –*

##### *With or Without the Right to Make Money*

Rise of a first class of oligarchs with a background in the Communist party. The Russian mafia takes control of society with a climax during the mafia war in 1993. A number of scandals are unfolded. The story about how the average Russian is getting accustomed to capitalism is told.

#### 3. *Unimaginable Opportunities –*

##### *Wealth and Power from Nothing*

Rise of a second class of oligarchs without roots in the nomenklatura. The reader gets to know how these young men went from practically nothing to becoming some of the richest persons in the world. The first struggles between them sets the scene for the following two chapters.

#### 4. *Rule of the Oligarchs – The Battle for Power Escalates*

The oligarchs convince the privatization general about launching the cunning loans-for-shares plan, which will become the main tool for turning them into full-fledged billionaires. By saving president Yeltsin in the 1996 election, they finally reach complete power over the nation with Yeltsin as a marionette.

#### 5. *War of the Oligarchs – May the Strongest Win*

With so much to lose, the oligarchs cannot avoid confronting each other. No winner is chosen, but instead all become losers in the disastrous financial crisis of 1998. Ordinary Russians suffer the most, but now finally the Russian economy begins a more solid development.

### PART II – THE DECADE OF STATE CAPITALISM (2000-2011)

#### 6. *The State Hits Back –*

##### *The President Again in Control*

Putin is elected president in 2000, effectively by the influence of the oligarchs. The new president instantly brings power back to the Kremlin. The oligarchs are confronted with the choice of letting go of their political agenda or being faced with criminal charges.

#### 7. *Strong Relations – A Constant Positioning*

Rise of a third class of oligarchs, again with a strong affiliation to the state. Close relations to the president is key as Putin creates his "power vertical". Russia is again claiming the respect of a super power, with the oligarch groups fighting for domestic power behind the scenes.

#### 8. *Oil – Fuel of the Russian Economy*

The Russian economy is booming during the first years of the 2000s. Energy continues to be the main driver and the Russian state takes control of the oil industry piece by piece. The tamed oligarchs are richer than ever but have already forgotten how vulnerable the economy is.

#### 9. *Financial Crisis –*

##### *A Rollercoaster for the Russian Economy*

Despite denial by both leaders and oligarchs, Russia is severely hit by the global crisis in 2008. Some oligarchs lose 90% of their fortunes, but ordinary Russians are, as always, the biggest losers. After the crisis, the country's businessmen work hard to recover the economy.

### PART III – ATTRIBUTES OF RUSSIAN CAPITALISM

#### 10. *Power and Bribes – A Tradition of Corruption*

For centuries, power has led to abuse in Russia. The violent crime of the 90s and state corruption of the 2000s may seem like new phenomena but go way back. How these problems impact everyday life and what should be done to tackle them are the topic of this chapter.

#### 11. *Russian Luxury –*

##### *Glamour and Vanity Without Comparison*

After a one-size-fits-all mentality during communism, the Soviet citizens embraced the first signs of commercialism and were not shy to show the attributes of the new wealth. The oligarchs showed the way with a population struggling to follow. The home of the luxury is Moscow, but the new generation of rich Russians can be found all over the world.

#### 12. *Beyond the Elite –*

##### *Consumption Boom and the Downside of Capitalism*

In the 2000s, part of the new wealth eventually reaches others than the oligarchs, and Russia sees the emergence of a middle class, eager to consume but without any political views. However the older generation is still poor; even though Russia has become a rich country, it is far from a functioning welfare state.

#### 13. *Where is Russia heading?*

The book ends with a forward-looking conclusion. The author discusses two different scenarios for Russia, where one is authoritarian stagnation and the other a more liberal globalisation. In any case it will be an interesting development for the watcher.

#### 14. *Appendix I and II*

Short and action-driven overview of the economic development during the tsarist and Soviet eras

#### *For additional information or inquiries, contact:*

Anna Johnson  
AJ & Associates, LLC  
aj@ajandassociates.com  
425.286.6329



www.stockholmtext.com

## The Main Characters



#### **MICHAIL KHODORKOVSKY – The controversial oligarch**

The symbol of the oligarchs, at one point in time the richest man in Russia and the only one capable of challenging president Vladimir Putin. A controversial billionaire, whose reputation has changed from robber baron to dissident after he was jailed in 2003.



#### **ROMAN ABRAMOVICH – The spectacular oligarch**

The man with the most extravagant habits, the owner of the largest yacht and jet, with castles all over the world. Having lost both his parents at the age of five, his journey to the title as Russia's richest man and one of Vladimir Putin's closest allies in the early 2000s is remarkable.



#### **VLADIMIR POTANIN – The smartest oligarch**

After leaving the ministry for foreign trade in the early 1990s, Vladimir Potanin was the brain behind a solution for the poor Russian state to transfer its raw material assets into private hands. The structure was called the "loans-for-shares model" and was the main tool for turning the oligarchs into billionaires. It has been called the world's greatest theft.



#### **BORIS BEREZOVSKY – The most powerful oligarch**

During the perestroika, the scientist Berezovsky had two dreams—to win the Nobel Prize and own a car. The car was more important and Berezovsky left the academy to start trading cars. By the end of the nineties, he had become the key person in the inner circle around President Yeltsin. He was the man behind Putin as Yeltsin's successor, a decision that became his fall less than a year later.



#### **VLADIMIR PUTIN – The oligarch of the oligarchs?**

The man that brought state capitalism to Russia and put an end to the careers of eg. Berezovsky and Khodorkovsky. That Putin is the most powerful man in today's Russia is a fact, but there are also rumours about him being the richest, with speculations of a massive fortune, mainly through indirect holdings in Russian energy companies.



#### **OLEG DERIPASKA – The richest oligarch**

With a fortune estimated to 40 billion dollars in early 2008, Deripaska is the richest Russian man ever. But more indebted than anyone else, he was also the man to fall hardest in the upcoming financial crisis, losing 90 % of his wealth. The life of an oligarch can change anytime.



#### **ALEXANDER LEBEDEV – The outspoken oligarch**

An oligarch with a political agenda is a rare phenomenon in today's Russia after Putin has introduced his power vertical. Lebedev supports oppositional newspapers and make critical statements towards Putin and the Kremlin administration, thereby exposing him to significant risks as a businessman