PARANOIA WITHIN REASON
A CASEBOOK ON CONSPIRACY AS EXPLANATION

George E. Marcus, EDITOR

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In his 1925 film *Strike!* the young Soviet director Sergei Eisenstein plotted the progress of the revolutionary proletariat against four bourgeois captains of industry. Obese, cigar-smoking, and impervious to the suffering of others, the four men personified the evils and excesses of Russia's late imperial merchant classes, whiling away their evenings over expensive trifles while their henchmen brutally quashed strikers' revolts. This telling of the decline and fall of Russian capitalism, similar to many other Soviet films of the 1920s, bid farewell to the epoch of the *shkurniki*, greedy profiteers interested only in themselves, and heralded the age of *udarniki*, shock-workers of the new classless society.

Much political history in the Soviet period, as in czarist Russia before it, hinged on the repression of the powers that had been: Lenin lamented the capitalist degradation into which Russia had fallen and exploited the exploiters, Khrushchev denounced Stalinism's excesses in his famous "secret speech," Brezhnev sent Khrushchev into early retirement, Gorbachev set out to revive communism, and Yeltsin shed his own communist past in order to renounce it. Hence, in the current post-Soviet age, many see poetic justice in the return of capitalist entrepreneurs after seventy-four years of socialist rule. However, a closer look would seem to dispel the romanticism of such a return. Here I present interviews with three Russian businessmen of varying backgrounds, taken during the summer of 1996, which call into question the kinds of labels so often used to explain Russia's postsocialist terrain, the country's transition to free market economies, the democracy taking hold, and the emergent "New Russian" populace. In the contemporary Russian economic landscape, capitalists and communists are two categories that are far from mutually exclusive.

Limited private enterprise never entirely disappeared during the Soviet period. Lenin's New Economic Policy (1922–28) temporarily loosened the initial claims of the state over the means of production, and Stalin soon after denounced the "leftist" practice of wage equalization that had been favored early
on. In the agricultural sector, small plots of private land became one of the few ways for collective farmers to sustain their households during the economy's dimmest years. The system of perks and privileges that emerged under the Soviet socialist banner became legendary, as did the trading strategies of Soviet factory managers who routinely overordered supply goods in order to participate in expansive circles of barter and influence. Nonetheless, a generalized ambiguity about the culture of material gain, long prominent in Russian society, endured. As historian Jeffrey Brooks wrote of the Russian middle classes of the late nineteenth century, "Money [gained from business or commerce], although clearly sought after . . . was regarded with ambivalence and hostility by 4] much of Russian society, both because it was not old . . . and because commerce and industry were associated with the exploitation of others" (quoted in Pesmen 1996, 4). The same sentiment, nurtured under Soviet tutelage for decades, is witnessed still in the marked distaste so many Russians have for open discussions of money and property.

In December 1993, when the new constitution of the Russian Federation asserted that "every person has the right to freely use his abilities and property to engage in entrepreneurial and other economic activities unrestricted by law," few might have gauged the extent or irony of the "unrestrictions." By 1996 the federal government had transferred over 100,000 commercial entities, large and small, to private ownership. The ultimate privatization of over 15,000 factories affected more than 60 percent of the industrial work force (Stanley 1996, A1). But the move toward privatization, or privatizatsii, was quickly likened to "grabification," or prikhvatizatsiya. The most common scenario was for managers of state firms to install themselves as de facto owners, using their influence to run their new companies as small satrapies which often buckled from the weight of their inherited debt loads. The more spectacular robber baron successes have led men like former auto dealer cum auto potentate, Boris Berezovskii to insist that he and six other men control over 50 percent of the Russian economy (Forbes Magazine 1996). The loosening of state controls all around has also heightened rates of violence, with almost anyone doing business in a major city the potential target of extortion. In 1995 over forty thousand murders took place in Russia (an additional seventy thousand people disappeared), making the country's per-capita murder rate three times higher than that of New York City.

At the forefront of Russia's postsocialist merchant classes are a group known, appropriately, as "New Russians" (novye Russki). In Moscow perhaps more than any other city, they have come to personify the nouveaux riches lifestyle that has transformed the grey capital into a sea of fur coats, Mercedes, Rolexes, protection services, nightclubs, and casinos. Such sudden rises in fortune illustrate how high the stakes can be. In 1996 one British investment prospectus for a Russian satellite telephone company opened with an array of caveats so dizzying it was difficult to imagine how investors could have proceeded. On the one hand, the promise of investment was evident: Only a few years before, the company had been a wing of Soviet satellite military surveillance and it was able to enter the market with considerable inside influence over radio frequency regulators. But among the risks potential foreign partners faced were nationalization and expropriation of property, the instability of market legislation, the falling value of the ruble, limited repatriation of profits, the inexperience of the Russian courts in commercial and corporate law, the frequent legislative contradictions between different levels of government, the near impossibility of honoring erratic tax regulations, the absence of insurance on bank deposits and, finally, the high cost of bodyguards. Yet upon their opening on the foreign stock exchange, the company's stock tripled almost overnight.

During the 1996 presidential elections Communist politicians got a good deal of press by reminding the electorate that the simultaneous rise of New Russians and the Mafia was not a coincidence. Here New Russians appeared as the hidden class of capitalist conspirators who had brought about perestroika and the eventual ruin of the country. Conspiracy discourse has long been a popular gambit in Russian politics, and between the folklore for all things conspiratorial, "Mafia is a symbol for what happens when the visible hand of the state is replaced by the invisible hand of the market. The attention to Mafia affairs becomes all the more relevant when one reasons, as Katherine Verdery has from her work in postsocialist Romania, that "Mafia is a symbol for what happens when the visible hand of the state is being replaced by the invisible hand of the market. The image suggests that there is still a hand, but it has disappeared into the shadows" (1996, 219). Indeed, the mafia has all too appropriately become a key symbol in postsocialist Russia where few other links between signifiers and signifieds—between socialism and the social honor it was meant to uphold, between market relations and the rapacious path of the government, between New World Orders and organized crime—have been managing to hold up. In the frighteningly blank space of explanations, the Mafia have emerged as one of the few persuasive emblems of a political economy no one entirely sees.
BRUCE GRANT

Capitalist conspirators from Sergei Eisenstein's 1925 film Strike! (Stachka!). Courtesy of the Museum of Modern Art Film Stills Archive.

With the realm of the public so routinely conflated with the private, and with words like capitalism (and socialism) so seemingly emptied of commonly held meaning, Russian entrepreneurs, embraced by the state for the second time in this century, are left to do business in an environment where all manner of persuasion, benign, bellicose, and baroque, is king. This lends an added import to the Russian word for conspiracy, zagovor, meaning both "magical words toward a desired end," and more plainly, "the start of talk."

Rafael Pavlovich Khakopian

A Russian citizen of Armenian descent in his early seventies, Khakopian rose to prominence in the aluminum industry before undertaking professionally what many state managers did privately throughout the Soviet period, the redistribution of state-owned commodities. He was in the unusual position of representing Soviet trade interests abroad, and now pursues several large-scale resource development projects. We met for the first time at his home outside of Moscow through a friend who tutors his children in music.*

KHAKOPIAN: So what, start with a biography?

GRANT: Right.

KHAKOPIAN: I was born to a relatively well-off family. My father fought as an officer in the White Army before the Revolution, became a prisoner of war in World War I, and then left for Europe for a short time before returning. My mother, in her later years, worked as the first secretary of our local Party Executive Committee in Uzbekistan. You know what this means—she was part of a very elite caste for her time. Growing up I had everything. I finished school with a medal. I entered the law faculty so that, upon finishing, I could enter the Moscow Institute of Foreign Relations. But life took its own course. In 1949 I was named in a lawsuit for anti-Soviet agitation and a host of other small fabrications of a political nature. For this they gave me twenty-five years and for this I came to know the entire archipelago of Stalinist camps. Although in 1947, before this, I had been given the high honor of attending a banquet in Stalin's personal chambers in the Kremlin. This was in Moscow, in 1947. I had won an all-Union prize for mastery in boxing and attended a sporting banquet given by Stalin. In 1949 they turned on me.

Nonetheless, I understand that this wasn't so much against me as against my father and mother. It was all such political intrigue.

GRANT: Were your parents still living then?

KHAKOPIAN: They were, though shortly after my arrest, my father became bedridden and soon died. My mother lived until 1978, though she had long before been cast from Party offices given my status as a political criminal. This is how it works.

GRANT: How dreadful.

KHAKOPIAN: Yes, it was dreadful. I went through dozens of Stalinist camps. They arrested me in Tashkent, where I was living at the time, and initially sent me to Kazakhstan. From Kazakhstan they sent me to Siberia. There is a city there called Angarsk. Not far from Irkutsk. Earlier it had been named after the river Kitoi, so Kitoi-Lag it was called. From Kitoi-Lag they sent us to Bukhta Vanina. From Vanina they sent me to Kolyma. From Kolyma to Chukotka.

GRANT: What would the point be in moving people so often?

*All names are pseudonyms. What follows are three interviews of the eight I conducted for this project in June and July of 1996 in Moscow and St. Petersburg. Of the three printed here, roughly half the conversations have been used since I excluded the more particular talk about presidential elections going on at the time. The internal sequencing of the conversations themselves has been retained. All conversations were conducted in Russian, except for the interview with Aleksandr Maliyshiev, who is fluent in English. All translations from the Russian are my own.
KHAKOPIAN: People were being moved about all the time. All the time, so that people couldn't form into special groupings or get too accustomed to one area and become too knowledgeable about their surroundings. It was very important for camp psychology that no one know each other very well. This was all done very brilliantly. During the Khruuschevian thaw, there was a Central Committee commission that traveled directly from place to place, examining people's documents and reviewing their cases. They freed some, left others, and sent new prisoners still off to more camps, but in general, they cleaned the camps out. And so, finally, in 1960, by request of the solicitor general of the USSR, the Central Committee reviewed my case and pronounced me innocent of all charges and I was rehabilitated. But of course, I'm just giving you the most general outline. I don't see why I should go into the horrors and the details of camp life. It should be clear in and of itself.

GRANT: Twelve years?

KHAKOPIAN: Almost. Well, what do you do? You have to start your life again from scratch. I had no one left in my family except my mother, and so I headed back to mother's home. This was back in Tashkent. I was offered a permit to live in Moscow, but I declined and asked to stay in Tashkent. I finished one more institute, to get a formal education in engineering and construction. I was in my thirties, but my health had suffered greatly. I had one heart attack while in the camps, and then a second, but I was eager to begin another career. Through this I again became involved in the work of the Party.

In 1964 I was asked to move to a new enterprise in Dushanbe, the former city of Stalinopad. Why? The republic of Tajikistan is relatively small, and was largely agrarian at that time. But at the same time Tajikistan is rich in certain resources, especially hydroelectric resources. Work began on the construction of an enormous natural gas project, Norinskii-Gaz, an enormous well of energy. And in connection with that the government decided to create one of the largest aluminum factories in the country. So I was sent there to work in connection with the factory. The factory was built in conjunction with a French firm, Aluminum S.A. This was the 1960s and the French Socialists somehow made headway with this. As a result, we built one of the most modern aluminum plants in the country in Tajikistan. This is where I worked for many years, well, until 1984, when I had my third heart attack. By that time I was already part of the nomenklatura of the Soviet industrial ministry. And in 1983 they had offered me a new position in Moscow, with a quite high position as the senior assistant to the minister, a certain Lomakh, Petr Fadeevich, a very smart man. We were in charge of absolutely everything, do you realize? There was gold, and aluminum and silver—basically, all of the precious metals. I had this offer from Moscow, but by the time I had my third heart attack, I realized that I had to take on a less demanding pace of work and I declined. I decided to retire where I was already living, in Dushanbe.

GRANT: What came next?

KHAKOPIAN: In a word, perestroika began. Cooperatives became in fashion again. I had a lot of enterprising friends, colleagues, and comrades who had a good amount of experience in the existing hierarchies. And so, with a number of these friends, I founded a firm called Kontakt. I became its president, and by association, its principal executive. All of my colleagues were formally listed as contract workers. That is, no one else bore legal responsibility for the firm, no one else purchased stock or that kind of thing.

At the time, Gosplan [the state planning ministry] controlled—as it does to a certain extent still today—how much various firms could be allocated and could produce. It was a rigid system of limits on various sides. As a result, every manager looked for any way to organize reserves, to have a set of reserves beyond his limits. However they did it, legally or illegally, spending weeks in Moscow restaurants plying clients with cognac and expensive food, most people got what they wanted. What happened of course, was a situation where thousands and thousands of enterprises had accumulated a great deal of goods they eventually had no idea what to do with. That is, goods, equipment, machinery that were all excess, just piled up in a warehouse waiting to be traded over another bottle of cognac.

GRANT: Very smart.

KHAKOPIAN: Yes, but what to do with all these things? Because during perestroika everything had to be counted. The government started demanding inventories. What kind of situation were you left with? You have one fellow who suddenly is supposed to be paying taxes on his warehouses, on his inventories, and has no idea what to do with these enormous loads of goods. And then you have another guy who is searching the country high and low for these very products. So you start to get the picture. I became involved in the redistribution of state property.

We made our own kinds of advertisements, but mainly we worked through friends. I went to all my old colleagues and comrades and acquaintances and I said, “Tell us what you need, and tell us what you want to get rid of.” That’s how it worked. And once we started to get this database together, it couldn't have been more simple. Well, look, he needs this, and he has this. Let's move it, and let's get our commission. It couldn't have been easier.

The firm started to grow, and it grew quickly. I opened some extra branches outside of Moscow. One in Kaluga, another in Rostov-on-the-Don, another in Sochi. Eventually Gorbachev announced the formal end to the Afghan war. Soviet troops and all their equipment had to be evacuated from the country. When I heard this news I got very excited and I knew that I had to act quickly.
I flew to Alma-Aty, which had been the main shipping point for goods to the Afghan front, and there I got permission from both the Alma-Aty and central Moscow governments to ensure that all equipment returning to the country via Alma-Aty would be realized only through our firm, Kontakt.

Grant: Good idea.

Khakopian: It wasn't just a good idea, it was a monopoly. We made a killing. It was a very big deal. Literally, day after day, we did nothing but receive convoys of equipment and send it off in all directions around the Soviet Union. Some of it we bought ourselves and then sold later on. Some of it we bought and remanufactured. It was a very big leap and very big money. By 1990 the accounts for Kontakt held over 450 million rubles.

Grant: That was an enormous amount of money.²

Khakopian: It was a ridiculous amount of money. It was literally half the budget of the entire republic of Tajikistan! Their annual budget was 800 million rubles at the time. And the thing is, once we reached that level, we were playing in a completely different power structure. The same year, we set up an agreement with an Italian partner involving a $300 million contract. But the nature of the contract, very unique for the Soviet Union at that time, because it was declared a federal contract, was such that the republic of Tajikistan didn't receive a single lira.

The Italians were very interested in aluminum. Indeed, all of Europe was interested in aluminum. Processing aluminum, as I already mentioned, was very harmful. So I made them a proposal: we would produce aluminum foil from our factory—and incidentally, Tajik aluminum is some of the purest in the world—and alongside that, we would produce specially lined boxes for long-term storage, like the tetra bricks you use for juices or long-life milk. Meanwhile, in Dushanbe, we had an enormous factory that produced refrigerators. It worked with very old technology and hadn't been doing very well. So in return, our plan was that the Italians would completely renovate the factory using the most modern new methods, producing new refrigerators as well as refrigerated shipping containers. On top of that, the Italians were able to provide us with entire new conveyor systems for fruit and vegetable processing for dozens of plants. This was and still is a particular problem in Tajikistan, as all around the USSR, where you have enormously rich produce and up to 30 percent goes to waste for want of adequate processing facilities. The Italians were ready to guarantee us full processing for all we harvested. So in return for the aluminum we set up the refrigeration plant, and the tetra bricks, and the food-processing units. In and of itself this kind of deal wasn't unique, but we added in an extra clause. From the new fruit and vegetable processing lines, the Italians agreed by contract to purchase 30 percent of our projected output, that is, 30 percent of all the packaged fruits and vegetables we projected for a three-year period, paying in hard currency. This was, indeed, hundreds of millions of dollars. Staggering! We worked out our schedule, the Italians sent their engineers to lay the ground. And then, the war in Tajikistan began.

Naturally, I wasn't without influence in Tajikistan. I had opened up an entire line of plants myself and directed an enormous amount of funds in and out of the republic. I was a middleman as well as an industrialist. What can I say? I had everything. I had transport, I had my own airplane. I spent most of my time between the car and the plane. It was commonplace for my wife to wake me at three in the morning to say, "Tel Aviv is on the line." It was not an average Soviet life. We had an apartment in Moscow, an apartment in Dushanbe. But when the war started, I realized, I had to get out quietly. Money was not that difficult. Most of my money I was able to redeposit in a Moscow bank. There was other money that I redirected to Belgorod, just over the border from Ukraine, where we also had a branch. And I started a new firm, Rafik, in order to move things around. But one day I knew it wasn't going to work. I had sent a convoy of trucks, eight trucks, and they got stopped at the border. The drivers called me from Moscow and said, "They're not letting us by." And I said, "What can you mean? Remember, this was still all the same country, one Soviet Union. How can you not let something by? But I knew what was happening, and I said, "What do they want?"" They said, "They want one of the eight trucks." And I said, "Okay, let them have it." I knew that it was over, and it would go on like this until they stopped asking permission. Next I sent off thirty train cars. Next I sent off five more cars filled with refrigerators, and what's more, with enormous security provisions. But this was only a fraction of what could be done. In 1992 I went back into Dushanbe to relocate my family. The day we left we had machine guns in our laps as we drove through the center of town to the airport.

So what is this to say? You have to start over. We had lost over half of our assets in one fell swoop. More. The hydroelectric equipment was there. The air conditioning plant was there. The food-processing plants were there. My apartment! It is not an apartment but a museum. In every room there was a different museum-quality parquet, just like in the Hermitage. Carpefts! I did it all for the children. I know who is living there now — friends of mine — but it's all fallen apart. It's effectively still a war. I have constant connections. I know what's going on, but it was the end there for me.

So that was the twenty-fourth of October [1992]. In four days we were back in Moscow. My wife is German, and I am Armenian. A purebread, as they say. By the same token my wife is, according to state criteria, a pure German. She has a number of relatives there and they were all calling her. That very day, on the twenty-eighth, her last relatives were leaving to go live there. Her grandmother, uncle. And while we were in our apartment, we get a call. "Rafael Pavlovich, are you home?" someone asks. I said, "I'm home." And they said,
"Okay, we'll be right over." I have no idea who these people are. Who? What? Where?

I am sitting in one of the back rooms of the apartment with an employee of mine from the Sochi office. We're sitting over a bottle of cognac and talking. And there's a knock at the door. My wife goes to answer, and Boon! OMON [the Russian alpha security force]. There are eight agents, two in fatigues with machine guns. Everyone is armed. And they march in quickly to seal the apartment. Someone produces a warrant. The Moscow attorney general had signed an order for a search. You can imagine what my wife had to watch. They turned the entire house upside down. Everything. Finally, they looked at me and said, "You'll have to come with us." And I said, "Well, if I have to, I have to." And my wife said, "And you're going to bring him back." They looked at her in this funny way and shrugged their shoulders. "Sure, probably. We're just taking him in for questioning." You can imagine this after ransacking our entire apartment, with our relatives and guests watching in horror.

We got into the car and that was that. The fellow turned to me and said, "Okay, we're going to Belgorod."

Grant: Isn't that a long way?

Khakopian: Seven hundred kilometers. At night. We drove at night and arrive in Belgorod and they put me into prison. What are the charges? Well, they say, 214 million rubles have arrived via the bank. What are they for? I explained that I had been moving my capital from Dushanbe because of the tensions, that it had all gone through a government commission in Moscow which had approved the transfers and taken the tax. It wasn't as if I did it in the dark of night. I had trailers of equipment arrive. I had over a dozen employees relocated there. We purchased apartments for them. We were organizing new production. They said, "What about the arms?" And I said, "What arms?" And they said, "The bodyguards that came with the trains?" And I said, "Well, that's obvious. It's an official protection service." But they said, "Exactly. You got permission for those weapons there, in Dushanbe. And you transported them over the Russian border." Well, what were the border guards doing, among other things? In short, they made me out to be a heavy mafia. And they held me for seven months.

Grant: In prison?

Khakopian: Yes. But I was literally being held. Nothing more. There was no violence. No brutality. Occasionally they would call me in the middle of the night for "conversations," but even then they served me coffee. It was very unusual. And every time I said to them, "Look, you know better than anyone that you have no shred of proof and you won't find any. I am not a criminal and you won't turn me into one. So what do you want?" They said, "Rafael Pavlovich, have you ever seen in the West that someone takes out a big mafia kingpin for big crimes? They're always held up on minor charges and kept in prison while their organization falls apart without them." And that was it. In seven months, they let me go, as if it was the most natural thing in the world. Poof. That was it.

Grant: It sounds like old Soviet times.

Khakopian: Yes, but it wasn't. This was May 1993. The sad irony, of course, is that, though I wasn't a mafiosi, half of my organization did fall apart while I was gone. Some people thought I would simply never get out of prison. Others thought I would even die there, and they started to carry things off.

So again, I had to start over. One way or another, we put our lives back together. While I was away, my wife gave up our Moscow apartment on Prospekt Mira and moved here to the suburbs. It was only a year later, the summer of 1994, that they tried again. We were at the apartment in Belgorod, planning to leave to go on to Sochi. It was around six o'clock at night, and we were preparing to leave the next day. There's a ring at the door. My wife answers the door, and again two men in fatigues. With weapons. They ask, "You'll have to come with us." My wife doesn't even say anything this time, nor do I. It is all beyond belief. We get in the car and arrive at the station and they look at my passport. They announce, "You're under arrest." And I say, "Are you out of your mind? Do you have any idea what you're doing? Do you even have a charge?" He pulls out a piece of letterhead from the solicitor general of Tajikistan which says, "Arrest and extradite." When my wife found out she practically fainted.

The next day they took me from the station to the prison, but at the prison they wouldn't admit me. They needed something from the Russian solicitor general, and of course they didn't have anything. The next day they tried again and got the same response. And so on. In the meantime they were keeping me in a cell in the basement of the local militia office. A vile place.

On the one hand, it was fine because I knew I had done nothing wrong, but by the time they had kept me for three months, I began to get worried. In the first place, staying in the cellars of a militia office was not pleasant. It was extremely damp and cold, there was no bedding—they were clearly trying to make it difficult for me. After the first two months I began to get sick and doctors arrived to have me transferred to a military hospital, but the militia wouldn't give me up. Finally, it was the doctors who got the most exercised at the criminality of it all and they were the ones to call in the state's attorney himself. He came to me and said, "Rafael Pavlovich, the state of Russia has no charges against you, but we have this letter from Tajikistan." I said, "Do you have any idea what Tajikistan is right now? If you hand me over, I won't even make it between the plane and the airport when I arrive because they will shoot me the moment I touch the ground." He said, "We don't want to give..."
you up, but we don't know what to do.” I said, “Well, at least send me to prison, because in prison at least they have normal conditions. They feed you, they let you bathe, they give you sheets.” And this is what happened. I went on to spend another month in the Belgorod prison.

It was another month until one day, a special affairs agent from the Tajik government came into my cell. He was wearing this special uniform and I had to keep myself from smiling because it was the same man who used to be one of my deputy directors, Vadim Vladimirovich Chekhov. He came in and said, “Raf Pavlovich, it’s time to pay up.” He held out a piece of paper which said that the Tajik government had no claims against me, but said I couldn’t sign it until he left with money. I said that I had nothing to give him but that if he wanted to contact my wife in Moscow, that was his prerogative. That was the entire conversation. He smiled at me and said, “All right. I’ll go to Moscow.” And that was that.

They asked for neither a lot nor a little. Fifty thousand U.S. dollars. My wife called in dozens of debts and liquidated some of our holdings quickly. In the presence of some of the security people who still work for the company, she handed over the money and got a signature. Two days later, I was released. You have to realize the condition I was in when I got out. I looked terrible, and was taken directly to the hospital. I stayed there another month, began to get my strength back, and look around me. It was a strange feeling because, you know, I wanted to toss it all. I wanted to give it up and just turn my back on the whole thing. But it’s strange, you know, because you have to work.

Grant: You’re an existentialist.

Khakopian: But you also have to realize what kind of time it is for Russia today. Let me give you an example. I remember a conversation I had with my wife, in 1988 or 1989. We had a balance in our bank book of fifty thousand rubles. And my wife said, “Let’s stop. This is enough. We could retire on this now.” I wasn’t sure, and I said, “Wait until we get to one hundred thousand.” Think of that! Can you imagine what one hundred thousand rubles is today? Barely twenty dollars. And we wanted to retire. For me to feed my family and live normally today, I need something in the order of 5 million rubles a month. A thousand dollars. That is for a plain existence. And I still need to raise my children. The twins are only nine. I married very late, my wife, in 1988 or 1989. We had a balance in our bank book of fifty thousand rubles. And my wife said, “Let’s stop. This is enough. We could retire on this now.” I wasn’t sure, and I said, “Wait until we get to one hundred thousand.” Think of that! Can you imagine what one hundred thousand rubles is today? Barely twenty dollars. And we wanted to retire. For me to feed my family and live normally today, I need something in the order of 5 million rubles a month. A thousand dollars. That is for a plain existence. And I still need to raise my children. The twins are only nine. I married very late, my wife is much younger than me. I could go abroad, my health would permit that. But what would I do? I can’t get my pension there. Which means I have to stay, and I have to start something new once more.

Democracy is a word people use to describe Russia all the time these days, but it’s not a democracy. Today we are closer to anarchy. It’s true that you can say anything you want and you can protest anywhere you want, but you can also kill anyone you want, which incidentally is taking place, left, right, and center. In business—I will speak openly—every single person, and I mean every single person who has achieved a thing in Russia today, has done so through some criminal activity. I could give you such a list—banking criminals, trade criminals. Everyone is lying to everyone. The government lies to everyone that has money, and even those that don’t. Everyone else lies to everyone else. It is complete corruption from top to bottom. When you go to the city offices downtown, the first words out of every single low-ranking bureaucrat you speak to are, “What will I get out of it?” If he gets paid, then fine, if not, then that’s that. I’m not even talking about the outrageous system of taxes. Outrageous.

What are we left with? No one is investing anything and no one is producing anything. So instead we have a massive exchange of debts and services. Every single enterprise is in debt to a dozen other enterprises and no one has a single dime in their accounts. For example, I recently negotiated for and received the rights to harvest an unusually high quantity of natural gas. This was for sale since it went above someone else’s limits, and it’s easy to see since Russian natural gas is so inexpensive. The sites are not far from Nizhnii Novgorod, I found a major company there to harvest the gas, the automobile company Gaz. But rather than pay me, they offered instead to pay me in Volgas, in automobiles. All of Nizhnii Novgorod needs this gas desperately. Industries are sabotaging without fuel. And yet we are still working within this ancient primitive social formation of one good for another, a moneyless economy, barter. I am overseeing one of the largest business transactions in Nizhnii Novgorod there is, and yet I may never see a single ruble from it. There’s no promise that I won’t be lost in an endless cycle of one good promised for another. What do I need thousands of automobiles for? And yet somehow we are working.

Think about where this leaves me, however. On the one hand, it’s not so bad because I have a very wide network. I have a friend who works with the governor’s office in Nizhnii Novgorod who has been looking out for me, and he can probably help me find a buyer for the cars. We might end up selling them for the lowest price going, but we’ll sell them. Yet imagine—I’ve never bought or traded automobiles before in my life. I know a lot about natural gas, but somehow now my fate hinges on how well I can represent the auto industry to another buyer. It puts anyone in a very tenuous position. That’s only the beginning.

Of course in this kind of situation it’s difficult to work. But if you want to live, and not live badly, you have to be sharp. You have to analyze, you have to think, and you have to try to figure out what will come around the bend tomorrow. What disturbs me the most is not the whole system itself. The system itself hasn’t changed. It was the same system we had before and I fear it’s the same system we’ll still have tomorrow. It’s really not a question of politicians or parties. It’s a battle over power, and power can be a terrible thing. You realize—crime exists everywhere. But what kind of crime? Can you
compare it to the all-consuming crime we have here? The level of crime in our country today means horror—complete horror. Add to that the psychology of a country that permitted Stalinism in the first place.

And yet having seen all of this, I still can't describe to you what it's like to live today. To imagine that Russia could have arrived at the situation it's in today, to see the economy on the verge of collapse—indeed, to see it collapse—this is something I could have never imagined. And to even think of what would be required to remedy this. Look, in the past there have been mistakes, lots of them. And even me, with all of my contacts in politics—I was in the middle of a business deal three years ago and pledged to someone, "I'll lay my head down on train tracks if the government should raise prices again. They won't!" And this fellow just looked at me and said, "That train's already left."

Valerii Shchipok

Shchipok, 47, was a graduate student in Sanskrit philology in the 1970s when he was arrested for theft of state property. Though he admitted to the crime, he refused to name his co-conspirators and served ten years in prison. We knew each other through a close friend in common, a woman with whom he had begun in graduate school. We met at her home in St. Petersburg.

Grant: Let me start by asking what you're doing now.

Shchipok: Formally, I'm the director of a firm. So far we haven't had any actual business, so it doesn't really exist. We have some thoughts of working with some people in Finland, but that's up in the air. That would be good. A kind of joint venture. Before that I was selling lottery tickets on the street, but it was too much hassles. I gave it up. In the first place, there was too much competition, but I also got tired of having to deal with the police all the time. With Mafia it wasn't so much of a problem because no one really takes lottery tickets seriously. The small Mafia concentrate on the street vendors selling vegetables and coffee and stuff, but for some reason they kind of leave the lottery people alone. But the problem is — then the police decide to go for you because the Mafia haven't. And the police would hassle us all the time for our profits. I know how bad it was getting since I had started selling tickets years ago, right on Nevskii Prospekt. I thought it would be better there since it was more crowded but they hassled us just as much as before, so I gave it up.

It's a shame, since lottery tickets used to be such a good racket. That's why I got into it. Just three or four years ago, for example, I could go to Moscow and take out a million rubles' worth of lottery tickets. Because I was a state employee, I was entitled to large loans, and they would loan people just enormous sums. So I could take out a million rubles. The point was that hard cash was a huge problem around Leningrad in 1992, as it was almost everywhere.

Almost anywhere in the country you could get two rubles credit on paper for every real ruble you had in your hand. So all I had to do was get a million in cash in Moscow, take it to Leningrad, take half of it and send it back to the bank as one million, and pocket the other half. Get it?

Grant: Wow.

Shchipok: It's all in the double accounting. In Russia it's one of our specialties. Cash-flow problems had crippled the country and the left hand never knew what the right hand was doing. I took the money back to Petersburg and handed half a million rubles in cash over to a company I had registered. Then, in turn, acting for the company, I deposited it as one million rubles in the bank since the government had decreed banks could give double credit for actual cash. It was completely criminal and it was very easy. I was left with half a million rubles in my pocket. It's just one moment out of many.

Grant: I know that it's called "criminal"—
SHCHIPOK: It's criminal but it has also become the very ground on which the whole society works. It leaves the whole government in a double bind. On one hand, the government knows that it has to combat crime. But surviving today means breaking the law, plain and simple, and government officials know this better than anyone. For a clerk or a policeman to make enough money to feed their family—and I'm not even talking about people getting rich and taking it all to Spain—they need to be taking part in the very crime they are meant to resist. In the end, it's very profitable for everyone involved.

GRANT: You hear all the time about taxes.

SHCHIPOK: Let me tell you, if I tried to pay my taxes honorably, I physically could not have a cent left. They are literally above the level of gross earnings.

GRANT: What kinds of taxes did you pay?

SHCHIPOK: Personally I've never paid any. I've never even gotten into that. Honestly, I planned on paying taxes when I started, but after consulting with accountants, I understood that it wasn't feasible.

GRANT: Russian accountants today have to be either walking computers or sorcerers, or both.

SHCHIPOK: Fraud artists would be closer to it.

GRANT: We hear about these things all the time, but how does it actually work? You said that policemen gave you a hard time, but did they just walk up and ask for money?

SHCHIPOK: Sure. Lottery salesmen are easy targets since they are normally part of small operations and policemen guess that they won't be taunting too large a group if they cart off one or two guys. When I was selling, I had a group of four or five guys working under me, and they were always getting put in prison for no reason. We had registration papers and everything, but the police would just shrug their shoulders and hold them there until I gave them money. After a while, I learned to buy them off in advance, because paying by the incident just became too expensive.

GRANT: Was it called a penalty, or was it openly just called a bribe?

SHCHIPOK: Once or twice they claimed we had not properly filled our papers, which wasn't true. But after a while there was no point in pretending. It happened too often for them to even register the arrest.

GRANT: I'm curious about what this meant financially. Was it a big sum for you to pay?

SHCHIPOK: It was a lot of money. Eventually, as I said, it became too much money to even stay in business. I was working, and I was losing money on top of that, so what was the point? But initially, it was better to pay the policeman than have them invent a crime you would have to somehow pay for. It was always easier to pay the policeman.

The only thing that helped from time to time is that lotteries all used to be

controlled by the state, and sometimes that made the policemen standoffish. They didn't want to get involved in taunting other state workers. But the irony was that lotteries have all been privately owned for the last five years. You can even buy the rights to call your lottery a state lottery, since that makes people think they are somehow investing in state welfare even if they lose. Most call themselves charitable lotteries, but in reality the money just becomes a feeding trough for the people that run it. As ticket sellers, we were at the very bottom of the totem pole. We got to keep 10 or 15 percent of the money, and the rest we were supposed to pass up the hierarchy.

Besides, once you get into this kind of crime—and almost everyone in business is—it's very hard to get out of it. Everyone has something on someone else. Everyone knows too much about everyone else. These days I don't even come to the phone anymore. Half the time it's someone trying to get money out of you—bandits or militia calling you into their offices under false pretenses.

GRANT: Like something out of the Wild West?

SHCHIPOK: People say that all the time, as if that's supposed to make it better. "The West did it, so now we can do it too." The problem is, it makes it look like there's some kind of real logic to how all this works, because sometimes people do things that are purely Soviet. Once, one of the tax inspectors who knew me came up to me on the street and said, "I sent you tax forms to fill out so don't go pick up your mail. If you don't pick up your mail we can't prosecute you for having failed to pay." The strangest part was, this guy was probably the only person I hadn't paid off. What do you say when even the informers start to inform on themselves!

GRANT: Do you think there are any people who have gotten rich honorably?

SHCHIPOK: I don't know. Maybe people like artists, who make careers out of their talents. But in principle, the famous performers already lived pretty well, even under Stalinism. Although, of course they received a lot less. For those people who actually pay the taxes, I mean. I don't know, I couldn't say. I'm not sure I've ever met anyone who paid all the taxes.

GRANT: I ask because I'd like to move away from stereotypes and yet, when you do meet very rich Russians, most of the reaction is, "Slippery."

SHCHIPOK: Naturally. But that's also our mentality. The reaction of any simple Russian when they see a successful person is, "What a swine." It's the typical response of someone from below looking up. But I would also have to say it has been validated, since the kinds of people that have gotten ahead in the last few years have been the least honorable, by my experience. I think that any form of business, in principle, requires a craftiness. How one walks the line between craftiness and fraud—between, for example, commercial common sense and crime—is always up in the air for us. Where is that line?
The period of capital accumulation, the initial phases of capitalism, are always dominated by semicriminal elements. But even now you start to see a sacrifice to the bandit ring. It's like a sacrifice, a distinctiveness in all things, but not distinction. Basically, it's barbarism. But on the other hand, maybe it's necessary for us to overcome the decades of dull greyness. It's like (Valerii) Briusov, our famous nineteenth-century symbolist. Once he went off to Tallinn and wrote letters to a friend in Petersburg making light of all the delicate fineries of the Baltic lifestyle. Going for little walks, admiring the lawns, having breakfast brought to you! An average Russian just shakes their head at all of this. It's just beyond us. It is very funny.

The kind of leveling you were talking about reminds me of how odd it was when I was first learning Russian to get used to the prevalence of expressions like nash and vash [ours and yours], signifying huge groups of people you putatively were included or excluded by.

The only time I really felt that kind of leveling powerfully was when I was in prison. From the very first day, you're obligated by other prisoners to act exactly the same as them. Drink tea with them, although I never drank tea before. To smoke with them. The majority are real polytechnical dropouts, working-class masses. When anyone different fell in among them, it could be very cruel. I remember one older man who had been director of a state enterprise. People mocked him savagely. And there's no way to get away from it. You're obligated to spend all your time together. That's when the leveling was the most intense.

I think, in fact, that the greatest tension in prison didn't come from the guards or the amount of time you had to spend there, but the constant psychological friction with the other inmates trying to draw you into whatever it was they were doing. Even when you got moved around from city to city. I was transferred once from Leningrad to Sverdlovsk and then from Sverdlovsk to Krasnoyarsk. And even when you would have all these guys in a holding tank in a new city, up to fifty, and none of them have ever met, that's when this grouping mechanism was the most obvious. The second we were all put in one of those tanks, people would start forming into small circles, usually for
drinking tea. Usually there weren't enough cups and so you'd have four or five people sharing the same cup of tea. But the ritual was always the same—once you got to the fifth person, and they drank up, the first question was, "Who else do we draw in?" That was the most difficult part for me since I obviously didn't fit in. I wasn't exactly from the intelligentsia, since I never finished my degree. But everyone knew I was different.

Grant: So how did you deal with it?

Schipok: Well, I'm a very cautious person. It's hard to draw me into things. And I used to box before I got into prison, so I fought when I needed to. No one in prison ever liked to fight one on one. It was more common for whole groups to attack someone while they were sleeping. It's the lowest kind of psychology, and this criminal mentality finds its way through the whole society. For starters, you have to remember the number of people who went through the gulag system. A very significant portion of the society either went through it or had relatives who came back and influenced them.

Grant: It's interesting—would you say that the time you spent in prison helped you when you started in business, the kinds of things you learned?

Schipok: It's hard to say, because on a very plain level, prison life put me behind in so many aspects of social life. There are hundreds of things still today that I just don't understand because I wasn't reading the newspapers, I wasn't watching television. But in other ways, sure. It's very easy for me to defend myself against competitors, to show them who's boss, because I have more practice at standoffs than they do.

What struck me the most in prison, though, was how much people could reinvent themselves. You have to in order to protect yourself. You become someone new, someone tougher when you get in. Then you pass yourself off as someone new, more respectable, when you get out. I think about this all the time for business now, because everyone I know is changing their skins like clockwork. One day they're in a suit and smiling at you. Then, the next moment, they're roughing someone up.

Once when I was in prison, I knew one fellow named Kalinin. Initially he was hired on as a carpenter at the camp, and eventually he trained to become a guard. That is, he became an officer. Then he became the director of the camp, then the director of all the camps in the zone, and so on. Over the course of ten years he became a colonel and a very highly placed figure in the entire camp system. He was both severe and cruel. That is, he beat people himself. He punished transgressors himself, and did it with some pleasure. Then when perestroika came, I used to see him on television. He was advertised as a leading light of democracy and perestroika and all the rest. And so I decided to write a letter. I wrote the prison commission and they actually came and interviewed me. They pulled me out of the camp one day and came to interview me. And they kept stressing, "Did he personally beat people?"

And I answered, "Yes, I know a list of people who he absolutely beat, who could confirm it." And they kept saying, "But it's not possible. He's the kindest person you could ever meet. The finest we know." And I realized, that's possible, too. I mean, we all know stories of the officers from fascist Germany who played the violin while thousands died in their camps. A lot can fit into one personality. A lot.

Ivan Andreevich Malyshev

Now thirty-nine years old, Malyshev worked abroad for several years as a high-level Soviet diplomat before becoming a foreign investment consultant. I met...
with him and his wife late one afternoon in the lobby of a luxury hotel in Moscow, where they were attending a formal reception. They were elegantly attired and spoke flawless English.

**Grant:** Can you tell me a little bit about yourself, about your biography?

**Malyshev:** I am naturally concerned about anonymity, obviously, because of the client base and for other obvious reasons. But, well, I graduated from the Moscow University of International Relations, majoring in economics and politics. Then I entered the foreign service. Since 1991 I’ve been in private industry—that’s a short summary.

**Grant:** What kind of work have you been doing over the last four years?

**Malyshev:** I’ve been involved in consulting, in explaining how to do business in Russia. We’ve been representing a couple of vendors here, major oil companies, and also we’ve been promoting a system of communication between the congress and the parliament. So this is kind of what we’ve been doing. We work with a lot of companies who don’t know a lot about Russia but are excited to do something. So we offer representational services, logistical support, visa services, and over time, if things go well, we can start establishing rep offices for them. With time, either we are working in depth with them or we’re out.

**Grant:** What’s the most interesting part for you?

**Malyshev:** For me, I’m always amazed at how much can be lost in translation. You’d be completely amazed at how much can be lost in day-to-day interaction between Russians and Westerners. You’d be amazed at how tension can be built around something that never took place, you know, just because of perceived attitude to something. Such as thinking, “Hey, he meant that he was really upset,” when someone wasn’t. Russian body language is much more explicit, while English language, English English, and even American English, is much more subtle in many ways. Very often there are misunderstandings that come from this subtlety that are universally accepted in the West but have more difficulty being accepted here.

**Grant:** So, for example?

**Malyshev:** Oh, it’s very easy. When somebody is coming from the West and tells you, “I’m not sure I can do it,” the way a Russian will often interpret this is to think that maybe you can, but you just don’t want to. Whereas in real life, the speaker really meant that he’s absolutely sure he can’t do it, but doesn’t want to be impolite by putting it directly. You are being mildly rejected, and rejected probably forever. There you have two absolutely different takes. Or you have more basic questions of literal translations. When an English speaker uses the phrases, “That will work,” the most common assumption among Russian translators is that a specific mechanical aspect of some operation will function, whereas what it really means is, “Let’s go for it.”

**Grant:** It’s such a tricky game when so much of foreign investment has to do with trust and confidence in the first place.

**Malyshev:** Obviously. I mentioned before that Russians are very shy to ask questions. They so often can just think that you think something you don’t. My job is to sit down and explain to people that Russia is not as difficult and complicated as many people believe. And yet they are allowed to believe this by so many other consultants who insist on how difficult and enigmatic the Russian soul is. While in real life, it’s simple, it’s down to earth, it’s all very simple. Once you know what’s going on, then you can go in and walk the walk and talk the talk. Then you’re on the map. But before that you’re wasting your time trying to find your way. And many people are deliberate about making this more difficult for you so that they can stress their usefulness. Which is, of course, a good thing for the consultant because if anything goes wrong, they can just say that Russians are bad. So, you have a situation where most Russian businessmen indeed lack basic business knowledge, but more importantly, you get a great deal of distortion from consultants themselves.

**Grant:** Is there a sense that foreign investors as a whole have changed in the last five years? Such as the people you’ve been working with?

**Malyshev:** Well, I’m very privileged. I’ve been working with real high rollers. But, you know, four years ago, five years ago, maybe even three years ago, there were no high rollers in Moscow. There were a lot more cowboys, you know, like some guy from Minnesota who heard about Russia and thought, “Wow, let’s go!”

**Grant:** It’s supposed to be really cheap there.

**Malyshev:** Exactly. And it was cheap. Also, that created an image of American businessmen as smelling of lots of greenbacks and making fast decisions, while in real life the guy wasn’t risking anything. He wasn’t even putting his reputation at stake because he never had one in the U.S. in the first place. He came from somewhere in the Midwest, a very small town, a very shallow background, no track record, nothing. He would be asking hundreds of questions, you know, he would be spreading and maybe even burning lots of cash, but at that time everything was so cheap so that, you know, burning $1K was a big deal here, in Moscow. But now with more political stability and more serious players involved, Moscow has become more expensive. And in a way, I think it’s good because it’s a barrier that prevents small fish from coming to town. Because if you’re serious, and you’re ready to invest a certain amount of money into a project, that means you’re more professional. My experience is, unless you’re committed to spending a certain amount of money, you’re not a player. Because at the first obstacle, people get scared and then go back to London and just bitch and moan about everything that’s wrong in Russia. And Russia’s a difficult place.
GRANT: It’s rare to hear someone say that business in Russia really isn’t that complicated, but do you think that might also have something to do with the level of finance? I mean, for someone trying to sell coffee out of a kiosk on the street, someone who has to pay taxes of 80 percent or higher, I mean that’s complicated.

MALYSHEV: I’m talking about serious investors that can really shape the future of this country, bringing this country into the civilized part of the world, if you wish, just making it a more open society. I’m talking about vendors with international names, major oil companies, because they’re the real players. Because if we’re talking about someone selling coffee, that’s great, but it doesn’t automatically affect the life of the country. There are some current deals underway right now in the oil sector that could do great things. From a strategic point of view, that could change the shape of the country in the future. They are really investing in infrastructure, they come with really big money. Look at the major oil projects like Sakhalin. We are having a party this afternoon in the hotel later, and probably the prime minister will join us for a drink—this is a very serious transaction. So, I would say, yes, the foreign investors have changed. The cowboys are out. Forget it. And they were selling such stories about Moscow, being taken advantage of, always getting mugged. It’s not all B.S., largely, because you can get into trouble. But how? I mean, what happens to half of these people? They go to a seedy nightclub after a day at the office, they meet some nice girl taller and better looking than them, they get into a fight with her boyfriend. You can get into trouble anywhere in the world. I mean I haven’t heard too many stories of serious companies doing business and getting into trouble with anybody. Because if you’re transparent, if you follow the rules, if you pay the taxes, nobody will come to you. As soon as you’re in the grey zone, you’re in trouble, but as soon as you’re out of the grey zone, nobody will touch you, because no fish is big enough, at least here.

GRANT: What about the evolution of the high-level Russian business community? How have they changed over the last five years?

MALYSHEV: It’s hard to say. At first there was a milestone of making your first million U.S. These are very wealthy people, very wealthy by any standards, and oftentimes Russian businessmen who are much wealthier than their counterparts in the West. But this commercial success leads them to believe that, “Hey, I’ve made so much money, they should listen to me.” What they don’t understand though is that, basically, you just made money because you’ve been redistributing the property, not really making it. You are not adding any value. If you want to be in this for the long term, to be on the map, you need to understand how to make money, not by redistributing but by bringing new value to the table.

GRANT: Shifting gears a little bit, I wanted to ask after the idea of New Russians. If you had to choose a few adjectives to describe the New Russian community, what might they be?

MALYSHEV: The problem is that the real New Russian rich are people you would never see at all. These are people who have been very smart, who have educated themselves to international ways very quickly, and who have amassed tremendous wealth very savvily. But you never see them because they are discreet. When people talk about the vulgar New Russians on the street, I just laugh, because they are just the tip of the iceberg, and the biggest part of the iceberg is something you will never see.

The backbone of this country is the same as in the United States, and that would be the middle class. The New Russians are out on the streets and getting all the attention, but I feel that they are a very small percentage of the population. What people are missing is a very different layer of people that are making less than the so-called New Russians, but they are involved in more serious work to make themselves stable and comfortable. I think you can say the same thing in almost any market. This is the reason why we don’t deal with New Russians. They are classless. They don’t have our background, they don’t have our education, so we don’t mess with them. It’s not really money, and maybe it’s my snobbish attitude, but they haven’t read a tenth of the books that we have, they haven’t been to the places we’ve been to before it all started, they haven’t been exposed to culture. I mean, we met a couple of New Russians on a recent foreign trip and it was an embarrassment to be around them. They’re very loud, they’re very free with their money.

GRANT: They’re very stereotypically American?

MALYSHEV: I would say it’s very like an American you see on a plane who spends his time talking about his hometown which you’ve never heard of. So it’s a different kind of ballgame, it’s a different kind of league. Russian people have to make a decision when they get started in business: do they want to be exposed to that kind of world or not? There are some dangers, among other things. Just how much money do you want to make? We’re just not part of it.

GRANT: Clearly you lead a very international life, and the hotel we’re in for example, could really be a hotel in almost any city in the world. What are the moments when you stop and think, “Wait, this isn’t any city in the world. This could only be Moscow.”

MALYSHEV: There are hundreds of things you could mention, the kinds of bureaucratic obstacles that have nothing to do with business but everything to do with daily life. Like phoning someone to get information and never getting anywhere. You just need a bit of help and instead you get routine antagonism from people working in stores or offices. But I have to say that with time we have come to feel more and more comfortable living here. Much more so than before. So, basically, I think we’re in pretty good shape. We are less irritated by Russian life, for example, than we were one year ago or two years ago.
Grant: But I was talking to a fellow yesterday who described his elite neighborhood growing up, with the children of the party at the top, the children of diplomats second, the children of the foreign trade office third, and then going down from there. Is there any way you could still point to those kinds of structures surviving today?

Malyshev: I think that there is something to that. I mean, there is some kind of concern among those people. I really don’t enjoy pointing this out, but I went to the same school with the grandchildren of Brezhnev and Sholokhov and so on.

Grant: In Europe or even the States, there are lots of ways of identifying people with old money. But in Russia, who’s old money?

Malyshev: Old money in Russia today, like abroad, doesn’t so much refer to who has money but people with social background, people who come from good families, who have good education, people who have been exposed to culture, who have done a lot of traveling. It’s very difficult to get into that league. In many ways, we are part of this world. We don’t advertise who we are, we don’t advertise our class, we don’t care, we don’t try and get large flats, because in some sense we will be there always. We work very hard to stay in this league, but we’ve been there as long as we can remember. We will be successful for any occasion.

It was inviting to be mesmerized by Malyshev’s crisp analysis of Russia’s business prospects, but it was also a signal of how easily large fortunes explain themselves. Smaller firms clearly had fewer choices: the previous day I had sat with a friend for two hours while she explained the labyrinthine strategies she used to fix accounting books at her store so as to reduce the tax burden from a vertiginous 90 percent. Her company hadn’t ventured into grey areas, to use Malyshev’s terms, so much as they discovered that Russian business was grey to begin with. It was a moral haze embodied.

The maw of analytical categories returns us to the invisibility of power itself, the invisibility of benevolent hands guiding economies after Adam Smith, the invisibility of Mafia, or the invisibility of Malyshev’s elite strata, earnestly possessed of distinction, but never distinctiveness. It is a system where New Russians, whoever they might be, are continually denied a valid role in the social fabric because of their very visibility.

For those who lack the easy social status of someone like Malyshev, the current field is also a setting where narratives of loss can mask gains of a different kind. I thought of the algebra of fortune as I listened to Rafael Khakopian, who looked back on his career with a flourish reminiscent of Omar Sharif at the close of *Dr. Zhivago*. What he seemed eager to impress on me was never so much the remarkable heights to which he rose as much as the stunning and repeated drama of his falls. His was an ethos of sacrifice ironically redolent of the Soviet Union’s regular invocations of its own spectacular losses in the struggle against czarist oppression, in the October Revolution, the civil war, and World War II. “Out of sacrifice come sacred things,” to echo French essayist Georges Bataille—new values to be recirculated in fresh cycles of expenditure. For people like Valerii Shchipok’s local tax inspector, denying the state’s coffers by tipping off truants can be an invisible gain against an unpopular and uncertain present.

Of the three portraits presented here, Malyshev’s perhaps best symbolizes the fact that any form of power, asserted through loss or gain, is about representation— or, to return to the Russian idea of the conspiratorial, zagovor—mystical words working toward desired ends. Though people use phrases like “market reform,” “transition period,” and “the spirit of capitalism” every day, few still are clear on what such a spirit world looks like. Against such dramatic sea changes in political economies, such words may make little more sense than “asdfghjkl,” but they sometimes work with the power of a spell.

Notes
1. Correspondence from a principal of the British investment house concerned.
2. To put the sum in context, 450 million rubles was formally equivalent to $700 million at official 1990 Soviet exchange rates. The average professor’s salary at that time was 120 rubles a month.

References