

19 The Chinatown Gang

For nearly five hundred years, Moscow traders and merchants congregated in a warren of back alleys near the Kremlin called "Chinatown," or *Kitaigorod*. Although *Kitai* means "China" in Russian, some historians believe that the name really comes from the baskets of earth (*kita*) used to construct the walls that once enclosed the area. But when I lived in Moscow, I heard a more poetic version of how the district got its name. To the God-fearing czars and patriarchs of Holy Russia, commerce was a necessary evil, corrupting all those who engaged in it, and the makers of wealth had to be segregated from the rest of the population behind a kind of Chinese wall to reduce the chance of their infecting the populace.¹

I preferred this version because even if it isn't true, it should be. Russians have always been deeply ambivalent toward those who set themselves higher than their neighbors through the accumulation of profit, and the story of *Kitaigorod* over the centuries demonstrates this with special pathos. Long after the walls of Chinatown began to crumble, the district continued to be a mercantile ghetto. Furs, carpets, ikons, and European goods were sold there under the wary eyes of the czar's bureaucrats. By the mid-nineteenth century, *Kitaigorod* had evolved into the city's principal business center. The government still kept a close watch, but the area soon matched the business quarters of Paris and London in vibrant activity. The muddy streets were lined with banks, warehouses, shops, and restaurants, and even a stock exchange elbowed aside the gilded church domes and cupolas to become part of old Moscow's skyline.

But this uneasy coexistence of the sacred and the profane was not to last. The Bolsheviks, fired with visions of utopia, abolished the banks and exchanges of Chinatown after 1917. The country's other financial centers, such as St. Petersburg, received similar treatment, but *Kitaigorod*'s proximity to the Kremlin made it a particularly obnoxious symbol

of everything they detested about capitalism. In this, as in so many of their actions, Lenin's revolutionaries reflected the deep-set prejudices and fears of the thousand-year-old culture they claimed to be discarding. Within a decade of the revolution, Kitaigorod was a ghost town. The once-elegant commercial buildings were occupied by cold-eyed commissars, and works by Marx and Engels replaced the ledgers on the shelves. In order to leave no one in any doubt about the true balance of forces between commerce and ideology, the Communist Party Central Committee established its headquarters just at the perimeter of the old business district—roosting on Staraya Ploshchad (Old Square) like one of the formidable babushkas who guard the courtyards of Moscow apartment buildings against trespassers.

They were unsuccessful. With the fall of Communism, commerce returned to Kitaigorod. The streets once again filled with shops. Shopping arcades and banks reopened, and the clamor of trade revived in the timeworn streets near the Kremlin. Across Old Square from the Central Committee offices—now used by civil servants—stood the Moscow Raw Materials and Commodities Exchange, the nation's biggest trading house. But a visitor strolling through Chinatown today cannot escape a feeling of unease, as if the past might at any moment rise up to snuff out the present.

It was smart to be cautious. In March, 1994, a bomb destroyed a car owned by Konstantin Borovoi, founder and president of the commodities exchange and one of the richest men in Russia, just as he stepped out of it. A few days earlier, he had demanded that the government suspend trading on his exchange because of what he called "mafia penetration." Instead, he was suspended as president. Borovoi survived the explosion, but he is proof that capitalism still lives behind fearful walls in modern Russia. More than a year before the attack, he told me that the post-Soviet prosperity of Kitaigorod was not quite what it seemed.

"There is dangerous money everywhere," Borovoi said as we sat in his office, tucked away from the pandemonium on the exchange floor. "So much loose, crazy money flying around that it's like something heavy—when it hits the ground it destroys everything else around it."²

Most of the money, he said, came from neither production nor industrial expansion, but from comrade criminals dealing in the suddenly liquid wealth of the old regime. The wealth had begun to flow before the

regime had ended. A few months after Borovoi founded his exchange, in 1990, he was called to a meeting at the Soviet Ministry of Finance, where officials sought his help in sponsoring a "multinational" company that was to train civil-service personnel. "It was obvious what they wanted to do," he told me. "They planned to take money from several joint ventures they owned illegally, as well as hard currency they held in their accounts abroad, and launder it through this new company."

It was an offer Borovoi knew he was expected to accept. The finance ministry held the power of life and death over his exchange. In return for allowing private brokerage houses to operate without fear of intervention, the bureaucrats expected Kitaigorod to front for their own enrichment schemes. They may have carried attaché cases instead of machine guns, but their methods were no less thuggish than the extortion practiced by mobsters against shopkeepers and restaurant owners in every neighborhood in Moscow. There was a definite symmetry of goals: the nomenklatura intended to be the gang that ran Chinatown.

But in Borovoi's case at least, they misjudged their mark. The founder of Moscow's largest brokerage house was one of the few entrepreneurs wealthy enough and independent enough to stand up to the bureaucratic mafiya—or so he claimed. A stocky man with fair, thinning hair, Borovoi was a thirty-nine-year-old professor of mathematics when he started a small trade cooperative in 1987. "I didn't really intend to be a businessman," he said. "To tell you the truth, what motivated me was that I hated Communists so much. I wanted to prove that I could survive when everything was against me." He invested his profits from the cooperative in other service-oriented companies which were too small to attract the attention of either gangsters or greedy government inspectors. He soon had a small empire of over fifty firms, and a fortune large enough to allow him to experiment with some innovative ideas. His exchange brought together enterprises eager to barter surplus machinery for foodstuffs and other supplies for their employees. With the central administrative system increasingly snarled, it was an instant success. Borovoi felt confident that he could weather any attempt by the bureaucracy to disrupt his operations. He told the finance ministry to look somewhere else for help.

Yet even Borovoi's claim to be completely independent of the machinations of comrade criminals needed to be taken with a grain of salt. Several sources both inside and outside the Moscow business commu-

nity suggested (without offering details) that the energetic commodities-exchange president enjoyed closer contacts with leading nomenklatura figures during the last years of Soviet power than he was willing to acknowledge.

Nevertheless, he was clearly strong enough to avoid the experiences of less fortunate businessmen who were unable to resist the bureaucracy's strong-arm tactics. According to Borovoi, demands for the transfer of enormous amounts of state monies to brokerage houses and banks by government ministries in the 1990s were often accompanied by visits from the KGB or gangsters. Borovoi's sources were unimpeachable. Following the lead of the Stolichny Bank's Aleksandr Smolensky, he hired former KGB agents as members of his exchange's security service. Paid well by their new employer, they felt under no obligation to conceal the operating methods of their former comrades. "They told me the KGB would often use criminal gangs during the Soviet era to extort money from cooperative businesses," said Borovoi. "Why should anything have changed? Organized crime would be nothing today if it weren't for KGB support."³

Borovoi's well-informed security staff also told him that officials of the old Soviet security organs continued to collaborate with nomenklatura who held high posts in the government. The bureaucrats who tried to enlist him in the money-laundering scheme were still in positions of authority. They never stopped trying to get at his business. He told me that there had been several attempts to infiltrate his exchange in the months before we met. His security service managed to deflect a few offers of "partnership" from companies they discovered were linked to criminal syndicates. In the most blatant attempt, one group even tried to gain access to his computer records by using the KGB's communications software.

The exchange president compared his enemies to the "dragon" featured in a famous 1940s satire on Stalinism written by the Russian playwright Yevgeni Shvarts. The dragon managed to intrude into the life of every character. "What we have now is a government mafiya, a bureaucratic mafiya, that acts just like the dragon in the play," he said. "It's not concentrated in one place, but it is present in different places at the same time. That's not an easy enemy to fight."⁴

There were other clues to the dragon's existence. In the summer of 1992, Galina Starovoitova, then President Boris Yeltsin's adviser on ethnic issues, discovered that the easy access she had enjoyed to the president had mysteriously disappeared. "I would sometimes call the president's office and ask for a meeting, and they would tell me it was 'impossible,' that he is 'very busy.' So I would ask them to tell me whom he was seeing that day, or with whom he was lunching, so that he could fit me in between meetings. They didn't like my questions, but they had to tell me—if they didn't, I would announce that I was coming in right away. And I would. I'd get in my car and arrive in his reception room. They would smile at me and let me in, but they were furious. If you want to influence the president, you have to be strong and not too sentimental."⁵

Starovoitova was one of Russia's most outspoken politicians. Her connection with Yeltsin went back to the perestroika era, when she had been a prominent democratic activist and a close ally of Andrei Sakharov, the nuclear scientist who had become one of Russia's most well-known dissidents. The conspirators of August, 1991, had placed her name eighth on the list of persons to be arrested—Yeltsin was first—once they secured power. She had been visiting family in London at the time of the coup and personally enlisted Margaret Thatcher's help in the defense of Yeltsin. "In Russia they called me the 'Iron Lady,'" smiled Starovoitova, who has used her large, imposing presence and sharp intelligence to carve out a rare place of respect in the predominantly male world of Russian politics. "But I didn't tell her that." She was also briefly mentioned as a possible defense minister during the early reform phase of the Yeltsin government.

Starovoitova's aggressive tactics toward the new crowd in Yeltsin's office worked for a while. But she soon found that her ideas and suggestions were getting "lost" on their way to Yeltsin. Memos relating to her portfolio, but written by others, were delivered to the president without her knowledge. "When I asked the person who had prepared the memo to send me the copy, he would tell me that 'someone' is not permitting him to do so," Starovoitova said. "It wasn't hard to figure out that this 'someone' comes from the old structures, the hard-liners who are linked to the military-industrial complex or to others in the old Party apparat. These are flexible, experienced *apparatchiki*. They know all about how

to operate the mechanisms of government. Yeltsin brought a lot of them into his office just to protect himself, but they took over everything.”

Starovoitova was also convinced that the bureaucrats who had secured a foothold inside the Yeltsin government were associated with the growing corruption around the country. As the comrade criminals took over the revolution, Starovoitova followed other pro-democracy activists out of government in 1993. She blamed President Yeltsin. “He has no illusions about these people,” Starovoitova said sadly. “But the problem is, they know how to make his life easier.”

Ironically, Mikhail Gorbachev had been ensnared in the same velvet trap. In the late Soviet era, a group called the Russian Union of Industrialists and Entrepreneurs—comprising managers of the military-industrial complex, the heads of state agricultural enterprises, and leaders of the government-owned mining, metallurgy, and petroleum complex—was launched, ostensibly to sponsor economic reform. The members, all middle-level nomenklatura, made no secret of their contempt for the ossified central administrative machinery of the Party. They prided themselves on their expertise, on their ability to get things done, and they welcomed the measures taken during the perestroika era that gave them power over decision-making in their plants and over the disposition of their profits. For the same reasons, they regarded the advocates of a competitive market economy as enemies who would usurp their new powers just when they were given the rights to exercise them. At best, these “radical” economists were inexperienced: what factories had they run? At worst, they were traitors who would destroy Russia’s industrial might.

The new group of “Red managers” became a powerful force behind the scenes in the late 1980s. They worked successfully to defeat proposals made by Gorbachev’s liberal economic advisers to reduce state subsidies and remove price controls. The Red industrialists even battled Gorbachev himself. In one meeting, held in December, 1990, they revealed the self-assurance that was to give them such a dominant position in the post-Soviet era.

Mark Masarsky, president of the pro-market Association of Russian Enterprises, remembered watching in shock from his seat on an upper balcony in the Kremlin Palace of Congresses as the industrial kingpins, their suits stiff with socialist labor medals, stalked to the microphone to denounce the country’s political and economic course. They de-

manded that the president take harsh measures against the democrats. The speeches contained so much personal invective against Gorbachev that few could be printed in official accounts of the meeting.⁶

As Masarsky recalled in a conversation with me two years later, Gorbachev finally exploded in one of his well-known bursts of temper. He told his audience that they did not frighten him. "You think you can make a lot of noise and stamp your feet, and that your president will just sink his head into the sand," he shouted, and went on to borrow imagery from the Russian civil war of the 1920s. "It won't work—I'm not going to divide the population of this country into Reds and Whites." But he was drowned out by catcalls.

"I couldn't believe what I was seeing," Masarsky said. "The leader of our state was standing in front of them, but they were the ones who felt strong. Not a single one of them spoke in his favor."

It was no coincidence, Masarsky added, that some of the most outspoken critics of Gorbachev at that meeting, such as Vasili Starodubtsev, head of the powerful Association of State Agriculture Producers, later turned up as organizers and supporters of the August, 1991, coup. Gorbachev underestimated the danger they posed to his government; perhaps he thought he could still control them. In the final year of Soviet power, his tantrum apparently forgotten, Gorbachev swung toward the Union of Industrialists. He may have decided, as Yeltsin was to do later, that it was better to have the industrial and agricultural lobbies on his side.

The struggle between the Red managers and the entrepreneurs did not end with the collapse of the Soviet system; it intensified. The industrialists, now supreme in their regions and their factory fiefdoms, moved quickly to hobble the Yeltsin government. By 1992, they had their own political party—called the Civic Union—and there was no longer a reason to conceal their influence. "Power belongs to those who have property and money," said Arkadi Volsky, chairman of the Civic Union. "At present, it is not the government but the industrial managers who have both."⁷

If someone drew a composite portrait of the classic Soviet bureaucrat, it would look like Volsky. A poker-faced veteran of the state defense industries, he once worked as an aide to former Soviet leader Yuri Andropov, later serving as Gorbachev's trouble-shooter in the Karabakh dispute between Azerbaijan and Armenia, where he earned a reputation

as an advocate of reforms. It was one measure of the new influence of industrialists that Volsky's name was widely mentioned as a possible prime minister in the Yeltsin government or even as a future president. But Volsky stayed in the back rooms of post-Soviet politics, where he could advance a subtle strategy for changing the course of Russian democracy. In September, 1992, he surfaced briefly to tell *Pravda* that the country needed to rid itself of politicians who "fool the people with fairy tales that freedom and independence will bring them prosperity."

The Civic Union managed to fool many observers in the West. Its gradualist rhetoric appealed to Westerners opposed to shock therapy. "They [Civic Union leaders] are intelligent, sincere, quality individuals, who are serious about improving their country," was one typical assessment, from an American who described himself as an "economic consultant" to the Russian defense industry. "They seem to have peaceful intentions."⁸

In fact, the Civic Union played a part in derailing Russia's hopes of developing a genuine free market. Although it did poorly during the December elections, it has continued to serve as a behind-the-scenes lobbying group for industrial managers opposed to rapid, large-scale privatization and the expansion of private property rights. This position happened to unite the Red-Brown coalition, the underworld crime lords, and all others who feared that the country was heading too far down the Western path.⁹

At the Civic Union's founding congress in Moscow in June, 1992, Aleksandr Vladislavlev, deputy chairman of the party, described the private entrepreneurs of Russia in terms calculated to win the sympathies of the disparate forces battling Russian capitalist democracy. "They make their money out of buying a planeload of umbrellas for thirty [American] cents wholesale and selling them for two hundred rubles," he sneered. "They increase their money tenfold via operations with computers; then they sell their goods abroad and become millionaires. Today the most profitable operation these people engage in is to buy a factory on the cheap and break it up with a bulldozer so they can sell the scrap metal, thereby destroying some director's life work. How can real producers have any kind of mutual understanding with people like this?"¹⁰

If entrepreneurs like Borovoi regarded themselves as being permanently surrounded by hostile forces, it was a reflection of the greater

paranoia felt by their opponents. Borovoi himself was at the top of the list of enemies of the state wielded by ultranationalists like the former KGB officer-turned-financial consultant Gen. Aleksandr Sterligov. In one of his offhand remarks during our chat, the general informed me that if I wanted to understand the really "sinister" mafiya forces in the country, I should visit the president of the Moscow Commodities Exchange.

It was easy to see why Borovoi aroused hatred. His office at the exchange was connected by computer to branches across the country as well as to financial markets abroad. One of the three television sets installed on the wall opposite his desk displayed hourly stock quotations from the New York and London exchanges. Although this was normal anywhere else in the world, it challenged the walled culture of Kitaigorod, which perceived danger in the ability to make connections with the outside world free of the state's scrutiny.

Who knew what these emerging Russian capitalists were really up to? Wasn't it obvious that their computer lines and their contacts abroad enabled them to secretly plunder the country? These questions were not confined to technologically innocent factory workers or peasants in distant provinces. They were raised at the highest levels of government. The degree of misunderstanding and distrust of a modern capitalist economy was awesome.

"We keep saying we are poor—we are not poor," asserted then vice-president Aleksandr Rutskoi in early 1993. "We are fabulously rich, but we cannot manage our wealth in the interests of society while at the same time a handful of crooks are making fortunes.

"What's the use of talking all the time about democracy? We must not be humane to the degenerate who robs this country and makes it an impossible place to live in . . . look what we have done with this country! What romanticism! What democracy!"

Less than a year later, Rutskoi was fighting allegations that he had amassed a private fortune at public expense. But the attitudes he expressed were also shared by law enforcement agencies, a fact that considerably complicated Russia's approach to its law-and-order crisis. According to a memo obtained by Borovoi from a friendly police official, a 1992 meeting of senior division chiefs at the Ministry of Internal Affairs concluded that "millionaire capitalists" were one of the greatest dangers faced by law enforcement agencies. "The police considered

money made by independent forces whom the state could not control as suspicious, wherever it came from," he said. "Industrialists and managers who earn profits from the state enterprises are acceptable, but rich people who have nothing to do with the state are dangerous. That's the mentality of the old Communist nomenklatura, and it is still part of our thinking."

Even a cursory glance back at Soviet history suggests that businessmen's fears of persecution are justified. Every entrepreneur I met in Russia called my attention to what had occurred after the New Economic Policy—or NEP, as it was known by its Russian initials—was introduced during the 1920s in an effort to rescue the young Soviet republic from economic disaster. The NEP allowed a limited form of private enterprise: peasants could sell their produce at whatever prices the market could bear, and small private retailing was encouraged. It was at first an extraordinary success. Food and consumer items not seen since before the revolution reappeared as if by magic, and streets in central Moscow such as Tverskaya Street (later renamed Gorky Street) blossomed with outdoor cafés and stores selling European goods. Foreigners commented on the resemblance between Moscow and the "civilized" cities of the West, just as they would do seventy years later.

But the resemblance then, as now, was only skin deep. The wheelers and dealers of the NEP economy, the so-called NEPmen, were ostracized and feared by their compatriots. They were accused of profiteering, of immoral behavior, and of promoting alien values. The average NEPman was caricatured as a gangsterish dandy strutting through town in a flashy Western suit, with a beautiful woman hanging on his arm. Eugene Lyons, an American correspondent assigned to Moscow at the time, called the NEPman a "burlesque on capitalism." In words that could describe the current situation in post-Communist Russia, he wrote that Soviet Russia's new class of entrepreneurs was a "class existing by sufferance, despised and insulted by the population and oppressed by the government. . . . [They] had money, comforts and other physical advantages, yet remained a pariah element, the butt of popular humor and the target of official discrimination."¹¹

Although Lyons was then a sympathizer with the Bolshevik cause, he shrewdly observed that the behavior of the first Soviet capitalists was understandable. "Because [NEP] was young, born in chaos and in some measure outside the law, because it was at bottom uncertain of its tenure

and therefore desperately eager to make the most of its advantage immediately, it was exceptionally vulgar, profiteering, crude and noisy," he concluded.

The NEPman never got the chance to outgrow his caricature. The Soviet leadership ended the experiment after six years, sensing correctly the NEP's long-term threat to the Marxist-Leninist agenda.¹²

Under perestroika, some NEP policies crept back into Soviet life. Private enterprise was given a limited rehabilitation, and Party history was stretched to readmit some of the architects of the NEP, such as Nikolai Bukharin, into the official canon. But the NEPman himself was never rehabilitated. As Russia emerged into the post-Soviet age, the "capitalist" remained an isolated and menacing figure. After seventy years of Marxism-Leninism, most Russians acted as if they believed that anyone who had the temerity to become rich must have done it illegally.

Since many of the wealthiest citizens of post-Soviet Russia were in fact corrupt bureaucrats or crime kingpins, this was largely true. But such attitudes made no allowance for the ordinary entrepreneur. According to an October, 1992, poll taken by the Russian Institute of Public Opinion, 58 percent of Russians agreed with the statement that private businessmen owed their success to "fraud, deception, and criminality."¹³

The inability to distinguish between criminal and legal profits scarred post-Communist society as deeply as it corrupted its predecessor. Borovoi, however, believed that he could make a difference. A week before we met, he launched Russia's first political party for businessmen, or, as he called it, a party for the "middle class." Grandly named the Economic Freedom Party, it was aimed at giving entrepreneurs a seat of their own in Russia's political theater. "If I don't take a high-profile role, the Internal Affairs Ministry will keep getting away with writing memos that call millionaires criminals," he joked. But then he added, with a frown, "There is no alternative—the way things are going now, we could have national socialism here."

From a pile of papers on his desk, he proudly handed me a mimeographed copy of the Economic Freedom Party's platform. It was a thick document, but the central plank was simple and, in the Russian context, radical: all state property was to be transferred to Russian citizens. The rest of the document was dedicated to constructing the framework of a democratic capitalist society—proposals that would have pleased any

Westerner concerned about Russia's future. They ranged from establishing an independent judiciary to securing legal protection for private corporations. "We see our task as promoting a new generation of politicians who can fight against the trade mafiyas that interrupt the normal flow of financial capital," the document said. "Only through economic freedom can our country escape from its dead end. . . . Economic freedoms need political protection now."

The Economic Freedom Party, however, seemed to have hit its own dead end. Only a few of its candidates during the December elections won seats. Borovoi himself lost embarrassingly to a prominent member of the Red-Brown coalition, the former Communist deputy and Olympic champion wrestler Yuri Vlasov. Three months later, the explosion that destroyed Borovoi's car and almost cost him his life made clear that even he no longer enjoyed immunity from the dragon.

Several of the Economic Freedom Party's principles—such as the right to private property and the freedom of commerce—were reproduced in the new Russian constitution, approved in the national referendum held concurrently with the December, 1993, elections. But without political or legal institutions to give those principles force, there was little reason to expect they would have any more impact than the "human rights" protections written into previous Soviet constitutions.¹⁴

When the time comes to write a history of Russian capitalism, Borovoi and businessmen like him will appear to their successors as post-Soviet versions of NEPmen—representatives of a species forced to accommodate to the narrow space allowed them by criminal entrepreneurs and the former Communist establishment. It would be pleasing to consider them also as pioneers of a Russian free-market economy, but like the NEPmen their history is likely to be written by their enemies. Daniel Yergin and Thane Gustafson, in their 1993 analysis of models for "Russia 2010," conclude that the state will play the preeminent role in the development of Russian capitalism. Whether that works to the benefit of Russian entrepreneurs and consumers, however, "will be determined to a great extent by the path Russia follows in getting there," they wrote.¹⁵

That path has already become clear. In early 1994, there were few people of any weight left inside the Russian government to mount a credible defense of the free market. By then, the Chinatown gang—like Borovoi's dragon—was everywhere. It led both the opposition and the government itself. Most of the reformers who entered government in

1992 were gone. Several had been hounded out of office; others simply handed in their resignations. The new cabinet around Yeltsin was dominated by former nomenklatura and their allies.

The senior minister responsible for agriculture, for instance, was Aleksandr Zaveryukha, a former collective-farm boss who ran in the December, 1993, campaign on the Agrarian Party ticket with the Russian Communist Party. (He was known to Western bankers as the "king of state credits.")¹⁶ The new speaker of the Duma was an Agrarian Party deputy named Ivan Rybkin, whose photograph appeared in Moscow papers at the time in respectful audience with Anatoli Lukyanov, the former speaker of the Soviet parliament, who had been jailed for his part in the August, 1991, coup. (Lukyanov, freed from Matroskaya Tishina prison under a general amnesty, was elected deputy in December, 1993). The ranks of deputy ministers and assistants were filled with former managers of the military-industrial complex and manufacturing enterprises.

Leading them all was the new prime minister, Viktor Chernomyrdin, a senior bureaucrat in the former Soviet oil-and-gas industry, who replaced the reformer Yegor Gaidar. From the beginning, Chernomyrdin revealed his biases toward state-supported industry. He warned that Russia would not become a "nation of shopkeepers." Although he promised to continue the anti-inflation policies of his predecessors, he made it clear that he had little sympathy for the small entrepreneurs struggling to survive in the Russian economy. His own background in the nomenklatura naturally inclined him toward the large resource and production industries who were in the process of negotiating as favorable terms as possible with the government's privatization strategists.

Reformers watched these events with impotent rage. "It is not acceptable that people who have done immense economic and political harm to the state, who are in principle open opponents of the policy of reform, should join the cabinet," fumed Boris Fyodorov, the thirty-five-year-old banker who quit as finance minister in January, 1994. "The domination in the cabinet of the lifeless and illiterate ideology of . . . Red economic managers . . . inevitably dooms the country to collapse and the people to a fall in living standards."¹⁷

No one—except concerned Westerners—was really listening. The New Russia had become entangled in the prejudices against private entrepreneurship inherited from the old Soviet Union—and from Rus-

sia's historic ambiguity toward business. As a result, Russians hardly had a chance to test free-enterprise democracy in practice before it was discredited. "One of the main reasons for popular disappointment is that most Russians sense that nothing much has changed," observed Galina Starovoitova in 1992. "I think our government does not feel the mood of the people."

This proved to be the most bittersweet result of the crime, corruption, and wheeling and dealing that engulfed the second Russian revolution. Less than a decade after a handful of Soviet reformers began their monumental struggle against Communist authoritarianism, the separation between the rulers and the ruled was as wide as it had been in the days of the czars and the commissars.

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16. Alessandra Stanley, 'Where Politicians Sometimes Tote Assault Rifles, *The New York Times*, May 10, 1994.

17. I am indebted to Toby Latta, my assistant in Moscow, for speculation and circumstances surrounding the April 26, 1994, shooting of Andrei Aizerdzis.

18. See *The New York Times*, op. cit., June 19, 1994, and Reuters, June 24, 1994.

19. The report compiled by the Analytical Center for Social and Economic Policy in Moscow, headed by Pyotr Filipov, was called "Organized Crime and the Probability of National Socialists' Coming to Power in Russia." It was published in *Izvestiya*, January 26, 1994.

20. Sterligov interview by Interfax, July 8, 1992.

21. Fr. Mikhail Ardov, interview with author, op. cit.

22. See Roman Solchanyk, "Back to the USSR?" *The Harriman Institute Forum* (Columbia University, New York), vol. 6, no. 3, November 1992.

23. *Ogonyok*, March 1994 (date unavailable).

24. *The New York Times*, December 26, 1993. Gennady Burbulis, the former Marxist-Leninist professor who had been President Yeltsin's virtual second-in-command until 1992, confessed in October, 1993, that the government had slowed down economic reforms in hopes of finding a compromise with the former establishment. See, Foreign Broadcast Information Service (FBIS), Sov-93-201, October 20, 1993.

Chapter Nineteen: The Chinatown Gang

1. For a brief description of Kitaigorod and its history, see Helen Boldyreff Semler, *Discovering Moscow* (New York: Hippocrene Books, 1989). pp. 71–72. Interestingly, the first foreign embassy to Muscovy (from Britain), the Angliskoye Podvorye, was established in the district in the mid-sixteenth century. Russia's leaders believed that their people needed as much protection from foreigners as from commerce. See Kathleen Berton, *Moscow: An Architectural History* (New York: Macmillan, 1977), in particular p. 45.

2. Konstantin Borovoi, interview with author, July 9, 1992. Borovoi's car was blown up in Kostroma, about 150 miles east of Moscow, while he was campaigning there for local elections.

3. Borovoi is not the only one to have discovered the involvement of the KGB in illegal businesses and extortions. Author's interviews with sources such as Vladimir Kalinichenko and Aslambek Aslakhonov supplied other examples. "The nomenklatura knew years ago that the system would come tumbling down, and prepared themselves," Aslakhonov told me. "They had plenty of money ready to continue their activities. As far as I am concerned, it doesn't matter how high they were in positions of power. They are worse criminals than the *vory* because they put their own interests above the interests of the state."

4. *The Dragon*, based on a fairy tale, was one of the most popular plays written by Yevgeni Shvarts (1896–1958). Written in 1944, it was canceled by Stalinist censors after its first performances.

5. Galina Starovoitova, interview with author, May 27, 1992.

6. Mark Masarsky, interview with author, op. cit.

7. Volsky quoted in the *Financial Times*, November 2, 1992.

8. Paul F. Murray, letter to the editor, *New York Times*, November 5, 1992.

9. The Swedish economist Anders Aslund was one Westerner who saw through the Civic Union. He called it simply an “alliance of the vested interests of the old system.” Aslund, who served as economic adviser to the Yeltsin government, was understandably biased; but he pointed out that the Volsky group’s full-employment policies would turn Russia toward a corporatist economy dominated by heavily subsidized industries, and that instead of protecting Russian citizens they would lead to further impoverishment. See Aslund, “Go Faster on Russian Reform,” *The New York Times*, op-ed page, December 7, 1992.

10. Quoted in *Nezavisimaya Gazeta*, June 2, 1992.

11. Eugene Lyons, *Assignment in Utopia* (New York: Harcourt, Brace, 1937), pp. 84–85.

12. The NEP is usually regarded as having run from 1921 to 1927.

13. Survey reported by Itar-Tass, November 1992 (date unavailable).

14. Of 106.1 million Russian voters, 54.8 percent took part in the referendum/election; 58.4 percent of those voted in favor of the constitution, 41.6 percent against. Figures reported by *The New York Times*, December 21, 1993.

15. See pp. 180–85, Daniel Yergin and Thane Gustafson, *Russia 2010 and What It Means for the World* (New York: Random House, The Cera Report/Cambridge Energy Resource Associates, 1993).

16. Zaveryukha announced in January, 1994, that the cabinet would spend about nine billion dollars on agricultural subsidies for the year, an estimated rise of 7 percent over 1993. A month later, he said he needed an additional 34 trillion rubles (21.2 billion dollars) in subsidies for state farms.

17. Fyodorov’s remarks taken from transcript of statement published in *The New York Times*, January 27, 1994.

Chapter Twenty: Who Lost Russia?

1. Solzhenitsyn speech reprinted in *The New York Times Book Review*, February 7, 1993.

2. The Russian population in 1993 was estimated at 148.6 million. See *Business World Weekly* (Moscow), March 26, 1993. There were seventy thousand registered cases of viral hepatitis, forty-five thousand cases of bacterial dysentery, and forty thousand cases of salmonella poisoning before the end of 1993. St. Petersburg reported a sharp rise in deaths from tuberculosis and other infectious diseases. Only two out of every three infants were properly immunized; the rate of tuberculosis among teenagers and children had doubled in the previous year. Dr. Gennadi Kolesnikov, the city’s chief health officer, said, “The figures can be compared only to a national disaster.” See “St. Petersburg Death Rate Skyrockets,” *Moscow Tribune*, March 17, 1993.

3. See Aslund, *Gorbachev’s Struggle*, p. 19.

4. Figure on extortion and inflation rate cited by Filipov report, op. cit.

5. Igor Safaryan, interview with author, June 30, 1992.

6. Figures about criminal turnover published by Interfax, May 25, 1993.

7. In 1994, Yakov Gilinsky, deputy director of the Institute of Sociology in St. Petersburg, drew up a (non-exhaustive) list of the situations in which a businessman was required to pay money under the table: “. . . when registering enterprises, when taking lease of premises from state bodies, when acquiring licenses for the [commercial] use of those premises, when obtaining low-rate bank credit, when reporting to the tax in-