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Comrade Criminal

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Seran Akopyan opened his tiny grocery store on Moscow's Krasnoprudnaya Street in the spring of 1992, soon after municipal authorities gave private citizens the right to lease state retail shops. A few months later, he bought a gun.

"It's just a gas pistol," Akopyan smiled, pulling it from the bottom drawer of his desk. "It can't kill anybody. But it's useful in this neighborhood."

In more than five years as a correspondent in the Soviet Union, I could not remember ever meeting an ordinary, law-abiding civilian with a weapon. But I could see Akopyan's point. His business was within bullet range of one of the roughest districts in the capital. The nearby Central Market was a haven for drug dealers. A few blocks away, the Kazan, Yaroslavl, and Leningrad railway terminals attracted runaway children, beggars, drunks, con men, thieves, and prostitutes.

When the stations were built in the early years of the twentieth century, they had been magical additions to the Moscow skyline. Today, their clock towers and soaring fairy-tale roofs look forlorn against the hustle and grime of New Russia.

Akopyan's grocery was a more fitting monument to the new age of Russian capitalism than the railway stations. Most Soviet food stores were grim, cluttered places, where a pushing mob of customers faced sour-looking clerks over counters filled with largely unrecognizable merchandise. Beyond the heavy glass doors of Akopyan's food emporium, however, was a new world. The shelves and floors were briskly swept clean of litter. Clerks in spotless aprons stood in front of rows of tinned food, imported vegetables, and jars of pickled spices—all neatly sorted by category and size. Cellophane-wrapped packages of meat and poultry were piled invitingly in a large, modern freezer, a sight unimaginable in a normal Moscow *produkty* store. Akopyan's store radiated enterprise and profit.

But the shopkeeper's gun was proof that the businesslike atmosphere inside his establishment offered no protection from the predatory world outside. "The other night, there was a shoot-out outside my door," he said. "A bunch of guys

just opened fire on each other, like cowboys, and when we came to work the next morning, there was blood all over the sidewalk."

He bought the weapon following an unpleasant encounter with the neighborhood mafiya. A pair of hoodlums walked through his door one evening when the shop was nearly empty and the storekeeper was counting the day's receipts. Smiling at Akopyan, they complimented him on the success of his new business. They wondered whether he would be interested in a long-term "protection" arrangement.

Akopyan is small and wiry, with a black mustache and a combustible temper. When the hoodlums emphasized their point by methodically kicking over chairs and sweeping his papers to the floor, he cursed and lunged at them. Years of lifting heavy crates had put strength in his arms and shoulders. To his surprise, his visitors fled into the night.

As he recounted the story, Akopyan was disconcertingly casual. "Most of the mafiosi in this area don't make trouble for me," he said. "They even bring me some of their stolen goods—imported tape recorders, that sort of thing—and ask me to sell them. I tell them no, and they go away. But some of the groups are not easy to handle, even for me."

According to the mutual friend who introduced us, Akopyan was among the few private businessmen in the city who did not have to worry about satisfying mafiya greed—and it wasn't because he carried a gun. My friend hinted that Akopyan had powerful mob connections.

"He's the biggest food distributor in north Moscow, and he knows everyone," he said. Lowering his voice meaningfully, he added, "To have a food business in Moscow is to have power in a hungry country like ours—and he knows how to use his power."

Akopyan did not mind being perceived as having a secret, darker dimension. "I have always known influential people," he said grandly. "Everyone knows me in this region."

Was the shopkeeper a minor crime lord, as my friend tried to suggest? Or was he an honest man trying to make his way in a world which could be cruel and unforgiving to the timid?

As I continued talking with him, it was apparent that the quest for profit in post-Soviet Russia required a businessman to play both roles. For instance, he soon found a way to discourage further visits from the gang that had tried to pull him into an extortion racket. The same hoodlums returned to his store a few weeks later, but this time Akopyan was ready. Several large, powerful men were waiting inside his office, and as soon as the gangsters stepped inside, they overwhelmed them in a melee of fists and sticks. The shopkeeper merely had to watch.

Who were these men? Akopyan described them, with an uneasy smile, as his "friends." He said that after the attack he had formed an "association" of 120 strong

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young fighters, including former policemen, black-belt karate experts, and wrestling champions. "From now on, if I'm in trouble, I know I can always call my friends," he said, "and in ten minutes they will be here to help me." The shopkeeper had evidently learned valuable lessons from Uganov, the Armenian *vor* who had impressed him as a child in Karabakh, in the art of overcoming the obstacles Russia threw up to its citizens—and of profiting from them. [. . .]

A few weeks after he developed his private security force, Akopyan was in Grozny, the capital of Chechnya (and the national home of the Chechen mob). When he prepared to board the airplane for his homeward flight to Moscow, an airport official informed him that there were no seats—a transparent attempt to extract a bribe. Strengthened by the newly "found" friends he could call on, Akopyan played the gangster.

"I told the guy he had two choices," Akopyan boasted. "He could let me on the plane and then go home, and I'd be sure to guarantee he had some wine and nice things. Or he could keep me from boarding—in which case he would spend the rest of his life trying to earn enough money to pay his medical bills." Akopyan boarded the plane.

With his "association" behind him, Akopyan no longer feared anyone. "The *mafia* provide certain services," he said. "If you need goods, they can find them quickly," he said. "If you're having problem, they solve it so that you can be sure no one else will get in your way. People need protection. What does it matter who provides it, or who they pay?"

But this picture of the "evolution" of an honest shopkeeper into an aggressive participant in gangster economics was incomplete. There was another reason why the *mafia* held no terrors for Akopyan; its tactics were simply an extension of the system he had been working in most of his life.

When Seran Akopyan decided to become a capitalist, at the age of forty-five, he was already manager of one of the city's largest state road warehouses. He tried playing by the rules established under the government's 1992 privatization plan. He wrote a formal letter of application to participate in the bidding for a lease; he paid the registration fee; he obtained references from a bank. But he was getting nowhere.

Then a municipal official he had known for years arrived one night at his door. The two men spent an hour chatting over glasses of *tutovka*, Akopyan's favorite throat-searing cognac from his native Karabakh, in the Caucasus Mountains. Finally, Akopyan's visitor cleared his throat.

"That shop you want on Krasnoprudnaya Street," he began. "It can be arranged that you get the lease. But, you know . . . it has to be bought first."

Akopyan understood immediately. "How much?" he asked.

"Two hundred thousand rubles."

As he conducted me on a tour of his establishment, Akopyan gave me a further education in the ethics of post-Communism. He proudly pointed to a corner of the room where ten-pound bags of rice were stacked.

"In your country, all you need to do is ring up some distributor and say I want so much rice; please bring it around next week," he said, and then he smiled. "That's not how it works here."

Akopyan mimicked someone handing over a bottle.

"So only the person who pays a bribe gets the goods?" I asked.

Akopyan laughed. "No, not necessarily. You have to be known and trusted. Even though I may have the money to pay, that doesn't ensure I will get what I need. Personal sympathy, that's what counts."

He went on to explain. "If you are starting a shop, you still need to get approval for everything you do, even after you come up with the money to buy it. The local district committee wants to see your remodeling blueprints. The regional food ministry official has to approve the purchase of machinery, and there's the health inspector. But when you go to see the bureaucrat, he's reluctant. He tells you that he's busy, and that things could take a lot of time.

"So you tell him you happen to know there is really good beer for sale at such and such a shop. He's interested. Everyone knows there's a shortage of beer. You ring the shopowner who happens to be a friend of yours, and you tell him to set aside some beer, and of course you tell your friend not to take any money from this bureaucrat but to put it on your account. He goes along with it because he knows someday you could help him. It works perfectly—and you get your approval."

Akopyan smiled again. "People exaggerate when they say you need thousands of rubles to get things done," he continued. "It's often just a question of fitting in with someone's interests. As I said, it's all based on personal sympathy."

Twenty years earlier, Akopyan was considerably less cynical. When he first arrived in the capital from the Caucasus, he was a fervent believer in the system.

"I actually wrote a statement to my bosses on my first Moscow job, saying I thought our life in the Soviet Union was the most correct way of life," Akopyan laughed. "I wanted to live like a real Communist, and I even told them I didn't want a big salary, just enough so my family could live. I got those ideals from my father, who was a military engineer—one of those crystal-pure souls who believed that to be a Communist was the best thing in the world. I believed everything he taught me. But it didn't take me long once I came to Moscow to see what was behind all that propaganda."

Akopyan's first job in Moscow was on an assembly line, producing jet engines for Russian MIGs. He worked hard—too hard, he said. His bosses were irritated to discover that their zealous apprentice was earning more in bonuses than they

were. They made his life uncomfortable, and he finally left the factory to work as a forwarding agent in a food warehouse. There, he received his initiation in the system's brand of corruption.

"We would get an order to ship 120 kilograms of sausage to some shop, but the shipments we sent out contained only 100 kilograms," Akopyan remembered. "Where were the other twenty? They were shifted into the manager's private stock so he could sell them for his own profit. It was up to us to cover the loss."

The "private stock" made its way into the black market. But the so-called shadow economy was more than a vast private supermarket. It was also the only place real work ever got done. Some Russians now say that the phrases "black market" or "shadow business" are misleading, because they convey a system that thrived on the edges of the real economy. According to Lev Timofeyev, a former Soviet dissident who became active in the reformers' movement in the 1990s, the market was not "black," but "universal." "In the last decades in the USSR, not a single product has been manufactured and not a single paid service has been performed outside the confines of the black market," he wrote in a book published after the fall of Communism, called *The Secret Rulers of Russia*. "[It was] the living blood circulating in a dead organism." The black market is a key to understanding the history of the Soviet Union as well as the trauma of post-Communist Russia. "The entire Soviet system—everything without exception—was nothing more than an enormous black market," Timofeyev observed. [...]

The rise of cooperatives and small businesses not only offered a way to launder black-market profits; it also directly contributed to a rise in crime, thanks to the conditions under which the country's new businessmen were forced to work. Food suppliers, for example, were prohibited from selling produce to a private restaurant at the cheap subsidized prices available to state-owned restaurants. This was supposedly intended to prevent competition from "destabilizing" the market, but it was actually designed to cushion the monopoly held by bureaucrats who were already selling subsidized food for windfall profits. The profiteers of the black market flourished, as desperate restaurant owners and small businessmen came to them for supplies. A clothing cooperative, for instance, found that no state manufacturer could sell him denim. But the same denim became available at astronomical prices in the shadow economy, where the factory manager had secretly helped underwrite a "private" production line.

The small businessman was also vulnerable to extortion rackets, which appeared at the same time. Mobsters provided a unique form of protection to these seedlings of free enterprise. They were happy to help a businessman collect his bills or stave off unfriendly creditors, but; they were also quick to punish any who resisted their help. In the late 1980s, a wave of firebombings and assaults hit dozens of cooperative restaurants and businesses in Moscow and other cities.

"Cooperative owners, even the legitimate ones, had to get involved with illegal activity in some form—they had no choice," said Aleksandr Gurov. "If they wanted office space, they would have to bribe officials; if they needed a loan, there were no banks to go to; and if they tried to get money from customers who didn't pay their bills, there were no courts to come to their side. The only businessmen who didn't go bankrupt were the ones who were associated with the mafiya."

The peculiar nature of perestroika *business* was missed, or ignored, outside the Soviet Union, where any form of enterprise that bore a resemblance to capitalism was treated as a brave departure from the command-administrative economy. Western investors who rushed into Moscow to cultivate what they believed were the first shoots of Soviet free enterprise quickly discovered that unless the "new businessmen" they found as partners for their joint ventures were able to pay for bureaucratic or mob protection, or were disguised bureaucrats themselves, the partnership would soon evaporate.

The relaxation of the command-administrative system had done little more than allow enterprising apparatchiks and black marketeers to convert the wealth they earned through the manipulation of the system into "real" money. The bureaucracy showed no interest in making things easier for ordinary entrepreneurs: a competitive marketplace would not only reduce their opportunities for private gain, but also challenge their power. Instead of laying the groundwork for a free market, perestroika merely reinforced the operating methods of the black economy.

Some argued that it had an even worse long-term effect. Long after perestroika had faded into history, one of the former Soviet Union's most prominent political figures said that the government's failure to regulate the black market had doomed the chances for genuine reform. Vadim Bakatin, minister of internal affairs in the Gorbachev government until 1990—and Aleksandr Gurov's boss—admitted that bureaucrats and mobsters not only shared a common interest in blocking the creation of a competitive open market, but had joined forces in terrorizing independent businessmen as well. "The foundation of today's organized crime was the shadow economy, but the roof was our own bureaucratic system," Bakatin ruefully explained to me in 1993. "Our bureaucrats, police, procurators, judges, even the KGB, were merging with the underground world. It was a critical change in the development of crime in our country."

The inevitable consequence was the rise of the unique post-Soviet gangster-bureaucrat: the comrade criminal.

In 1993, I was shown one of Russian law enforcement's most secret, and most embarrassing, documents: a list of eighty leading criminals in Moscow and the surrounding region. Their faces stared triumphantly out of the grainy police mug shots, as if they were celebrating the fact that they were all still at large. But what was especially interesting was that less than a quarter of them were acknowledged

vory v zakonye. The majority were men in their late thirties and early forties, whose occupations were listed as industrial manager or business director. [. . .]

But the most telling evidence that the gangster-bureaucrat continued to squeeze legitimate business enterprise after the Soviet collapse was in the uninterrupted flourishing of the black market, years after there was any apparent reason for it to exist—at least if one took seriously Russia's proclaimed intention of moving toward a free economy. In 1992, the estimated size of the shadow economy—that is, goods and services for which no taxes were paid—was 2.5 trillion rubles (then worth about 1.3 billion dollars). According to a confidential paper prepared by Russian law enforcement agencies, this post-Communist black market already accounted for 15 percent of the Russian volume of goods and services by the end of 1991.

Comrade criminals, and the shadow economy they manipulate, continue to affect the way Seran Akopyan does business. The Party bosses he once dealt with as a bureaucrat have turned up in Moscow's privatized retail trade as either administrators or practitioners.

"Compared to people like myself, they are the sharks," Akopyan told me. "Everyone operates in the same way as in the old days. The networks haven't changed. I estimate that 40 percent of the old bureaucrats are still there—they're not interested in ideology, but business. For instance, if I ring the Ostankino sausage factory for an order, they might bring me three or four varieties of sausage; but to another [shopowner] they might send ten types." The determining factor was "personal sympathy," Akopyan repeated. "It doesn't matter to the factory that I could do a better job of selling the sausages," he said. "In our country, the producer is not interested in selling his goods fast."

After several conversations with Akopyan, I came away with a grudging respect for the oasis he had created on Krasnoprudnaya Street—and for what it cost to maintain it. Akopyan survived from day to day on the strength of his ability to get along with the city's comrade criminals.

In the middle of one of our chats, an old woman walked into his office, carrying a container of powdered cleanser. She handed the detergent to Akopyan without a word, and he kissed her on each cheek and stored the container away in the same desk drawer where he kept his gun. The woman stalked out, mumbling angrily beneath her breath.

Akopyan noticed my mystified stare and started to laugh.

"We have a special arrangement," he said. "That woman works in a house next door, and she steals the stuff for me because I can't get any myself from the people I know. Tomorrow, I will give her a nice imported chicken."

The shabby edifice of the Soviet Union may have collapsed—but the moral ambiguities it fostered have survived on the New Russia's frontier.

The Criminal State

In the heady weeks following the defeat of the August, 1991, coup, Moscow was in an uproar. Crowds roamed the streets day and night, pulling down the statues and slogans of the old regime. The city was swept by rumors of an imminent ban on the Soviet Communist Party. An angry mob gathered behind police lines in front of the offices of the Central Committee on Staraya Ploshchad (Old Square), calling out threats to frightened secretaries and office workers. Inside the building, a high-ranking Party official sat down to write an urgent memo to one of his assistants.

"I've taken one hundred million rubles," the memo said. "Hide it." In the midst of its worst disaster, the world's largest Communist Party was reverting to its clandestine habits. In Moscow, and around the country, Party leaders were shredding records and files and making preparations to go into underground opposition. Even in forced retirement, though, the Party had better prospects than it did nearly a century earlier, when the threadbare bands of Marxists in Geneva, Minsk, and St. Petersburg first began plotting the overthrow of the czarist empire. In fact, many Soviet Communist Party leaders looked less like reluctant pensioners than like bandits fleeing the scene of a crime: they were moving off the stage of Russian history with a fortune worthy of a czar.

After seventy-four years in power, the Party was one of the world's richest organizations—controlling property and investments abroad worth, by some estimates, billions of dollars. Although the extent of its actual cash reserves was unknown—some insiders maintain that it was; much less than critics believe—it possessed the unchallenged ability to treat the Soviet state's financial resources as its own. Greed and corruption marked its final years in power to an extent scarcely suspected abroad. The truth did not become apparent until records of the Politburo and Central Committee—the Party organs that effectively governed the Soviet Union—became accessible to researchers after the aborted 1991 coup.

A complete account of the secret wealth of the Communist state may never be possible, but the impact of that wealth on post-Communist society is just beginning to be clear. There is evidence to suggest that the money now underwrites both left-wing and right-wing opposition to reforms that would open the Russian economy to greater competition and restrict the comrade criminal's ability to plunder the state. Even more ominously, Party funds have contributed to the criminalization of life after Communism. But that is merely a testimony to the enduring influence of Russia's largest and most sinister mafiya organization.

In the 1970s and early 1980s, a series of revelations about murder and corruption in high places shook the Soviet Union. The newspaper accounts and summaries of court cases of the time read like true-crime tales. The cases had one common denominator: they all involved officials who were influential members of the Communist Party.

The mayor of Sochi, for example, amassed such a huge private fortune from bribery and kickbacks that he was able to build a fantasy mansion with a singing fountain that emitted different notes, depending on the height of the water. In the nearby resort spa of Gelendzhik, several high-ranking officials were murdered just before they were to give evidence to investigators about massive influence peddling in the region. Sections of the exclusive vacation compounds in southern Russia and the Baltic states reserved for the Party elite and their families were turned into brothels. Senior bureaucrats even dabbled in drug trafficking and the distribution of pornographic videos.

One of the most riveting scandals came to light in April, 1983, when a search of the home of an official in the fabled Central Asian city of Bukhara revealed a treasure trove of one million rubles, nearly a mile's length of gold brocade, and piles of diamonds, rubies, Swiss watches, and jeans. The official admitted that his wealth came from a complicated kickback scheme that involved falsifying reports about the production of cotton.

Moscow had decided several years before to turn Central Asia into a vast cotton plantation. After a few bumper harvests, the weakened soil could no longer produce enough to fulfill the quotas set by the planning ministries. The region's leaders, however, were not bothered by those details. With the collusion of the Moscow bureaucracy, which feared admitting any failure in agriculture, they continued to report huge crops and were paid anyway. Moscow bureaucrats, who took a cut of the profits, were happy with the arrangement. Everyone could become rich while advancing socialism. The conspiracy spread to include hundreds of officials across Central Asia and reached into the higher levels of the Soviet establishment. Among those eventually implicated in the scandal were Yuri Churbanov, deputy minister of the Soviet Ministry of Internal Affairs (and son-in-law of the late Soviet leader Leonid Brezhnev), and Sharaf Rashidov, the Party boss of Uzbekistan, a candidate (non-voting) member of the Politburo and a close Brezhnev ally.

Some of the Central Asian and Moscow bosses arrested as a result of the investigation were shot, and others received jail terms. But police inquiries never penetrated deeper into the system. The affair was officially regarded as a "deviation" from the moral code of Bolsheviks, and the establishment closed ranks behind the culprits. Yet no one could have any doubt that this scandal, like many others, was traceable directly to the Central Committee of the Communist Party.

"The Central Committee was like a czar's court," said Yevgeni Myslovsky, a former senior investigator in the office of the Moscow procurator (public prosecutor),

who worked on the cotton scandal and other cases. "There were about five thousand people employed there, but twenty-five of them were the real unofficial organizers of the corruption that was going on around the country. They weren't really top officials, just deputy heads of departments, special [Party] instructors, those kinds of people. But they acted like a mafiya clan."

It was a mafiya that could dictate which of its members would be prosecuted. As in the cotton scandal, the leadership decided how far any investigation could go. "Every time we wanted to prosecute a corruption case against a bureaucrat, we had to bargain with these people at Party headquarters," Myslovsky recalled. "As soon as we got close to someone they wanted to protect, they removed all the evidence. They had terrible power. They seemed to me like a special caste."

Aslambek Aslakhanov, chairman of the Russian parliamentary commission on law and order until 1993 (and a former investigator with the Soviet Ministry of Internal Affairs), told me a similar story about his efforts to prosecute top officials in the 1970s. After arresting a senior Party figure on bribery charges, a man who boasted of having "three friends" in the Politburo, Aslakhanov was assured by the justice minister that there would be no interference. But the justice minister was fired, and the corrupt bureaucrat was released from prison the next day. "They even showed him on television as a hero," Aslakhanov recalled bitterly.

The special caste that senior officials belonged to—the *nomenklatura*—was officially unmentionable in Soviet public discourse. Yet no one was untouched by their power.

The *nomenklatura* were the governing class of the old empire. Occupying the privileged center of Soviet politics, they were to ordinary civil servants what sharks are to goldfish. They numbered, by some estimates, nearly 1.5 million people, and their special authority came from their place on a secret list prepared by the Central Committee containing the names of the most worthy Party members. From this list all the top officials of the state were chosen, from regional and municipal Party secretaries to ambassadors and senior government ministers. The *nomenklatura* constituted a private club of individuals whose loyalty to the Party transcended any other obligation. And it was their chief, the general secretary of the Communist Party, the first name on the list, who led the Soviet state.

Over the years of Soviet power, the *nomenklatura* adopted an internal system of rewards and punishments that was as carefully graded as any Sicilian mafia clan's. Relatively innocent gifts, like fruit or flowers, were required to establish key relationships. Raisa Gorbacheva was said to have presented a necklace to Galina Brezhneva, wife of the late Soviet leader, when the couple came to Moscow after her husband had been appointed agriculture chief at the Central Committee. Party memberships went for higher prices. In Krasnodar, they cost between 3,000 and 3,500 rubles; in other regions, the cost of securing a leading position could be as high as 6,000 rubles—then the equivalent of about two years' wages for an average Soviet worker. [. . .]

The system knew how to repay the loyalty of its members. In the 1970s, a senior Party worker named Kulakov received on his retirement the right to free hospitalization for his family, a country dacha, and private cars for as long as he lived. His grandchildren were awarded a monthly seventy-ruble stipend. In a revealing note of cynicism, an anonymous Central Committee official headed the document approving Kulakov's retirement plans, "Easing the Panic of Comrade Kulakov."

The nomenklatura not only took care of its own; it also kept its ranks firmly off-limits to politically incorrect outsiders. Children of high officials went to the same schools and holiday camps, and intermarried with each other. "The *apparatus* tried to set up a system of inherited power. . . through an exclusive system of education and then through a system of appointments and promotions," Arbatov wrote, adding that, like corruption, the nepotism originated at the top. Brezhnev's son, for example, became deputy minister for foreign trade.

Despite the titillating revelations of scandal in high places, the Party bosses set clear limits on what the Soviet public could be told about the extent of their criminal activity. When the popular national magazine *Krokodil* published an exposé in the early 1980s which linked Communist officials in the Ukrainian city of Dnepropetrovsk with local gangs, the issue never appeared on local newsstands. Dnepropetrovsk happened to be Brezhnev's political base, and allegations of corruption touched sensitive nerves.

Corruption was imprinted in the system's genetic code. "The old administrative-command society [was] organically connected with corruption," wrote Arbatov afterward. "[We had] an enormous and parasitic *apparatus* [that] gives or takes away, permits or prohibits, takes care of everything, can fire anybody, demote anybody, often even throw him in prison or, on the contrary, raise him up. And who with such power at his disposal can resist temptation?"

But no one really guessed how lucrative the temptation was. "The budget of the Communist Party of the Soviet Union [CPSU] was always marked 'top-secret,'" said Aleksandr Kotenkov, a state legal official who defended the Russian government's ban on the Party in a 1992 trial. "But we have evidence showing that the CPSU spent hundreds of millions of dollars of the state's money for its own needs alone every year."

To back up his charge, Kotenkov made public at a Moscow press conference documents showing that the Party regularly plundered the state treasury to underwrite foreign Communist groups and terrorist organizations. "There would be a decision of the Politburo on financing a particular group," Kotenkov said. "Then an instruction would come from the Central Committee to the [Soviet] State Bank for a delivery of hard currency. A man would come around from the bank to Old Square with the cash, and it would then be handed over through KGB channels."

There are other versions of how the money went abroad. Former Party insiders have told me that the money was sent directly from the Central Bank to KGB station chiefs overseas. I have also seen memos from the Central Committee archives authorizing the direct transfer of millions of dollars to Communist Party leaders in Europe and North America. (No detail was too small: one 1970s memo authorized the purchase of an expensive fur coat for a loyal Canadian party worker.) The disclosure of such transfers embarrassed the recipients, but no one was surprised by them. The secret flow of cash was central to the Soviet goal of winning friends and financing clandestine movements abroad. The troubling issue raised by Russian investigators later, however, was how many millions went into private foreign bank accounts held by Party officials rather than the pockets of designated "friends" of the international proletariat. The nature of the clandestine process made it impossible to verify how the money was actually spent. It was not nearly as hard to figure out where it came from. "The Party always insisted that everything it had came from membership dues," Kotenkov said. "But our documents show that the source of all the Soviet Communist Party's wealth came from state property."

In other words, Party and KGB officials were raiding the government treasury for their overseas operations. Formally, this was a violation of Soviet constitutional provisions that separated Party and state. But it was the least of the illegacies associated with the establishment's behavior. "We had," said Aslambek Aslakhanov, "a *mafia* of the supreme organs of power." [. . .]

But the Party possessed an advantage undreamed of in the *vorovskoi mir*: it was the ruling class of the society it ravaged. In the absence of any serious check on its power, it was free to do whatever it wanted, to whomever it wanted.

"In Soviet conditions the decisive *mafia* [sic] role is played by politicians," wrote Arkady Vaksberg, a prominent Moscow journalist who, in a book called *The Soviet Mafia*, described the inner workings of the Party and government bureaucracy in the 1970s and 1980s. "[They used] criminal methods to preserve their jobs and their strongholds."

Vaksberg compared the conspiracy of silence surrounding the nomenklatura to the Italian mafia's code of *omerta*, the blood oath committing each member to take the secrets of the clan to his death. A number of top officials committed suicide during the late 1970s and early 1980s, when the KGB, under the ambitious Yuri Andropov, launched a crackdown on corruption. For example, Gen. Nikolai Shchokolov, a Brezhnev ally and minister of internal affairs, was found shot to death on December 13, 1984. Shchokolov had been at the center of a scandal threatening to involve even more senior figures in the hierarchy. According to one widely circulated version of his death, he was visited in his apartment the night before by agents of the Moscow procurator's office and handed his own service revolver. The officials then silently departed to let him draw the obvious conclusion. [. . .]

In the Party's final days in power, another rash of suicides claimed the lives of leading *apparatchiki*. Boris Pugo, then minister of internal affairs and one of the leading plotters of the coup, shot himself and his wife to avoid arrest. Nikolai Kruchina, financial and property administrator of the Communist Party, jumped to his death from the balcony of his fifth-floor Moscow apartment on Aug 26, 1991, only days after the botched coup—and a few weeks before an investigation of Party finances was scheduled to open. In his suicide note, he explained that he was killing himself out of “fear of the future.”

It was an intriguing phrase. Kruchina evidently believed that he could not participate in a future without the Communist Party. But the treasurer may also have sacrificed himself in the hope of taking to the grave the secrets of how the Soviet mafiya had guaranteed its own future. Unfortunately for Kruchina, the story—or most of it—is now in the public domain.

The Party's private insurance program effectively began after February 5, 1990. On that date, at a historic plenary session, the Communist Party's governing Central Committee voted to revoke the privilege granted to the Party under Article Six of the Soviet constitution as the state's only legal political organization. The Party did not easily consent to the removal of its seven-decade-long monopoly on political power. It took a tough speech by Mikhail Gorbachev to persuade reluctant Central Committee members that it was “time for us to understand the age we live in.” Few in the leadership saw anything but trouble ahead as a result of the decision.

“The whole system was held together by the *nomenklatura*,” said Vadim Bakatin, who, as Soviet minister of internal affairs from 1988 to 1990, was present at that meeting. They knew if you pulled one nail out, the whole thing was in danger of falling apart. The decision to abolish Article Six was the nail. It was the moment when the Communist Party lost its time-honored right to steal.

“The Party no longer had easy access to state funds,” Bakatin told me in 1993. “Now money had to be found somewhere to pay the bureaucrats who had no other jobs apart from Party work. We were faced with a huge financial crisis. The central bureaucracy and the Politburo were already in terrible financial shape. Even the income from Party dues was reduced because so many members were leaving. So instructions came [from the leadership] to invest Party money in commercial structures.”

Within months of the February 5th meeting, huge sums of money were quietly being transferred out of Party coffers. Documents from the Central Committee archives made public after the coup have provided a graphic illustration of the Party's miraculous conversion to capitalist enterprise.

In June, 1990, the first of many private banks was established with Party funds. Some thirty-one million rubles (about 1.2 million dollars at commercial 1990 rates) were placed as start-up capital for an operation envisioned as leading to

large-scale credit and investment transfers at home and abroad. Officials reported that they planned to transfer an additional five hundred million rubles (about twenty million dollars) from the Party's reserves to the account by that autumn, because of what they called “the deterioration of the economic and political situation in the country.” Eight months later, Party treasurer Nikolai Kruchina was so pleased with the bank's work that he deposited, in the name of the Central Committee, another fifty million rubles, at an interest rate of 6 percent.

The banking operation blithely ignored a law of the Russian Federation that restricted the ownership of commercial banks to state bodies. As a political group, the Party did not formally qualify. But this was a minor quibble compared to the arrogance with which Party officials ignored their own ideological proscriptions against “profiteering” from bank interest. [. . .]

The Soviet Union's military empire overseas was an early source of dividends. According to the Moscow crime newspaper *Kriminalnaya Khronika*, the sale of military property in East Germany during the early 1990s produced huge amounts of Soviet rubles, which in turn were exchanged for East German marks at the artificial rates set by COMECON, the moribund socialist trade market comprising the Soviet Union and its East European satellites. After German unification, the East German currency was exchanged for West German deutschmarks at an enormous profit.

The newspaper claimed that it had proof of an even more notorious scheme in which several Communist-established “private” banks in Russia accepted huge dollar deposits from Panamanian and Colombian drug dealers, converted them to rubles, and then reconverted them to dollars, transferring the money overseas again in return for a hefty commission. “The Soviet Union,” the paper said, “was operating as a colossal launderette.”

There could be no doubt the Party was aware that its commercial activities were a betrayal of the state it purported to lead. The August 23rd Politburo resolution expressly ordered that the financial structures created under its scheme were to have “minimal visible ties” to the Communist leadership. “Anonymous organizations [will] mask direct links to the Party when launching commercial and foreign economic Party activity,” the resolution instructed, with the aplomb of a mafiya syndicate creating front groups.

The fast track to capitalism was authorized at the highest levels. A classified Politburo resolution dated June 11, 1991, which approved the transfer of six hundred million rubles to commercial organizations and banks established by Party bodies such as the Komsomol, was signed by Communist Party general secretary Mikhail Gorbachev. According to the resolution, the funds were to serve as seed money for investment in “modern forms of economic activity, such as shareholding companies and small enterprises.” These funds were also to be made available to “reliable” foreigners willing to establish joint ventures with Party enterprises.

Lenin's heirs were not only concerned with preserving their communal wealth. According to evidence presented at the 1992 trial involving the Yeltsin government's ban on the Communist Party, Gorbachev also signed another document just a few weeks before the coup recommending that Party property around the country be transferred into the name of trustworthy "private" owners—all presumably members of the *nomenklatura*. Officials testified that there had not been time to carry this recommendation out, but the attempt to protect the Communist patrimony was already well under way.

Long before the coup, the *nomenklatura*'s eleventh-hour switch to capitalism produced maneuvers that made the black-market buccaneers of Yekaterinburg look like lowly bank robbers. The paper trail left in the archives shows that top state officials positioned themselves very early for a struggle over the control of post-Communist Russia's financial and industrial base. In one case, senior bureaucrats at Gosstab, the Ministry of State Supply, arranged to buy 142 government-owned dachas outside Moscow for the equivalent of about seventy-five thousand dollars, at prevailing rates, in 1990. A year later, the buildings as well as the land had an estimated value of more than four million dollars.

For those *nomenklatura* separated by distance and rank from the financial schemes under way in Moscow, there were other means of assuring a secure future. In the final years of the regime, the entire system echoed to the thud of bureaucrats parachuting into comfortable private-sector jobs.

In August, 1990, Igor Gorbunov, then the regional party chief of Bashkiria—a region southwest of Yekaterinburg—received two million rubles from the Central Committee to establish a small cooperative bank. A few months later, the bank moved to Moscow, where it was relocated in a building owned by the Lenin District Party Committee. After the coup, Gorbunov and other Bashkirian Communist Party officials landed jobs at the bank, with monthly salaries of up to eighty thousand rubles, several times the average worker's wage.

What helped these officials enormously, of course, was the fact that they were writing the new rules as they went along. "For a brief time, the . . . *nomenklatura* both acquired the freedom of private initiative and preserved their entire distributive power over state property," observed Lev Timofeyev.

The measures taken under perestroika to liberalize the economy and reduce state control promoted first and foremost the interests of the Party elite. A Soviet pun in the early 1990s recognized this when it transformed *privatizatsiya*, "privatization," into *prikhvatizatsiya*, "grabbing." One of the major beneficiaries of the government's privatization program turned out to be the KGB. A maverick KGB general named Oleg Kalugin disclosed later that the agency "virtually controlled" the privatization program in the final years of the Soviet regime. This was confirmed by Yevgeniya Albats, a Moscow journalist, whose investigation of the spy agency's activities

showed that it invested three billion rubles (about 120 million dollars) in six hundred newly established commercial firms and banks around the country.

Taking advantage of new rules permitting the establishment of "foreign economic associations" with the right to trade abroad, the agency created a Moscow-based export firm named Santa, whose board members were all active reserve officers of the KGB. The general director was a reserve KGB colonel identified only as V. Belousov. Santa lived up to its name. Within a few months, it was distributing generous gifts of cash to other newly created commercial firms inside the Soviet military-industrial complex. [. . .]

The KGB was an important secret player—perhaps the most important—in bridging the criminality of the old regime with the criminality of post-Communist era. On January 5, 1991, the KGB Third Main Department, the division responsible for military counterintelligence, sent a classified telegram to Soviet army and navy bases around the country. The message, discovered by Russian researchers in the agency's archives and listed as document 174033, relayed coded instructions from then KGB chairman Vladimir Kryuchkov for the establishment of private commercial firms to sell military technology overseas. Document 174033 triggered one of the most important domestic operations in KGB history. Kryuchkov, citing the "deteriorating domestic political situation," outlined the plan's three strategic aims in dry, bureaucratic language. The new companies were to serve as "reliable covers for [KGB] leaders and the most valuable [KGB] operatives, in case the domestic . . . situation develops along East German lines; to provide financial means for the organization of underground work if 'destructive elements' come to power; and to create conditions for the effective use of foreign and domestic agent networks during [a period of] increased political instability." [. . .]

Before Russia's new democratic leaders could get their economic priorities in order, they were faced with a group of powerful opponents who looked disturbingly familiar. The *nomenklatura* bureaucrats who had invested in the private sector were now among Russia's most influential bank managers, company directors, and heads of commercial enterprises. The Communist Party's well-timed investments had assured the *nomenklatura* of political influence as well as personal wealth in the era that succeeded them.

"Some of my old friends in the Party are today chairmen of banks and stock exchanges, and they keep calling me up to cut me into deals," said Vadim Bakatin. "They always have something going in Siberia, or Odessa, or some other place. When I say no, they take pity on me. They say, 'Vadim, can I give you a car, for God's sake, you are in a bad way.' I just keep saying, 'No thanks, don't give me anything.'"

Bakatin used to command magisterial offices as a senior member of the *nomenklatura*. He had been a minister in Gorbachev's cabinet and Boris Yeltsin's chairman of the KGB. When I met him in 1993, his working quarters were so

small that if he shifted his big frame slightly, he could reach the pot of withered flowers on the windowsill overlooking the Moscow River without getting up from his desk. He made a modest living, working for one of the handful of "foundations" that have provided safe perches for perestroika veterans. A map of the former Soviet Union, hanging on one wall, provided the only color in the room.

Bakatin, a genial man whose liberal attitudes and square-jawed good looks made him a poster boy for perestroika in the West, typified the best and the brightest of the nomenklatura. Like Arbatov, he had risen on the strength of his intelligence. But once inside the inner circle of power, he became a victim of its ruling ethic. From October, 1988, to December, 1990, Bakatin was the Soviet Union's chief policeman. As minister of internal affairs, he was given the impossible task of keeping law and order in a system that was gradually unraveling. Bakatin read Aleksandr Gurov's research paper and was so impressed that he set up the ministry's special division on organized crime—and made Gurov its head. But he was never allowed to challenge the guiding principles that made the job futile. When he tried to push through some of his ideas about legalizing the black economy to counter organized crime in the late 1980s, he was told by the Party secretariat not to make waves. "They said we didn't need any more problems," he recalled.

He had one accomplishment to be proud of. Throughout his career, which included an unsuccessful run for the presidency of Russia against Yeltsin in 1991 and a brief five-month appointment as chairman of the KGB following the coup, he was never tarnished with any corruption scandals. But that made him all the more defensive about the other members of his class.

"I don't like all this talk about the corruption of the old system," he told me. It is true we ran the economy ineffectively, and there was an elite which enjoyed limitless wealth. But you can't really call that corruption. The senior Party leaders were gods and czars. They already lived under Communism. They could get whatever they wanted from abroad. They didn't need to take bribes, but it was the order of things that people gave gifts. It was the way power was organized then. But it was a less corrupt system than what we have now.

Bakatin was right in a sense. The scandals of the Soviet regime pale beside the massive corruption and crime of the present era. But like most members of his generation in the former leadership, he is reluctant to acknowledge the formative role played by the nomenklatura in the development of post-Soviet crime.

Other Russians, however, have had no hesitation about doing so. "The criminal party has left the stage, but the criminal state has remained," declared Pavel Voshchanov, a commentator for *Komsomolskaya Pravda* who became Yeltsin's press secretary, in the summer of 1992. Mafiya habits, embezzlement of public funds, and corruption remain the norms of social relations and penetrate the atmosphere in which the country and each of our citizens lives. Our efforts to present [the defeat

of the coup] as a victory for democracy are nothing more than self-deception. On the whole, Communists were defeated by other Communists.

Within a month of the coup, there were as many schisms inside the nomenklatura as there were inside the Russian underworld, as Communists continued to fight Communists for a share of the Party legacy. Aleksandr Muzikantsky, an official appointed by the Russian government to deal with the expropriation of Party buildings, complained that rival bureaucrats were scrambling over each other in a race to "grab state property."

At a press conference on August 30, 1991, the exasperated Muzikantsky held up a letter he had received from Mikhail Gorbachev demanding title to a building owned by the Institute of Social Sciences, on Moscow's Leningradsky Prospekt. Gorbachev claimed that he needed the quarters for his presidential staff now that he no longer had access to his former offices at Central Committee Headquarters. Gorbachev was not the only top official eager to stake out his claim. Muzikantsky received a curt demand from the new Russian government for transferring ownership of the luxury apartment blocks that had belonged to the Central Committee to the new Council of Ministers. "We need to make sure that property is not handed over from one set of bureaucrats to another set of bureaucrats," Muzikantsky pleaded. "This kind of thing has to stop."

It didn't. The secret financial deals of the last years of the Soviet regime blossomed into open chicanery in the hospitable environment of post-Communism. As one long-term foreign resident put it succinctly following the coup, "There are only two kinds of people with money in Russia: ex-Communist officials, and the men who bribed them."

The two classes remain the principal combatants in the struggle over the spoils of the Soviet system—a struggle whose outcome will determine the future power balance of Russia. "The struggle for power in our country is the struggle for property," Len Karpinsky, editor of the liberal newspaper *Moskovskiy Novosti* wrote in March, 1993. "Capital and wealth are the key to position in the power structure. . . . If the [former] bureaucrat continues to be pivotal to the system, we may well find ourselves living under 'nomenklatura capitalism,' whose despotism will not be inferior to the planned socialist system."

The "nomenklatura capitalists" have financed their struggle with the funds transferred or embezzled from the former Communist state. Long after the coup, laundered Party money was turning up in every sector of the new Russian economy. Russian government investigators found evidence showing that Communist Party money financed more than one hundred commercial enterprises in Moscow and some six hundred across Russia. The investigators traced to the Central Committee more than one billion rubles deposited in Russian banks alone. An estimated fifty billion rubles was believed hidden around Russia and abroad. Considering the senior nomenklatura's freedom to do what it wanted

reexported to Poland and Germany and sold at a profit of nearly 400 percent. According to evidence presented in court, Melnik bribed one of his contacts in the Russian Customs Department to let the shipment leave the country on forged waybills. At the time, Melnik was head of the Russian Interpol office; previously, he had held the rank of colonel in the Ministry of Internal Affairs, to which he had been promoted by Bakatin.

Until he was arrested, Melnik belonged to the circle of Russian government insiders who comfortably administered the transition from Communism to capitalism. He even lived in the same exclusive Moscow building as top officials of the Ministry of Russian Security. Clearly, not every member of the bureaucracy was corrupt. Was it fair, then, to condemn all former *nomenklatura* because of the excesses of a few? Even the comrade criminals, after all, might well be tomorrow's Russian Rothschilds, Rockefellers, and Morgans. Considering the risks of the Russian marketplace, who could better assure the country's stable passage toward the future than the guardians of the old order? The situation bears an ironic resemblance to the earliest period of the Soviet state, when the leadership recruited czarist functionaries to keep the country running and the empire's military officers to assure its defense.

"If you look at the social make-up of today's *nouveaux riches*, there are an awful lot of former Party and KGB workers, maybe proportionally more than anyone else," said Bakatin. "But I see nothing wrong with it. If we had a normal economy, things might have been different. KGB and Party *apparatchiki* are the leaders in business simply because they are the people who had more information than others, better contacts, more possibilities of getting hold of supplies. They are not stupid."

It is a depressing argument, all the more so because many Westerners appear to have conceded the point on the grounds, perhaps, that no one can keep an old car on the road better than those who know what it looks like under the hood. But it is circular reasoning. The fact that there was no "normal economy," in Bakatin's phrase, to produce an efficient, non-partisan managerial class and civil service capable of presiding over the transition from Communism is hardly an accident of history. Although the czarist functionaries were eventually purged by the Soviet leadership, they never posed a serious threat of subversion to the new order. In contrast, yesterday's *nomenklatura*—enriched by the Communist fortune and reinforced by its mob contacts—does have the power to subvert the new Russian democracy. And it has had the extra advantage of advance planning.

"The *nomenklatura* knew years ago that the system would come tumbling down," said Aslambek Aslakhonov. "They prepared themselves for that, and they have obviously been successful. But no matter how high a position they

occupy in our country, I still consider them ordinary criminals, because they put their own interests above the interests of the state, just as they did when the Party existed."

Lev Timofeyev, the former dissident, went a step further in his book with a warning that the code the *nomenklatura* lived by, and which it now shared with its underworld partners, was poisonous to Russia's hopes for a normal economy. "The danger isn't that a former member of the *apparat* becomes a bank president," he wrote. "The trouble is, rather, that this person is . . . bound hand and foot to his social class—[to] the *apparat*, the military-industrial complex, and the KGB. He is dependent on that trinity in everything he does, because he obtains his property rights from them for a price: a silent oath of loyalty. If he breaks that oath, he will not remain a property owner for long."

Timofeyev went on to predict that those forces that preserved their economic monopoly while holding on to government power would move into positions of greater political authority in Russia and other Commonwealth states. After the December, 1993, Russian parliamentary elections, his prediction was borne out. By February, 1994, the majority of senior cabinet posts in the Yeltsin government was occupied by former Communist officials with deep ties to powerful state industrial and agricultural interests. Russia was well on its way to a form of state capitalism in which former Communists played the commanding roles.

In post-Communist Russia, as in the former Soviet Union, the boundaries between crime and politics have been blurred. That is one reason why Russia's comrade criminals do not represent a law-and-order problem in the accepted Western sense of the term. The comrade criminal carries with him the baggage of the criminal state.

Aslakhonov could find only one reason for reassurance as he surveyed his country's surging corruption and crime. "Russia is still too big and disorganized for there to be one Al Capone," he said. The spirit of independence is strong among all our different criminal groups. While the chaos continues, they would rather act on their own without having to submit to one criminal chieftain who is in charge of everything.

"The real problem may start when the state actually manages to come to grips with organized crime—when our law enforcement agencies work the way they're supposed to, and when we begin to control corruption. Then the criminal clans and the political clans may try to elect someone who can lead them."

If Aslakhonov is right, the entire "transition period" may be little more than an interregnum between Russia's previous oppressors and its as-yet-unidentified future ones. It is all the more important, therefore, to look at the multifarious and often imaginative ways Russia's comrade criminals are advancing their political and economic fortunes.