

# OMY

## Results of 1992

the production of fruits and vegetables and berries sold to the state sector but only two thirds of potatoes have been put in storage thus far.

The shipment of these products to the state-run facilities has been effected slowly and only a third of harvested vegetables and potatoes and about a fourth of fruits have been delivered to Russian consumers.

Winter crops for grain have been sowed on 16.8 million hectares against 19.8 million in 1991, and 39.1 million hectares of land have been plowed for spring sowing (55.7 million hectares in 1991). Farmers have been decreasing their livestock and milk output and purchases went down 17 and 24%, respectively, cattle and poultry 22 and 29%, eggs 13 and 15% and wool 26 and 53%. State purchases of agricultural products have been decreasing across the board.

### Construction

Following a decline in investments, enterprises and companies have only used R1.159.7 billion in capital investments—a 48% decrease compared to the first nine months of 1992. Companies' own investment funds have been reduced 43%. The government has been cutting down the volume of investments and the continuing inflation presses companies to scale down construction projects.

### Transport

Russia shipped 3.8 billion goods thus far—a 20% decrease compared to 1991; the decrease totalled 15% in railroad transport, 25% in motor transport, 13% in marine transport, 37% in river transport, 40% in air transport and transportation with pipelines dropped 10%.

### Foreign trade

Russia's export revenues totalled \$24.2 billion (a 35% decrease compared to the same period last year), in September they fell \$2.8 billion (42%) to the September 1991 figure. Profits on energy sources amounted to 49% of the export revenues' total, that of vehicles, equipment and transportation means 9.6%.

## MORE NOMENKLATURA PRIVATIZATION

by Roy Den Hollander

When the Communist Party ruled Russia, the nomenklatura did not need pockets full of rubles or dollars to enjoy a privileged life style. Now they do and thanks to Yegor T. Gaidar's policies they now have bank accounts full of rubles and dollars. Prior to August 1991, the nomenklatura ruled the party that ran the state that owned Russia's enterprises. In effect the nomenklatura owned Russia. When Gaidar's current privatization program ends, the nomenklatura will once again own Russia.

Gaidar's policies, at best naive, have caused one of the largest and quickest transfers of wealth in history from the many to the few. The few, of course, are the nomenklatura, and with their new stolen wealth will soon buy more than Mercedes Benz and BMWs - they will buy controlling interests in Russia's enterprises.

Gaidar's initial adherence to the International Monetary Fund's tight credit policies in Russia's monopoly economy drove up prices dramatically on goods and services during the first three quarters of 1992. Russian citizens were forced to deplete their savings in order to purchase the necessities of life at inflated prices.

At the same time, the lack of regulatory controls and lax enforcement allowed government bureaucrats and enterprise bosses (together the nomenklatura) to steal state assets or acquire assets at low state subsidized prices and sell them to Russia's citizens at inflated prices.

Nomenklatura, or as we in America would call them - mafiosos, directed overseas importers of state products to deposit payment in overseas bank accounts controlled by the nomenklatura. Enterprise managers and institute directors sold state products at subsidized prices to associate mafiosos who in turn resold the products at a higher price and divided the profits with the directors and managers. Because the monopoly nature of Russia's economy strictly limited the number of competing manufacturers, a few mafiosos in any one industry could divert enough products to brokers that supplies to state stores dwindled, leaving citizens no choice but to spend their savings buying from mafioso brokers. Enterprise managers also embezzled revenues from the sales of state products and services. One department store manager withheld sales revenues and used the money to purchase the store from the government; restocked the store mainly with imported goods and raised prices. Other enterprise bosses simply sold their company's product at inflated prices and pocketed the proceeds.

Bureaucrats, also considered a type of mafioso in America, used funds from ministry budgets to set up private commercial banks. Naturally they or their fellow travelers in larceny controlled the banks. These banks provided credits at reduced interest rates to a bureaucrats personal account or some type of trading activity. For example: importing Western and Asian consumer goods, drug trafficking, money exchange, purchasing Russian products at subsidized prices from nomenklatura managers at state enterprises and re-selling at inflated prices. In most cases the bureaucrat and the bank never intended the credits to be repaid, providing the bureaucrat a gift of state funds. In America such criminal activities are called "sweetheart" loans.

Failure to prosecute bribery allowed bureaucrats to fleece honest citizens and legitimate businessmen of their savings. Because without government approval, people were prevented from doing nearly everything from driving a car, to selling a few items for food money, to obtaining a license for a productive business venture.

In the end Gaidar's policies and lax regulation and enforcement allowed to apostles of greed to transfer the savings of Russian citizens into their pockets. Russia now has a class of ruble and dollar rich mafiosos and a huge class of impoverished citizens. Long lasting and influential wealth, however, requires more than bank accounts stuffed with rubles and dollars; it requires ownership of the means of production. That is where Gaidar's other policy, privatization, comes into play. Through privatization the old Communist nomenklatura, now

shipped 3.8 billion goods a 20% decrease compared to 1991; the decrease total in railroad transport, motor transport, 13% in air transport, 37% in river transport, 40% in air transport and transportation with pipelines 10%.

## Foreign trade

Russia's export revenues totaled \$2.2 billion (a 35% decrease compared to the same period in 1991), in September they totaled \$2.5 billion (42% above the 1991 figure). Profits on exports amounted to 49% of export revenues' total, that is, equipment and transport means 9.6%.

Russia's import made up \$26.4 billion (a 17% drop compared to the same months of 1991). In September it dropped further \$4.1 billion (10%).

Russia imported 23.4 million tons of grain (grain imports grew 10%). Exports of medicines rose 15%, vehicles and equipment amounted to \$9.9 billion and 10%. Vehicles and equipment in Russia's imports

Russia's foreign trade balance was favorable in the first nine months of 1992 standing at \$2.2 billion. Last year's balance was unfavorable and stood at \$5.7 billion.

(Rossiiskaya Gazeta)

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Many of the poor, which now includes most Russian citizens, will sell their vouchers because they have no choice; they need the money now that their savings are depleted. The wealthy mafiosos will buy the vouchers and with their illgotten gains buy up most of Russia; thereby creating a relatively small class of capitalists who own much of Russia because they were allowed and encouraged to expropriate the life savings of most of Russia's citizens. Some argue that Russia needs a small wealthy capitalist class to exert proper control over managers and workers. Once again old authoritarian communist thinking is at work. In a competitive market managers and workers will do their job or they will be out of a job, because the enterprise will have gone bankrupt.

The small class of the rich can be deterred in their theft of Russia by making the privatization vouchers non-transferrable and eliminating the restriction that vouchers can be used to purchase only a minority interest in an enterprise. This would assure every man, woman and child a stake in the means of production that will create Russia's future and mitigate the control of Russia's future by its past nomenklatura. ■