

## **Vladimir Putin's War Against the Oligarchs: Vladimir Zhirinovsky, Political Ideas and Yeltsin's Legacy**

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Sixteen years ago, I began arguing that Vladimir Putin will rebuild Russia and make her the vanguard in the battle against the globalization, or the “New World Order.” Back then, Gen. Alexander Lebed was still alive, and I thought he would be the main personality and the muscle. Predictably, this popular general died in a helicopter crash that, like all these political assassinations, makes no sense.

Using the “wayback machine,” one can read some of my early writings on Putin and Russia from 2003-2004 onward. There was no one else making this claim in English at the time. The right was unified in condemning this “KGB operative.”

The successful fight against the (worst of the) oligarchs remains one of the most important achievements of Vladimir Putin's presidency. Under Yeltsin, “politics” was defined as the manipulation of fragments of the old state for the immediate, short-term benefit of a wealthy patron. Throughout Russian history, oligarchy has supported pro-western, liberal ideology without fail since it permitted them free rein without any objective standards of conduct. No capitalist could function without it.

The main theoretical point here is that the state must be more powerful than any combination of oligarchical forces. This is a huge feat. He accomplished this, an achievement most thought impossible in 1997. Most importantly, he forced Boris Berzhovsky and Vladimir Gusinsky, Jewish nationalists, out of their media monopoly. State owned media (or at least partly state-owned) was used as a balance to the endless Jewish liberal tripe day after day. The Washington Post, heavily invested in the Russian media and a long-time partner of both crime bosses, stopped at nothing to demonize Putin.

### **Putin's Agenda**

In the summer of 2000, after the Gusinsky's failure to pay a loan taken from Sberbank and Gazprom, the state nationalized his NTV holdings. In the west, he would have been bailed out forcibly by taxpayers. His ally was Jewish mogul Mikhail Khodorkovsky, who was planning on selling Russia's natural gas infrastructure to Exxon-Mobil which would have effectively ended Russian independence. Khodorkovsky's Yukos company, long used to not paying taxes, was nationalized by the state as partial payment. Putin's popularity soared as the Republicans in the US Senate screamed for war.

The criminal outflow of capital from Russia since the beginning of 2000 decreased, and in 2005, for the first time, there was a break-even point between imported and exported liquidity. During the next three years the volume of these inflows significantly exceed outflows. The highest here was achieved in 2007 with a net inflow of \$81.7 billion. However, with the start of the western financial crisis in 2008, the negative trend has resumed. Even with the alleged stabilization of the situation, capital outflow continues (Bruck and Hartmut, 2011: 173-179).

Rebuilding the state has to occur simultaneously with the reform of the tax code. This was done between 2000-2004. The official tax rate was very high, but since the state did not function, taxes were rarely collected and when they were, in an arbitrary manner. He thus lowered rates and simplified business taxes. He eliminated all loopholes and retained tax breaks

only for specific purposes, such as their contribution to the defense of Russia.

In particular, the Tax Code was supplemented by four new chapters: a VAT, a new set of excise taxes, an income tax and a “Unified Social Tax.” the income tax was reduced to a 13% flat rate. All taxes were eliminated for homes and home improvement as well as all investments of a cultural nature. The corporate tax was reduced to 20%. Small businesses were encouraged with very low introductory rates and new farmsteads were dropped from the rolls entirely. While being an irritant to the arrogant oligarchs who believed that their carnival would last forever, it massively increases the Russian budget. The black and gray markets were eliminated (Mitchell, 2003).

Of course, this also meant that the relationships between the regions and Moscow had to be reformed. Regional governments were blatantly ruled by strongmen, often patrons of more powerful and shadowy bosses, often foreign. It was feudalism at its worst. Over time, this meant that the laws were not uniform, each warlord ruled as he pleased. Worse, internal trade barriers had been formed among regions in instances of clan warfare. Putin's desire for a common market was vehemently condemned by the US as “authoritarian.”(See the execrable Petrov, 2001)

The Russian anti-corruption measures are strict, and would never be imposed in the US. This is because all government workers have to divulge their assets and liabilities to prevent any conflict of interest. No civil servant can have accounts in foreign banks. This is especially the case in the security services. All business dealings while in office are strictly forbidden. Because the state is more powerful than economic interests, this can actually be enforced. In states in the west that are essentially private services of capital, anti-corruption measures are overseen by those who it is meant to affect (Firestone, 2013).

In 2000, seven federal districts were created where each of them had a plenipotentiary of the president. He was to oversee the implementation of the constitutional powers of the president within the respective district and to improve the efficiency of the federal authorities locally. They were to bring regional legislation into full compliance with federal law. However, this could not be done without securing the right to dissolve the legislatures as well as the elimination of the Federation Council. Few local strongmen were representative of the population. This was a powerful blow to corruption and an attack on separatism. In areas such as Tatarstan and Bashkortostan, removing local governors was a minimal sine qua non of serious legal reform (Ledvina, 2011). Again, the republicans called for Americans to die in large numbers to reverse this (Cooper, 2008)

In 2003, the role of the regions in Russian law was standardized (Federation Statute 95-FZ, 4.07.2003), and governors were chosen by the President with the consent of local legislatures. The new system on the delimitation of powers between the Russian Federation and the subjects of the Russian regions was implemented the following year. This common market was responsible for the immense economic growth in Russia throughout the 2000s. Regional instability was ended. In each step, the US government condemned Putin in the harshest terms.

This permitted Russia to grow economically to the point where it could pay off its IMF debt early. Proving that debt is really about social control, this was protested by the consortium's board. Much of Putin's reform program was condemned by this same body, who would not restructure debt (if needed) unless it could control the country (IMF, 2005). While only 9% of GDP, oil makes up a substantial part of Russia's exports. In 2005, the IMF was paid off while the Paris Club was paid almost \$22 billion in 2006. Angry denunciations of early payment again, showed the real purpose of debt. Afterwards, these same banks claimed “vindication” of their Russia policy, pointing to early repayment as their evidence. In 2007, the US was paid off. Early

repayment was condemned in the harshest terms by western bankers. Strangely, her credit rating fell in this period of time, showing that politics is the only thing running these rating agencies.

Ideology or loyalty to the President is not the issue. Rather, having an administrative body that would accept general legal identity of the rest of Russia was essential, and quite a moderate thing to ask for. In the “third world” areas of the Federation, FDI was impossible without substantial bribes and local corruption.

### **Putin's Success**

These policies have been a success. The Business Anti-Corruption portal argues that the Russian process of business inspection in the telecommunications industry is especially corrupt. This is especially remarkable because it was reported relative to the telecommunications sector in 2009, where a pilot version of this was shown to be a dramatic success (Markova, 2009).

Relative to Russian banks, the Russian Central Bank now faces far more hurdles than before. It is not so much that an “independent” central bank is inherently superior, but rather that presently, the development of the Russian retail sector has the consequence of bring more debt to the Russian consumer. Russian marketing created an image of a free, full life if Russians were to imitate the advanced Americans into un-repayable levels of debt.<sup>1</sup> Today, the Russian central bank is state controlled and not under the international monetary cartels (Azadgan, 2016).

It should be noted that in recent years the central bank deliberately closed its eyes to a bubble in consumer lending. After 2009, Russian consumer spending increased by 11% up until 2010, and then at 7% until today. That consumer spending is financed by borrowed funds creates a false picture of prosperity (CBR, 2012: no 113). For American or EU scholars to say this is soaked in irony.

In 2013, the Russian mean gross earnings increased by 20%, consumer spending created debt that increased 39%. It is customary in the west to not count debt against one's net worth. Yet, having more debt than the family's assets is literally to be worth less than nothing. At the same time, once Russia became a member of the WTO, Russian banks began closing their doors to domestic industry.

Focusing on “comparative advantage,” the financial system in Russia, which was founded long before Putin came to power, has focused on Russia's three or four industries that are the most competitive: aerospace, military, energy and some chemicals. Once western manufacturers can trade freely in Russia, the far more advanced technical infrastructure of the west will easily put domestic producers out of business, if the credit crunch does not do it first.

Domestic industry in Russia saw profits fall by 16% in 2013 while manufacturing felt the drop at about 32% of profits. Hence, mutual funds and the financial sector might not be what is in need of development. For small business, the normal rate is usually 3 times higher than the expected profits of production. Thus, the larger, rent-seeking enterprises are capable of controlling credit, which, of itself, is a particularly obnoxious form of rent (Doing Business, 2014).

The nexus of mutual funds, bank corruption and the risks in the post-crisis Russian economy is that bankers, given the above, will prefer speculation in financial markets and consumer lending to serious, long-term productive investments. Speculation is worth-while to the rent seeking elite because any risk of default is offset by the rapid increase of short-term

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<sup>1</sup> This article was written in 2014-2015. Since then, the Central Bank of Russia, in response to western sanctions, is now on the border of state ownership and state control.

profits. The rates on short-term speculative investment amounts to 50% annually (IMF, 2014).

This information strongly lends itself to the conclusion that Putin has been nothing but a success, especially when you consider that the state did not exist in 1998. This means that risk is far lower, arbitrary actions by officials and businessmen have decreased remarkably, and investments in Russia continue to grow. The present sanctions on Russia that have no real origin except an obscure battle between Gazprom and the bankrupt Naftogaz are irrelevant. They will have no economic impact.

While beyond the present scope of this essay, these sanctions are little more than symbolic, politically-oriented drives from Russia's energy competitors in the west. Germany is opposed to these sanctions, as is much of Eastern Europe and Japan. The positive element here is that, as Russian trade will shift east. The result is that the Russian economy will continue to build the Eurasian customs and economic union that will lead to further reform, dependable liquidity and a streamlined administration. The UK Independent has reported that Germany has already signed more gas and oil deals with Russia very recently, and has refused to follow any "sanction" nonsense. Leaving the rest of the absurdly indebted EU out, Germany has already finished negotiations with Russia over Ukraine and both gas and oil continue to flow to Germany. This shows the impotent rage of the western powers and the energy firms that dictate Russian policy (Pagano, 2014).

Membership in the BRICS is part of a counterrevolutionary struggle waged by Putin against global oligarchy. The base of the BRICS combines Russia, Brazil, China, India and South Africa in an expression of this movement and the radical challenge to the New World Order. Its primary goal is to replace the IMF: to offer liquidity and assistance without destroying the infrastructure of the nation through "austerity." Given the monstrous levels of debt and general social decline of the western world, BRICS will soon overtake it. Putin's overall reform in the financial, regulatory and legal arenas has been a success.

This is especially significant when the failures of the Yeltsin era are seen as the foundation from which Russia had to build. Putin took over a Russia without a functioning state, economy or currency. Within five years, Russia had returned to major power status. All he really needed to do is provide the outlines of stability and let the population do the rest.

Specifically, from 2000 to today, Russia has recovered economic stability and sanity. The standard of living in Russia increased dramatically. Salaries and pensions have increased many times, taking into account inflation which itself has been brought under control. However, inflationary pressures exist, including this very growth in pay and output. It should be noted that wages grew faster than oil prices. Putin's foreign policy ended the war in Chechnya and eliminated the increasingly chaotic political situation in Russia's regions. This was an immense barrier to development that is presently a memory.

Removing the more lawless oligarchs from power, Putin was in no position to remove them all. Oligarchy is now the norm in liberal societies, but Russia has taken concrete steps to eliminate the worst of abuses. Khodorkovsky and Yukos oil were forced to pay taxes. Oligarchs no longer maintain private armies or their own "shadow governments."

The Russian GDP more than doubled since 2000, making her a threat to the west. Specifically, her development of the Eurasian Economic Union and charter membership in the Shanghai Cooperation Organization brought Russia into the colossal economic development and potential of East and Central Asia.

## Vladimir Zhirinovsky as the West's Jester in Moscow

Putin's success is an example of moderate Russian social-nationalism triumphing over western liberalism. This was to contrast him to the fraud Vladimir Zhirinovsky. I was not the first to notice that his antics and incoherence was working in favor of Yeltsin. His real name is Edelstein. The consummate showman, he would appear whenever Yeltsin was in trouble or the opposition against him in the west grew. He would scream something about “nuking New York” for no reason. This happened so many times that it was clear they were working together.

Mr. Edelstein removed all Orthodox nationalists from his organization. His son says he's Mossad. He's worth billions of dollars, but not a penny has been spent on real Russian needs. In the 1980s, he was an activist for Zionist interests in the USSR. He quickly became the American media's “crown prince” of the Russian right-wing. His 1993 campaign was to give “free vodka” to Russian men and “better underwear” for women.

When Yeltsin was in trouble, Zhirinovsky was on a Russian TV show, barking at the host and creating a new-riot of violence. When the Chechen war went south, Zhirinovsky, on cue, said a victorious Russia will “sell Georgians as slaves.” Then, he advocated for the invasion of the Middle East and the reoccupation of Afghanistan. He threatened to kill Condoleezza Rice over and over against under the Bush presidency. Yeltsin would then say to the west, in effect, he's what you get if you stop supporting me.

In the meantime, of course, legitimate, articulate nationalists of all stripes were invisible to the average American. The typical American journalist, smug, pompous and narcissistic, began defining “nationalism” as whatever Zhirinovsky said. His political manifesto was entitled *Mein Kampf* for maximum emotional effect in the west.

In 1992, as privatization first began showing its grim consequences, the American press ran a quote from him that read: “Russia must preserve the white race!” This is odd because he's never said anything racial in his career. In December of 1993, the New York Times ran the headline, “In Moscow, Zhirinovsky Is Remembered as Jewish Advocate.” In fact, he was the director of “Shalom,” powerful Soviet-era Jewish interest group. The article states, “Julia Pelikhova, who was also an original member of the board of directors of Shalom, said she remembers Mr. Zhirinovsky as 'a very active supporter of the democratic Jewish movement.' She said he led the battle against the pro-Communist majority.”

Alexander Smukler was one of the founders of the first independent Jewish movement, Vaad. He says that he stopped working for these causes only when he went into politics. In other words, he radically changed his persona when he ran for office. Few in the organization believe his change of heart was authentic. He says of the Liberal Democratic party “That party was the first political party to be formed outside the Communist Party, and it was close to the K.G.B. at the time.”

Stephen Shenfield's very bad book on Russian fascism toys with the idea that Zhirinovsky is a “closet liberal.” He mentions this partly in that he condemns Hitler's Germany and praises much about the USSR. He rejects this notion, but concludes that Zhirinovsky has no political views and is little more than an opportunity. His former friends at Shalom and Vaad say the same.

More recently, the Huffington Post ran this headline: “Russian Politician Vladimir Zhirinovsky Orders Aides To 'Violently Rape' Pregnant Reporter Stella Dubovitskaya” (August 2014). Comments like this are highly suspicious. Not even the worst kind of loose cannon speaks like this. It is a deliberate attempt to discredit nationalism. Any other politician, speaking like that, would see his career over. But Vladimir has been saying that sort of thing for two decades

without normal consequences. This alone is strong evidence he's a fraud.

Zhirinovskiy's party sponsored no major legislation in his long history in the Duma. In 1990, Zhirinovskiy was a part of the "Democratic Union" advocating privatization and the free market. It was then he was tapped to become the political clown to buttress Yeltsin's failed state. He now supports eugenics, electronic implants and bigamy for Islamic citizens. Most curious of all, the saturation coverage his party received from the western owned newspaper such as the Moscow Times. Certainly, much of the exposure was hostile, but other, far more articulate and knowledgeable nationalist leaders were ignored. Why this public buffoon, often seen drunk in public could reach over 30% of the presidential vote a decade ago received no western attention. It occurred because the press in Russia was determined to make him "the voice for nationalism" in Russia. Even when the New York Times showed that he had just been the head of a major Zionist organization the day before he ran for office impressed no one. It was ignored, and one can only say it was deliberate.

In the 1992 volume of the LDP gazette, he stated that "new elections were needed to avoid another Pinochet coming to power. . . I don't want to see these dark forces in power in Russia." he advocated the free market in the Duma, but when this was endangered, he went on TV and called for a return to planning. He then went back to his old position in the legislature (cf. Zhirinovskiy: A Fanatic, Or Is He An Opportunist? He Was Helped By A Hypnotist, But He Also Got Some (unintentional) Help From Yeltsin, by Cathy Young, 1994). Young also states:

Unless Zhirinovskiy has multiple personalities, he is a consummate opportunist who does not believe a word he says. Suspicions of KGB ties, strengthened by the murky sources of his funding, have dogged Zhirinovskiy for most of his political career. When his party was launched, the communists still ruled and opposition parties were not viewed kindly; yet the LDP's founding convention was covered by state TV. The party was widely seen as a stooge for the Soviet regime, particularly since, while preaching "liberal values," Zhirinovskiy condemned anticommunism as divisive and urged democrats to cooperate with the ruling oligarchy.

This pretty much settles the issue. He is to Russian politics what "Patriarch Filaret" is to the Ukrainian Autocephalous Church. Yet, these facts were well-known to journalists covering Russian affairs. Yeltsin was banning Russian TV from running spots for opposition candidates with the blessing of Washington. Somehow, Zhirinovskiy got passed the censor. He backs United Russia in all initiatives, but still tries to organize all opposition parties against Putin.

In 1994, during the election campaign, Russian newspapers had headlines warning of "fascist dictatorship" if Zhirinovskiy was elected. This was certainly for the west to see. Yeltsin's forces were mobilized and his poll numbers suddenly boosted. It was more than obvious to me at the time that Zhirinovskiy was working for Yeltsin and doing so explicitly.

His program is suspicious. It has no typical nationalist ideas. No royalism, no syndicalism, no federalism, he advocates for total centralization, rejects nationalism in other nations abroad (which no real nationalist does), and most of all, has no support in the church. He has none of the trappings of nationalism and even has zero support in military circles. He's referred to as "Antichrist" in most publications (cf Plekhanov, 85-90). he has no support among other nationalists who all see him – unanimously – as a "controlled opponent" of liberalism.

It's rarely mentioned that in the 1970s, Vladimir tried to join the communist party in Kazakhstan, but was rejected. In 1988, he created his party, which was a liberal, democratic one, hence the name. Only later did he adopt the persona that gained him attention as a "nationalist." One of his first acts was to accept an invitation to address a conference, "Peace in the World" in Switzerland. His talk was firmly liberal and cosmopolitan. His party was firmly centrist.

His 1991 election manifesto said:

Vladimir Zhirinovskiy is a politician of the liberal-democratic orientation. He's in favor of the natural-historical path of development, for the preservation of the territorial integrity of the State, for the observance of civil rights and freedoms for all throughout the country. The leitmotif of the campaign: "I will protect Russian and small nations on the entire territory of Russia and the Soviet Union" (quoted from Andryev).

His campaign speeches also included:

Already since July 1, 1991 I will achieve most of the removal of restrictions from any form of economic activity need to balance in all types of property rights. You, the citizens of Russia, really will open the doors for business. You will become the owner, business or prefer to enter into it. You have no time and even become profitable to go on strike and hold meetings. The rise in prices will continue, it is difficult to stop, and inevitable in a market economy. But to begin, and wage growth. And the growth of pensions and other social benefits. I promise you this, because it is inevitable (ibid).

This is conclusive evidence that Zhirinovskiy is a fraud. He's a "political entrepreneur" who, once he saw the miserable failures of the economic policies he promoted, switched sides. He did so, however, without leaving the loyalties he held to Yeltsin and the Jewish oligarchs he serves. In fact, he is a Jewish oligarch.

For the first time since the early 1990s, Russia is daily on the front page. The US is maneuvering its heavy weapons into the Baltics, Poland and the Czech Republic. Both parties and the American ruling class wants war with Russia, though almost none can give a single good reason.

The American ruling class is screaming for war because the economy is not recovering. Discontent is everywhere. Putin is a nationalist, the only thing you cannot be under globalization. He's refused to sell strategic oil and gas pipelines to the Americans. He rebuilt Russia without western banks. He threw out the IMF from Russia as soon as he was elected and Russia's recovery began. He wants to dump the dollar for energy transactions. He's exposed the lies of the last two administrations. He's exposed the American support for ISIS and other phony "terrorist organizations."

Putin has proven that the "Western consensus" is the creation of banks and corporate elites. It is a miserable failure wherever its been tried. However, China, Belarus and Russia are just three examples where a strong, state-led, nationalist economics has been successful. Putin's biggest sin is exposing the "American way" as a fraud.

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