

Anatoly Chubais

(b. 1955)

One of Russia's original market reformers, Anatolii Chubais oversaw the mass privatizations of state property in the 1990s. He served in the government in various capacities throughout the 1990s and currently heads RAO UES, Russia's largest power company.

Contents

*

The Bolshevik Reforms

* Price Controls: The Central Feature of the Command Economy

* An Intellectual Shift Among Some Soviet Economists

* Chubais in Government: Battling the "Red Directors"

* Loans-for-Shares Auctions

* Chubais's Defeat of Communism

* Russia's Unique Road Toward Capitalism

* The Meaning of the Phrase "Commanding Heights"

* Backlash Against Globalization

Interview

The Bolshevik Reforms

INTERVIEWER: We'll start with the history first. The Bolsheviks came into power, and they abolished private property. How and why did they do that? What was the thinking behind that, and what was the result?

ANATOLY CHUBAIS: There was a very fundamental idea behind it, which was expressed by Lenin in a very short expression; the whole essence of the communist ideology could be expressed by one sentence: killing the private property. That was the center of the Marxist economy and Marxist ideology. That was the center of the Lenin ideology. [The Bolsheviks] started not just on the killing of private property; they were trying to abolish money itself. But money is the kind of instrument which is very speedily produced ... and already in the second half of 1918 they see that there is no way to run the country without money.

Private property is another story. That's a very fundamental and very long-term institution. It does not influence the [future] situation in the company or in the plant. There's the long-term results, so that's why money immediately goes back....

INTERVIEWER: But why were they so opposed to private property?

ANATOLY CHUBAIS: The official version was that the private property is the source of the exploitation, that private property is stealing. That's the ideological problem of communists at that time. But at the same time, the real side of the story is that private property is the fundamental background for freedom, for individual freedom. If you have 150 million people with no private property at all, it's very easy to manipulate; it's very easy to rule; it's very easy to go out. You yourself will decide that these billions of rubles will be registered to this or goes to that. And you don't even need to ask people, because there is no private property.

back to top

Price Controls: The Central Feature of the Command Economy

INTERVIEWER: Even though there was money, prices weren't free. What was the effect of price controls?

ANATOLY CHUBAIS: Well, actually, price controls are the next stage in developing the Soviet economy. After they reintroduced money in 1918, the economy was in a terrible situation, and they needed to go back in the institutional side of the government mechanism. In 1921 they started the New Economic Policy, NEP, which was actually the market economy, but this market economy immediately produced results. Actually, the GDP growth at that time was as big as now, later. This statistic was forbidden under the Soviet [rule], but in 1921, 1922, 1923 there was economic growth for 40 percent, for 30 percent. This came almost from nothing, but there was economic growth produced by the market economy. But on the next stage, when the economy survived, it also became clear to the Bolsheviks and to Stalin that it produced political problems, so [the new policies] needed to be stopped. By the end of the '20s they stop the NEP, stop the New Economic Policy, and go back to the classical tradition of Bolshevik style, an economy with fixed prices.

INTERVIEWER: What kind of economy do you have with fixed prices? How does it work?

ANATOLY CHUBAIS: There is a background idea behind it. The idea is that there is a state that is able to understand the demand in the economy; there is a state able to decide what should be produced and what should not be produced; there is a state who understands demand. And if there is a state to understand it, it means that state should use prices as an instrument for implementation of this understanding. When we had an economy with a very small number of items produced, which was in 1920, there was steel, there was cement, there was brick -- 100 or 200 items, including the major plants and things for military purposes. When you have a very low number of items in the economy, this style of managing could operate. It will not destroy everything. It could operate on the initial stage, and it leads to the developing of the economy. In the 1930s, the Russian economy was really developing quite fast. It leads to the industrialization of the country. They use

hundreds of thousands of prisoners. They kill people. They sent grain for money for buying equipment, and there were hundreds of deaths in the 1920s in the country, but no real way to manage the economy.

But that was the very initial stage. The labor development demonstrates that demand is developing. People who need in the 1930s only a jacket and a coat, by the 1950s and 1960s they start to see that there is [more than] something just to [wear] today and to wear tomorrow. There is TV; there is entertainment. There was the diversification of the people's demand which could not be followed by the state apparatus. There was the scientific and technical progress which couldn't be predicted by the state, by the Gosplan. So stage by stage this style of economy becomes inefficient, becomes unworkable, and it was finished in 1990, 1980 by the total collapse of the whole economy. For the producers, there was no reason to produce. You get money, but you couldn't use this money. And for the consumers you could have money, you could earn money, you would have your salary, your wage, but you have no way to use it because you go to the shop and see nothing. I remember in 1990 after a day at the office I ran to the shop in St. Petersburg near my house, very big shop, 300 or several hundred square meters, and there was nothing, absolutely nothing. In the middle of the whole shop there was one basket of cabbage which was very, very dirty and not fresh. And that was the only thing in the whole shop. That was the symbol of the Soviet economy at that time.

[back to top](#)

An Intellectual Shift Among Some Soviet Economists

INTERVIEWER: As an economist, when did you start thinking that this could not work? When did you start thinking that there had to be another approach?

ANATOLY CHUBAIS: I was entering the Leningrad Engineering Economic University, because I was interested in what had happened in the economy. Not on the starting stage, but maybe on the middle of the learning process I start to feel that there is something wrong. I start to feel that something is not workable in the economy, that there is some illness in the economy, but when I try to discuss it with my professors, I get no feedback. Some of them do not even understand what I'm speaking about. Some of them understand but don't want to speak about it. So sooner or later I understand that I need to find somebody with whom I could discuss this problem, because stage by stage I feel the economy run down. ... I'm just communicating with the directors of the Soviet companies, and I see that it is wrong, but when I go to the official discussions of the economists, the conferences, I feel that [it was as if] you have fire in your home but what they discuss at this conference is maybe we should change the color of the walls and it will become better. [The suggestion was that] we should substitute the indicator ... the net production, which will substitute by the comparative of net production. So we should substitute this indicator by that indicator, and between, it will lead to the result. It will lead to nothing, and that's something I felt at the time, but it was very difficult to find somebody to discuss with.

COMMANDING HEIGHTS

Anatoly Chubais

Page 4

INTERVIEWER: But you eventually found some people who you formed a group with, a group of likeminded economists. You had some seminars [in St. Petersburg] and talked about these ideas in private away from other people. Talk about those meetings. Did you feel like you were treading on dangerous ground now that you were getting together and talking about really changing the economy?

ANATOLY CHUBAIS: First of all, I need to find somebody because otherwise you feel that either the world around you is crazy or you yourself are crazy. You need to find somebody who will speak the same language. It was quite complicated, but finally I found one guy in my institute, and then another. We became three, three of us who start to discuss what is really going on. Then we start to find [people] in other political institutions. It's very complicated, [but] we find four guys, and then we become four, and then five of us start to discuss.

At that stage we understand that this thing is quite risky and that we couldn't have any kind of discussion without permission, without a legal framework behind it, because my goal and the goal of the whole team was not just to discuss; we understand that we need to study [the topic] as professionally as possible. I suggested that we should hear the topics we will discuss. Each of these topics should be distributed for each of these five persons. They should go to the library; they should find any kind of information that they are able to find, then it should be made into a report, and it should be serious report, an original report to the small group, and then we will discuss the topic.

The first topic was New Economic Policy, NEP, because it was almost forbidden in the Soviet Union to study NEP. There was almost no information about NEP at that time. But that was the first topic we started to discuss. The second was the Eastern European countries' transformation -- not transformation at that time, just style of economy, style of management. And on the first reports which were presented there was a list of literature including hundreds of items in different languages which were known by my colleagues at that time. So that was quite, quite serious. That was serious fundamental research, only for ourselves, only for our understanding. But at the same time I do feel that's a good starting point, but I need to find some kind of legal framework, because otherwise all this work will be just for five people, which is not enough.

I try to find some solution, and finally I find a very special Soviet institution, a Soviet commission named the Young Scholars' Committee. Each university should have to have a Young Scholars' Committee. Nobody knows what is it, nobody is interested in it, but they understand that that's a good idea. I became the chairman of this Young Scholars' Committee, and I used it, and immediately it was permitted to have this plan officially adopted, accepted by the rector of the university. The auditorium was given to me for this kind of discussion, then I got rights to publish something produced by this Young Scholars' Committee.

So I've got the legal framework, which was very difficult to fight with. Definitely there was the open part of discussion, and in them I should keep the bones in my mind. I could discuss the new government policy, but I could not say that it was absolutely reasonable. I could discover the result [of the policy], but I could not say that the private property produced this result, so there was a part which was discussed officially in these kinds of meetings, and there was a part which was discussed absolutely separately and in an absolutely closed meeting when we understand there is no KGB hearing instruments, and stage by stage, we start to use it. [At first it seemed] the whole idea of this Young Scholars' Committee was absolutely stupid and nobody was interested in it. Suddenly, the chiefs at my institute understand that they have some result in this Young Scholars' Committee, and they started to demonstrate it to other institutes, to other cities, and I got support. I really was supported by my chief and my institute professor, maybe not even trying to join very deeply what is going on inside, but on the next stage they understand that I used all the [available] resources. We were five; then we increased the number of members to nine or 10. If you will follow you will see that half of the Russian government until now consists of these people.

But I need to find somebody in Moscow. We start to investigate, and suddenly we discover the [Yegor] Gaidar team, who is doing absolutely the same job, but probably on a more wide and fundamental level because they have another source of information. They were invited sometimes by the special central party committee commission for forming the economy, and they got the real inside information on what is going on in the economy. We have known this thing since St. Petersburg and Leningrad, but there it was absolutely forbidden. So we start to cooperate, and the first seminar I arranged, not far from St. Petersburg, was under the umbrella of this Young Scholars' Committee. There was the Young Scholars' meeting. Definitely at this stage we would not fight with KGB... We were in a very specific game with KGB. On the next meeting after this first seminar, there was a very big scandal because we discussed, too, [much that could be considered] anti-Soviet things, and there was a special KGB commission who invited us to ask what did we really discuss. We hear that one member of our team wrote everything, but he wrote it as shorthand, and the KGB guy understands that there is somebody who has the written version of everything we discuss. The KGB guy was very happy, and the KGB invited him, but we invited him [first]. If you have written the original version in shorthand, nobody but you is able to read it. So finally he got the text, and the KGB said, "Please tell us what they discuss," [looking for] anti-Soviet things. He said nothing anti-Soviet, and then he tells stage by stage not what was really written in his pages, but something which was acceptable for KGB. ...

INTERVIEWER: When we interviewed Mr. Gaidar, he told some story where you were sitting around at night, and he said half jokingly, "All of us here will either be in prison or will be running the country." Do you remember that?

ANATOLY CHUBAIS: That was one of the possible options. It was absolutely clear that this kind of thing was very dangerous for the regime, and there was no doubt that sooner or later we will fight. But we will fight not in the way of the dissidents'

protests. Our policy was not dissidents' policy. I myself and Yegor Gaidar, we put the main priority on the professional side of the story. We understood that we needed to be as professional as possible, not just to go to the street and demonstrate against Soviet power, but to study it, to investigate, to find arguments, to find decisions, and it was clear that at some of the meetings there was the idea that Gaidar will become prime minister, maybe, which sounded at that time absolutely crazy. Everybody was laughing, and another guy said, "He will be prime minister, or he will be prisoner." ... At the initial stage we understood that something is wrong in the economy. But in the next stage the main problem for us was [the question of] why the economy is working at all. We understand a lot about the principles of the economic mechanism, and it was the very important question -- why it is working with such huge and fundamental distortions, and that time was very important for us was this Hungarian economist's book, Janos Kornai, a Hungarian economist, which is explaining why this economy is operating. There was another book made by Vitaly Naishul, a Russian economist, one of the members of our team.... There was no published book; it's just [a draft of the] book where he explained the suggested idea of the bureaucratic market.

So in the initial stage, in the Stalin era, there was the real state, the real Gosplan, the real indicator which is mandatory, and if you do not fall in with this indicator you will be just not dismissed; you will just be put into prison. But that's only the '30s, only the '40s, only the '50s, but not the '80s. In the '80s there was none of this kind of thing, but economists still operated [as if there were]. Why? ... [Naishul is] trying to make this indicator more or less. He's trying to give this burgeoning resource in his planning procedure with the companies. With the plants and factories, the plants and factories also during this very burgeoning process, so the subject of the burgeoning, that's the instructions indicators given to the economy. They themselves became the subject of the market, a very specific and bureaucratic market which keeps the whole economy working. It is very inefficient, it is very wrong allocation of resources, but it keeps the economy working in the 1990s. It was much more advanced understanding then, understanding produce of the best part of the Soviet economic science like Mr. [Vladimir] Popov, who suggested the idea of the administrative common system. He introduced the term "administrative common system" which was very widespread, and among the official economic exercise there was the best understanding of what was going on. But national understanding was two levels deeper than the official understanding, and that brings us very important inputs for our research.

back to top

Chubais in Government: Battling the "Red Directors"

INTERVIEWER: When your team came into government, you had been academics just a few years before. Suddenly you're coming in with a very ambitious plan -- and very little time to achieve it -- at a time when the economy is in crisis. You describe the bureaucratic market, but it seems there were a lot of what you call "red directors," who were quite powerful, and you really were going up against them

fundamentally. What was it like in those first days when you came in, with your new ideas, into the government itself? It must have been an extraordinary experience.

ANATOLY CHUBAIS: That was really one of the most important problems for us, but my personal experience was a little bit different. Unlike others, I am joining the government not from the academic position but from St. Petersburg city council. There was very strong political opposition in St. Petersburg, and I was strongly connected with all the leaders of this opposition, and I was one of the founders of this organization. But during the election, which was in 1989, there was the first Soviet election with alternative candidates to local government. There were a number of candidates from the Democrats, and I myself arranged special training for them in the way of economic things, social things... There was the very specific story when all the leaders of the St. Petersburg-Leningrad regional party -- the first, second, and third secretary of the city -- they all failed, they all [lost] against the candidates we suggested to them. So we won city councils in Moscow and St. Petersburg and probably Sverdlovsk at the time -- three cities. But the St. Petersburg result was the best of all these results. And when all these guys became members of the local parliament, they came to me and said, "Look, you taught us what should be done; you told us the right economic policy; now you should go and do it," which was not in my plans. I didn't think about joining the city government, but there was a situation when there was no choice. There was no choice, and I joined the city government with all my team, and we start to operate as the bureaucrats on the local level, so we were the only ones in the whole big Russian team who were experienced in practical bureaucratic management in the very complicated condition of 1990. I joined the Gaidar government in the position of the first deputy of the mayor of St. Petersburg, which was quite serious; it was a five million-person city. We were in a very complicated situation -- markets and industry and now all of this.

To your question, the red directors were one of the main political forces at that time. Another force was the former Soviet ministers who [lost] everything because of the transformation of the Soviet Union to Russia. There were no Soviet ministries, and there were the party political tasks. My task was privatization, and [the former ministers] were my main partner. I do remember one of the first meetings we had together with Gaidar. We had supper in council ... and there was a meeting with directors, which is like going to the zoo and you have, oh, I don't know, lions or tigers, hundreds of them, which would like to cut you into several pieces immediately. So there was serious passion to hate all we said. They hated the language we spoke; they hated the faces we had. They hated everything which was connected with us at the time.

And it's not just hate. That's part of the story. Another part of the story is that they were absolutely convinced that [what we said was] not just wrong. It's clear that all these guys thought, "They're wrong, stupid; they understand nothing." [The directors thought,] "They don't understand what they think about; they understand nothing in the real economy. They understand nothing in real life. They read some stupid books, and they came from the moon to the earth, and maybe in one month

or in two months they [will] disappear, and we can forget about this horror, and we'll just start again with what we [always] do." There was total, absolute [refusal to accept] everything we made, everything we said, everything we thought at that time. They could like me or dislike me, I could like them or dislike them, but I needed to force them to do what should be done, because the privatization of the country is not a process for my office. It's a process for the whole country, [and to succeed it needs] the type of director who should do what I want them to do. I should force them to do it. I should design it in a way which will force them to do what I would like them to do. I could not just fight with them. I need to design the process of privatization in a way which they will accept sooner or later. ... I should force them to produce the real political force which will support privatization.

What is the price? The price is very big. I need to transform, or maybe even in some sense destroy the ideology of privatization in a way which will be accepted by these guys. If I will not do it, if I just produce the transparent ideal accepted by the Western experts, a process of privatization which will be very good but never happen, that means nothing. I went to government for making these changes. I remember a number of guys among these important figures. The directors and some of my Western friends went to them for negotiations about privatization, and then came to me and said, "You know what they say to me? We start to discuss the privatization with this guy, and he says: 'No, no privatization. It's not for my company. I'm in serious business. You should discuss it somewhere else. It's absolute nonsense."

There was change in January '92 and February '92, in March, in April. In May it started to change [even more]. By June '92 the most advanced of them started to understand that they could do it, and stage by stage they did. These guys were the real owners of the country, and for them to discuss with this young 30-, 35-year-old guy who because of some strange reason becomes a member of the government was absolutely unacceptable. They are the owners, and they should decide what they should and what they should not do. There was also a generational problem because they were 55, 60, 65, and we were 35. They don't accept it completely.

INTERVIEWER: How did you design it so that they had to accept privatization?

ANATOLY CHUBAIS: The idea was very simple. Regardless of the political mentality, they were the managers, and they were the only managers because there were no other managers in the country at that time. If that's true, that means they do understand at least something in operating the company, so they have the right to get some stake in the company. The question was how big these stakes should be. After a very long discussion, we decided that we needed to find the proportion of participation between all the groups, which was managers, which was trade unions, which was outsiders. We needed to find a proportion, a balance between all of them which should reflect the real balance. For managers we suggested there were two main options for privatization. Option number one: They got the right to get 5 percent of the stakes according to the nominal price. Option number two: All the members of the working collective are able to get 51 percent, which I didn't like very

much. I was forced to do it to reach a political compromise. At the next stage I was strongly criticized by all of these forces -- by the managers, by the workers, by trade unions, by the local governors, by the teachers, doctors, military, and so on. It's okay, because I am equally criticized by all of these forces. All of them demand more, which is impossible. Finally I said: "Well, that's okay. We'll find the balance. Let's start to implement."

[back to top](#)

Loans-for-Shares Auctions

INTERVIEWER: Mr. [Vladimir] Potanin told us about the origin of loans for shares. He first came to you with a plan where more efficient younger businessmen like himself and others would manage these firms on behalf of the state, but then eventually it would evolve. What was at stake, and what was the political idea behind what became loans for shares?

ANATOLY CHUBAIS: That was in 1995. At that time, the whole political situation inside the government and outside the government was very complicated. I was the first deputy prime minister [for financial and economic policy], and at the same time I had very low influence in the government. I'm competing with my opponent, and in other fields the deputy prime minister was supported by all the security services, by the presidential guard and others, so they were together against me. I was a minority shareholder at that time; I was in a very complicated situation. That was the reason why there was no privatization since the beginning of 1995. I could not sell even one company because they argued, "No, that's controlled by the state; it's okay; don't try to do it." So I felt that it's wrong, I need to find something, especially in view of the future election, where it will become clear that the main fight will be between Yeltsin and Zyuganov, between the Communists and Yeltsin.

Before, we had a lot of privatization auctions, a lot of property being distributed all over the country. But we have no serious big private honors at all. At that time Potanin came to me and suggested this idea of a loan-for-shares auction, which was politically designed in a way which could be accepted by the existing distribution of forces in the government. The privatization technology itself was not very good -- it was not absolutely clear, [but] it was clear for me. But the dilemma was not, shall we choose this way of privatization or another way which is more transparent, more open, more public? The idea was, should we choose this way or nothing? I was convinced that we needed to do it, even with the understanding that we will be criticized, even with the understanding that it's not the cleanest, most transparent way ... and things like that. But it was the only way to do something in view of the future, the future dramatic election. That was the reason why I supported it. Even now I'm strongly criticized for this stage of the privatization, but I'm criticized by the guys who tried to understand privatization as the economic process. They were wrong from the very beginning. Privatization at that time, and the whole of privatization until 1997, was not the economic process. It was the process of fighting with Communists, getting each company just sell to the private owners who kill the

Communists. There is no alternative. Maybe there are better ways to sell it, but you're not always able to choose. That's why I supported it, and when I now look on the next stage and what has happened after it, I could like these guys or dislike these guys like Berezovsky, Gusinsky, and others.

I have fought with them on different stages. But there were the big private owners who were in view of the future choice between communist and noncommunist, ... who could develop this strong machine, which is supported by Yeltsin, and win the country. If you ask me if this price, loans for shares, should be paid for this kind of result, definitely yes. Definitely yes, in my country, where I know what is communist. ... Tomorrow I would do the same, if only for winning the battle with the Communists, which it was at the time.

[back to top](#)

Chubais's Defeat of Communism

INTERVIEWER: I've heard criticism that you in particular started out as an economist and market economist, or an idealistic. Some say to me: "Chubais sold his soul. They all sold their souls at that time." You must hear that. What do you say?

ANATOLY CHUBAIS: The answer could be very simple: You're never able to please everybody, especially when you're transforming a country like Russia. For me, I know that for the whole of Western Europe, there is no single businessman, not even single politicians -- big business, small business, medium business -- there is no single one to whom you could say, "I'll give you money," and he'll do it for [no] money. I know they don't exist because there were no such things, and I know also the business community also quite, quite good. So if you're speaking about the corruption, after all the attacks by the prosecution, by the Communists, by the former KGB, there were hundreds of them with a criminal case against me, and not one of them led to a result. And I know why: You're speaking about the soul; my soul and my goal is to fight communism in my country. And I'm succeeding. There is no Communist president in Russia, and there will be no Communist president in Russia, forever. There is no way in Russia to go to the public and say, "I'm suggesting that we kill all private property; I'm suggesting that we nationalize the whole economy." It's impossible now. It's impossible because you will not be recognized as a serious politician. You will be recognized as something marginal. Go speak with 10 people on the street, not with the serious politicians. You know, I forced the Communists to forget about nationalization. I forced them to accept these rules, the common rule in my country. And that's the result. I don't think that I'm selling my soul; I've achieved what I was trying to achieve.

[back to top](#)

Russia's Unique Road Toward Capitalism

COMMANDING HEIGHTS

Anatoly Chubais

Page 11

INTERVIEWER: When you look to the future now, what kind of capitalism do you think Russia will have? Will it be its own brand of capitalism? Will it gradually become the same as capitalism in Western Europe or the U.S., or will it have a distinct kind of capitalism? And that leads to a broader question as to what Russia's role in the new global economy will be. How will it be a part of it?

ANATOLY CHUBAIS: There are no two countries with the same style of economic mechanism, with the same capitalism. American capitalism differs from British, and is definitely different from Austrian or French capitalism, or from Spanish capitalism. I don't think that Russia will follow the United States's way. I don't think Russia will follow the French way. I'm sure Russia will find its own way in this family. What are the main problems now? The main problems that we made, we made basic; we made a fundamental background. We made major institutions. There is private property; there is freedom of speech; there is free election in Russia; there is a dividing of power in Russia; there is a constitution in Russia. All this did not exist 10 years ago, did not exist at all. They are existing now. They are working now.

But the way they're working is very inefficient. The way they're operating is sometimes wrong. Sometimes it produces some shadow effect that produces corruption; it produces mistakes; it produces mistrust. That's the main problem. The kind of capitalism I hate most is crony capitalism, the friends who decide, "This little guy will get this, and you will get this, and then I will get this." These are things which should be killed in Russia. That's a very complicated task. Only 10 years, nine years of noncommunist history -- that's a small historic time. We had four generations of people who grew in the communist era. We need to have at least one generation who grew up after the Communists. It takes time, and it will bring us a lot of problems. Like now, in the capital market in Russia or in attracting foreign investment, distrust of all the foreign investors in Russia is a serious problem. I'm sure that this way will take a lot of effort and will produce a lot of problems, but I believe that the strategy is determined. I believe that [the course] is irreversible. I believe that there is no way back. That's for sure.

[back to top](#)

The Meaning of the Phrase "Commanding Heights"

INTERVIEWER: Our series is called Commanding Heights, and Dan Yergin took the title from Lenin's phrase. In your understanding, what did Lenin mean by that phrase, "the commanding heights of the economy"?

ANATOLY CHUBAIS: Yes, that was a Lenin phrase, "commanding heights of the economy," which meant to him main sectors like steel industry, coal industry, electricity industry, railways, transportation systems. That was the commanding heights for Lenin, and that was the commanding heights of that time. The idea was that the state should control everything. But there are some things that should be controlled as soon as possible and made as strong as possible.

COMMANDING HEIGHTS

Anatoly Chubais

Page 12

INTERVIEWER: In the end, the battle that you fought with the big red directors with, say, loans for shares, was really about the commanding heights.

ANATOLY CHUBAIS: Yes, that's true, fighting for the real commanding heights not in terms of the sectoral redistribution, but in terms of who runs the economy, the market or the Soviet directors, which is always very dangerous. When you have the Soviet directors keeping these commanding heights without the market, it will produce an absolutely irrevocable situation. That was the main problem, that we don't try to get the commanding heights back to ourselves. I was the chairman of the State Property Committee, and what I did was I sold the state properties. I'm diminishing my power as a minister now in my company. Over the years I'm restructuring my power by introducing the market and energy sector. I'm diminishing my power because I want to give the commanding heights, which are now in my hand, I want to redistribute it to the market, because the market is the only reasonable background for any kind of economic decision. So that was the ideological background behind everything we made.

[back to top](#)

Backlash Against Globalization

INTERVIEWER: When you look at the global economy now, when you look at the people who are demonstrating at the WTO meetings and the IMF meetings, there's something out there that people are uneasy with. I often hear in America that people are very uneasy with America's dominance in the global economy. I heard it a lot in Russia as well. From your position as a global businessman, what do you think is happening? Is there some kind of backlash against American and Western power? Do you think there might be some move away from the infatuation with free markets and free economy and free trade? What's your sense of where globalism is going politically and economically?

ANATOLY CHUBAIS: It's not a simple question. I'll try to give a few ideas of my understanding of what is the reason of all these things. I guess that the fundamental background which has produced these things are unequal distribution of wealth in the world and the developed countries. The growth in United States and Europe and Japan produces some tensions with these Southern countries -- with the Asian countries, with the African countries -- [tensions] which, especially in the process of globalization, became much more transparent than before, and it's become clear that [globalization is] something which is seriously behind these things. But at the same time definitely you will very easily find some political circus who will be interested in keeping this kind of moment in their pocket, to make it possible to take it out of your pocket if you need it ... That's definitely some left, or leftist, that could be some Islamic who could use this factor as the instrument against the developed world.

As much as Russia is concerned, I'm sure that Russia should support globalization. I'm sure that the Russian mentality, that Russian education, that the quality of the Russian people, that's the precondition for Russia being open to the world. The

COMMANDING HEIGHTS

Anatoly Chubais

Page 13

Internet can develop in Russia in a very speedy way. That's Bill Gates, who finds people in Russia to hire them to Microsoft, like he told me. That's the Russian interest in this process, [its reason] to support this process. But at the same time, that's a sign of danger. That's a sign of danger for the whole world and for the developed countries. We should together think about what should we do, and we should take it seriously.