

BUSINESS

Financial & Business
NEWS from MOSCOW

Modern Russian businessmen — “the new class?”

Technobank in Moscow has commissioned a project from the Center for Entrepreneurship Research Expertiza to find out more about the contemporary Russian entrepreneur — what sort of person he is, what is his background, what are his aspirations. The project has still not been completed but preliminary results already throw interesting light on the psychological makeup of the Russian entrepreneurs and businessmen who have been emerging over the last five years.

Dr. Igor BUNIN, head of the Expertiza group, discussed the project with FBN's Ian PRYDE at the Gorbachev Foundation, the think tank headed by the former head of state, where Bunin is the Deputy Director of the Center for Prognostic Programs

Bunin says it is particularly interesting that the type of person entering business has changed over the years. Although the “system” began to allow cooperatives and passed the necessary laws, it still took a lot of courage to start up a cooperative in 1986-88. Those people who did so were in a sense “psychological dissidents” and were opposed to the status quo and fully aware of the system’s manifold defects but did not go as far as open defiance. Such people found they had to break their psychological ties with and their dependence on the system and feel “free” or “liberated” from it. Only with such a sense of independence from the system were they able to go on and start up on their own.

and has now created an empire. As Yakovlev himself reports, it was only after working as a broker that he felt liberated from the system.

In other words, most of that first generation were, in one way or another, marginal, an important factor in their decision to go into business. The main motive for going was to achieve greater independence, to break with the system. Being fed up with a low living standard and wanting more money were less important. It was difficult to make this break because most people were against it and so the psychological pressure inside was very great, the need for was very high. There was a lot of social opposition and the whole situation was very uncertain.

West, because the shareholders are mainly interested in profits and dividends. Bank managers thus gained a great amount of independence. Many

people left the state banks and went to the new commercial banks or started their own. These people thus felt they could actually do something on their own. On the other hand, joint ventures were often used by people who had contacts with foreigners and who wanted or needed hard currency. The Russian partners here virtually rentiers because the real work and financing were done by the foreign partners, say MacDonald’s rather than the Moscow City Council.

A further group found foreign partners or workers so that it would

or other. Crosna, best known in Russia because the firm’s logo appears every evening on the clock before the 9 o’clock news, was set up in 1988. The founder found a workshop and workers were able to increase their wages by 300-400 percent. He was able to expand and is now privatizing the whole factory, with the original founder as the factory’s director.

In other words the co-operators are looking for factories everywhere because they know that the directors of these factories are basically unable to do anything with them, they cannot calculate profitability etc., so the co-operators started to use the state sector. Although Bunin has not inter-

viewed many factory di-

They were less willing to take risks than the first generation, which simply could not be held back. Most other respondents reported similar feelings. People already established but with a willingness to take risks seized the opportunity to take control of something themselves and not to be dictated to or restricted by the system, but they first had to break with the status quo.

This was psychologically of great importance and is a major difference for the second generation of people, who were less willing to take risks.

This ability to break away from existing patterns and stereotypes also explains why the number of former functionaries successfully engaged in business seems to be fall-

the thing to do, especially among the 18-35 age group. This, the third wave, began around 1991.

There are three or four sources of this phenomenon.

I must say that the results of the survey confirm the impressionistic and anecdotal evidence I had gathered over the course of extended visits to the Soviet Union over the last six years. However, Bunin’s view of the market as just and fair and of the innate honesty of businessmen seems overly naive, especially against the background of the numerous scandals of the 1980s and early 1990s. All western visitors to the CIS will have noticed the idealization of the market economy as



Soup kitchens - a new thing for Russia

go on and start up on their own.

Vladimir Yakovlev, who founded the well-known weekly newspaper *Commersant*, is a case in point. Yakovlev used to work on *Ogonyok*, the liberal illustrated weekly which was seen as something of a flagship for perestroika in the West. Fed up with the bureaucracy and restrictions imposed on the magazine from outside, however, Yakovlev left and worked as a housing broker. He then set up a cooperative to supply economic information, then started *Commersant*,

tion and the whole situation was very uncertain. So to leave was very difficult.

In 1988-89, however, there arose two possibilities for people with a sufficiently high social status to become businessmen, i.e., joint ventures and commercial banks. These people were not from the elite but were close to it. Banks, for instance, were founded by various enterprises pooling their money, but the manager or co-owner who ran the banks were largely independent from their shareholders as in the

foreign partners or workers so that it would be easier to work on the Soviet market itself, for instance the joint venture Perestroika-Stroi. At last there were people who came up with ideas themselves and implemented them. When they found western partners those Soviet people had a fairly free hand and did not really depend on either the foreign or the Soviet company.

At the same time the co-operators became "fat," richer and more powerful and sought contacts to link in to some state structure

Bunin has not interviewed many factory directors, he strongly suspects that they are psychologically unable to work under new conditions. Most of these are between 40 and 50, compared with their equivalents in England who are between 35-40. The co-operators on the other hand are between the new generation who are between 30-40.

It seems that the second generation were not entrepreneurs as the Austrian economist Schumpeter defined them or as we normally understand the term.

successfully engaged in business seems to be falling as more and more people set up on their own. Most apparatchiks are ultimately unable to accept fully the rules of the new game and are consequently falling by the wayside.

Regular visitors to Moscow and the CIS will have noticed that the interest in business has increased considerably over the last five years and this is confirmed by Bunin who says that setting up on your own or going into business has almost become trendy and is now

of the market economy as a universal panacea for all ills and the refusal of many businessmen to take on board constructive criticism. To paraphrase Churchill's comment on democracy, the market economy is the worst system apart from all the others. This is obvious to those of us who have lived there all our lives. It is less obvious to those who only see a higher material standard of living, of technology and are unable to see the negative side effects. This simple point is ignored by the survey.