

# The Political Forum

*A review of social and political trends and events  
impacting the world's financial markets*

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## THEY SAID IT

“Throughout Putin’s Russia, the rise of KGB men . . . to positions of civilian authority is reshaping politics . . . Putin’s former KGB colleagues are now governors, top-level ministry officials and presidential envoys in numbers never before seen in post-soviet Russia . . . the rise of the so-called *siloviki* – men of power – has been a central aspect of what Putin calls ‘managed democracy.’ Veterans of the secret services and the military now constitute 25 percent of the country’s senior officials, up from 11% under President Boris Yeltsin and just 3% under the last Soviet leader, Mikhail Gorbachev . . . Like Putin, many still proudly calls themselves ‘chekists’ after the first Soviet secret police force, the Cheka.”

“KGB Veterans Bring Tradecraft To Elected Office,” Susan B. Glasser,  
*Washington Post Foreign Service*, Sept. 24, 2003.

**A SWING AND A MISS.** By just about any measure, last week was a particularly miserable one for right-wingers, both politicians and pundits alike. Even a cursory glance at any of the network news shows, or at the front page of any major newspaper, revealed that the five biggest stories of the week all purportedly spelled varying degrees of bad news for Republicans. It was so evident that by Thursday, Tim Graham, the Director of Media Analysis at the right-leaning Media Research Center, was lamenting an “awful, awful morning” for the GOP, and by Friday, he was writing about “awful morning, the sequel.”

On the off chance you spent the last week in a coma or in the Waziristan tribal belt of Pakistan hunting for the remains of the late Osama bin Laden, those five stories, in ascending order of importance, were as follows.

- ✍ Rush Limbaugh’s allegedly racist comments about Philadelphia Eagles quarterback Donovan McNabb and subsequent resignation from ESPN.
- ✍ Limbaugh’s alleged involvement in an illegal prescription drug ring in Florida.
- ✍ Allegations and an admission relating to Arnold Schwarzenegger’s participation in his in-laws’ much loved and longstanding family tradition of groping reluctant women.

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☞ The initiation of an official Justice Department/FBI investigation into the alleged leak of an undercover CIA operative's alleged identity to alleged journalists, prompting, among other things, calls for the reinstatement of the independent counsel statute.

☞ And the report to Congress by chief U.S. weapons inspector David Kay that, as the headline of a *New York Times* piece put it, showed that there have been "No Illicit Arms Found in Iraq."

Now, given these stories, it is unsurprising that a number of Republicans and their sympathizers were quite depressed by week's end. It is similarly unsurprising that a good number of those on the opposite end of the political spectrum were cheerful, borderline giddy, if you will.

Unfortunately for the angry left, but happily for Republicans and for the nation in general, most of the GOP's "awful, awful" week will, I believe, prove, in time, to be little more than politically inspired and media-embellished hype, which neither permanently nor seriously damages the individuals involved, and which may well, in some cases at least, inspire a backlash. So let's take a look at each of these in order of ascending importance, starting with Rush.

Although Rush's troubles were unquestionably the least politically important of the week, they were also the most widely covered and probably the most savored by the left, which has been eagerly awaiting his fall from grace for the better part of two decades, believing that his fall would badly injure the cause he celebrates daily on his radio talk show.

My guess is the left will be disappointed, not simply because the cases against Rush are unlikely to do him in, but also because he is not nearly as important to the health of the conservative movement in the United States today as many think he is.

It is a given that Rush's remarks were controversial. Much of what he says is. And he certainly knew that his comments would not be received well in some circles. But were they defensible? Well, consider what respected sports statistician and author Allen Barra wrote for *Slate* magazine, hardly a bastion of right-wing thought.

In his notorious ESPN comments last Sunday night, Rush Limbaugh said he never thought the Philadelphia Eagles' Donovan McNabb was "that good of a quarterback."

If Limbaugh were a more astute analyst, he would have been even harsher and said, "Donovan McNabb is barely a mediocre quarterback." But other than that, Limbaugh pretty much spoke the truth. Limbaugh lost his job for saying in public what many football fans and analysts have been saying privately for the past couple of seasons . . .

For the past four seasons, the Philadelphia Eagles have had one of the best defenses in the National Football League and have failed to make it to the Super Bowl primarily because of an ineffective offense – an offense run by Donovan McNabb. McNabb was a great college quarterback, in my estimation one of the best of the '90s while at Syracuse . . .

McNabb has started for the Eagles since the 2000 season. In that time, the Eagles offense has never ranked higher than 10<sup>th</sup> in the league in yards gained. In fact, their 10<sup>th</sup>-place rank in 2002 was easily their best; in their two previous seasons, they were 17<sup>th</sup> in a 32-team league. They rank 31<sup>st</sup> so far in 2003 . . .

Rush Limbaugh didn't say Donovan McNabb was a bad quarterback because he is black. He said that the media have overrated McNabb because he is black, and Limbaugh is right. He didn't say anything that he shouldn't have said, and in fact he said things that other commentators should have been saying for some time now. I should have said them myself. I mean, if they didn't hire Rush Limbaugh to say things like this, what they did they hire him for? To talk about the prevent defense?

Now, like any employee, Rush served at the leisure of his employer, and when he said something that they believed brought embarrassment on themselves and other employees, or threatened the well-being of their enterprise, financially or otherwise, they were certainly within their rights to ask to him leave.

Nevertheless, Rush managed to convince a good number of people that his first amendment rights were trampled by the dreaded "thought police" and that he is a victim. Personally, I don't buy it, but I have to admit that this will almost certainly further endear him to his fans. In fact, it appears to have even won him some new ones, as evidenced by the following remarks from the painfully smug liberal demagogue and alleged comedian Bill Maher.

Rush Limbaugh had to resign from his ESPN NFL broadcasting job for suggesting his fellow sportscasters overrated Philadelphia quarterback Donovan McNabb because they wanted to see a black quarterback succeed . . .

But, this time, Rush Limbaugh isn't the big, fat idiot. He wasn't implying that we'd all be better off if society were segregated, as Trent Lott did, or that blacks don't possess the "necessities" [sic] to be baseball managers, as Al Campanis did. He was simply suggesting that some sportscasters, recognizing a historic glass ceiling for African-American quarterbacks, may have been practicing a kind of "accolades affirmative action."

But, as we all know, in this country, when anybody makes anyone uncomfortable ever, they must lose their job. Sports Center is next.

Rush's bigger problem, of course, is the drug story. And while I have no idea if any of the claims about Rush's prescription drug abuse are accurate, again, I don't think, in the long run it will matter much to his career.

If true, this is a personal tragedy, not an ideological one. I am unhappy about the charges against Rush, because, if true, some of his critics will try to spin this as an ideological tragedy and to relate his moral hypocrisy to a moral hypocrisy of conservatism in general, just as they did when it turned out that Newt Gingrich and Bob Livingston had their own infidelity issues while pursuing Bill Clinton's impeachment. But that's a different story for a different day.

In any case, Rush will defend himself in court, where he is likely to escape without serious consequences, either because he didn't do anything wrong or because he is a first offender. As for his personal defense, in America's therapeutic culture, there is little that anyone can do anymore that is considered shameful enough to force them out of the public eye. Recall that Marv Alberts again works for NBC and the NBA, and Roman Polanski recently won an Oscar. Rush may even get by without having to stage a weepy, heartfelt apology. We'll see.

And if I am wrong, and Rush loses everything? Well, that's an easy one. Bill O'Reilly's "Radio Factor" show will pick up several hundred new affiliates; Rush's ditto-heads will become O'Reilly fans; and the left will have a new chief "hate-radio" nemesis. Rush's enormous success is, of course, a product of his personality. But it is also, to a much larger degree, a product of a vast market for the type of politics he discusses, and that market will undoubtedly facilitate the rise of another celebrity host to fill Rush's void if need be.

Like Rush, Arnold Schwarzenegger was hit last week with some pretty serious accusations, although unlike Rush's, those leveled at Arnold could, in theory, have serious political consequences, especially given that the recall election is tomorrow. In the end, though, I doubt these accusations will matter much either, for a variety of reasons.

First, Arnold and his campaign team did a good job of preparing voters for these revelations, saying repeatedly that they expected this thing to get ugly in the last few days, particularly if they were leading. Though the story of Arnold's groping has been known for some time, and was the subject of published accounts as long ago as two years, the *Times* held the story until six days before the election. And while one might be hard pressed to prove that the *Times* piece was part of a coordinated smear campaign, the paper's timing certainly was suspect.

Yet, if anything, the story's timing and source might actually help Arnold. He told voters to expect a smear, and the *Times* delivered. And it is the *Times*, not Arnold, that appears the worse for it. Perennial liberal operative Susan Estrich put it this way.

What this story accomplishes is less an attack on Schwarzenegger than a smear on the press. It reaffirms everything that's wrong with the political process. Anonymous charges from years ago made in the closing days of a campaign undermine fair politics.

But here's my prediction, as a Californian: It's too late for the *Los Angeles Times*' charges to have much impact. People have made up their minds. This attack, coming as late as it does, from a newspaper that has been acting more like a cheerleader for Gray Davis than an objective source of information, will be dismissed by most people as more Davis-like dirty politics . . .

And Estrich is hardly alone in suggesting that the groping accusations are more of the same old dirty politics. Consider this from an *LA Weekly* piece published over the weekend.

The *L.A. Times* has a story Saturday about three more women who allege that gubernatorial front-runner Arnold Schwarzenegger engaged in sexual misconduct over the years. Schwarzenegger, on his bus tour north of Fresno, said charges in the story "are absolutely untrue."

The *Times* maintains that none of the women came forward at the behest of Schwarzenegger's opponents. That claim, however, is looking increasingly dubious. One of the three women in the story says she came forward at the urging of Jodie Evans, described by the *Times* as a peace activist and "co-founder of the women's peace group Code Pink." At best, this is an incomplete, misleading description.

Here's what the newspaper should have said about Evans. She is actually a former close colleague of Gov. Gray Davis, a longtime Democratic operative and a friend of noted Democratic hit man Bob Mulholland. Evans is also the ex-wife of Westside financier Max Palevsky, the man who gave Gray Davis his first job in politics as the fund-raiser in Tom Bradley's 1973 mayoral campaign.

It does not, of course, help the *Times* that the second charge made against Arnold last week, that he once praised Hitler in a book proposal, was proven so easily to be bogus. Through creative, Maureen Dowd-esque editing of something Arnold had said about Hitler, it was made to appear that the candidate had said something he hadn't, and not said something he did. Fortunately for Arnold, he owns the film footage of the quote and was quickly and easily able to set the record straight and to extinguish this secondary smear effort.

Additionally, Arnold seems unlikely to be hurt by the groping accusations because, as vulgar as his alleged behavior may have been, in the post-Clinton world, it hardly seems terribly outrageous to many people. Arnold's opponents in politics and the media had several weeks to dig up all they could, and this is the best they could do. Columnist Mark Steyn put it this way.

On Thursday, the *Los Angeles Times* ran an exhaustive account of Arnold Schwarzenegger's wandering hands over the past 30 years, as told by six women, four of whom preferred to remain anonymous. One of the remaining two is a British television "personality." That leaves precisely one named US citizen, who claims Arnold touched her left breast. In 1975. Not a lot to show for months of opposition research.

A final reason that I think all of this will matter little is that when the allegations surfaced, Arnold stood up like a man, admitted his boorish behavior, and apologized for being a lout. Faced with charges of unwanted groping, he could have, of course, denied, delayed, and obfuscated, or, like a former President of the United States who shall remain nameless, have sent his cronies to kill the cat of one of his accusers.

But he did not do any of these things. He accepted responsibility like a grown-up, prompting even the aforementioned Estrich, a "professor of sex discrimination law for two decades and an expert on sexual harassment," to concede that he had committed no crime, had likely not committed sexual harassment, and had done well to own up to his past lapses in judgment.

In any event, I believe that we will know definitively that none of this hurt Arnold too terribly within the next 36 hours or so, when he officially becomes a "former" actor and the Governor-elect of California.

Unfortunately, we will almost certainly wait much longer to know the final disposition of George W. Bush's "awful week," though I suspect that that too will prove far less damaging than would appear at first blush.

The media and the majority of "important" Democrats spent much of last week fretting about the first major Bush White House scandal, which involves the alleged leak of an alleged undercover CIA operative to journalists, and calling for the resurrection of the Independent Counsel Statute that, strangely enough, seemed like such a good idea twenty years ago, like a really bad idea five years ago, but seems fine again now. But despite the excessive drama, I doubt that "Intimi-gate" will be anywhere near as weighty as Democrats and the media appear to hope.

For starters, let me say that if the story as Joseph Wilson told it were to turn out to be true, that would be an exceptionally distressing turn of events. National security would indeed have been compromised. Agents' lives would have needlessly been put in danger. And someone in the White House would have earned a trip to the unemployment office, with a stop at the federal pen on the way. And anyone who suggests that it shouldn't be a big deal because "Clinton did worse" is simply wrong. If that's how it went down, then this is, indeed, a major disgrace.

The problem is that Wilson's take appears just a little off. First of all, Wilson himself has already had to backtrack on his original assertion that somehow presidential advisor Karl Rove was the guilty party. Wilson admitted that he had no way of knowing who leaked and no evidence that Rove had anything to do with it, though he maintained that he didn't believe that it could have happened without Rove's approval, a charge which presidential spokesman Scott McLellan called "ridiculous."

Second, there is still considerable confusion about whether Wilson's wife, Valerie Plame, was actually an "undercover" operative whose name could not be divulged. Wilson claims she was. Bob Novak, the author of the original leaked story, claims she wasn't, and that her employment at the CIA was common knowledge among the Washington cocktail party crowd. The only people who can actually say for sure, the folks at the CIA, are not talking. Nevertheless, *Opinion Journal's* James Taranto, with a little help from the Council on Foreign Relations' Max Boot, makes a pretty strong case that Plame was probably not legally considered "undercover," thereby making the commission of a crime unlikely. Last Thursday, Taranto wrote the following.

"Writing in *the Los Angeles Times*, Max Boot of the Council on Foreign Relations notes a key limitation in the Intelligence Identities Protection Act, the 1982 law that Robert Novak's sources supposedly violated by revealing that Valerie Plame worked for the CIA: An employee of an intelligence agency is a 'covert agent' for the purposes of the statute *only* if he 's serving outside the United States or has within the last five years served outside the United States.' This makes sense; after all, the CIA isn't supposed to spy in the U.S.

"Does Plame qualify? It's not entirely clear, for both the CIA and her publicity-hungry husband, Joseph Wilson, have revealed little about her professional history. But here's what we do know:

✍ According to Wilson's biography on the Web site of the Saudi-funded Middle East Institute, which lists him as a "media resource," *his* last overseas assignment, as political adviser to the commander-in-chief of the U.S. armed forces in Europe, ended in 1997, six years ago. (Wilson's bio, by the way, lists his wife's supposedly secret maiden name.)

✍ Yesterday the *Washington Post* reported that Wilson and Plame have three-year-old twin sons.

✍ Maureen Dowd reports that Wilson and Plame met at a Washington cocktail party six years ago.

"Wilson's bio says he worked for President Clinton as a special assistant between June 1997 and July 1998, which means he was based in Washington when he met Plame. If their kids are three years old, they would have been born in 1999 or 2000, and it seems reasonable to surmise that she was not stationed overseas as an expectant or new mother. If she has been stationed overseas during the past five years, then, the Wilson-Plame romance would have to have been a long-distance one at least during its first two years. So far as we are aware, no one has asserted that it was."

Add this to all the other stuff we learned last week, such as Wilson's role as a foreign policy advisor to John Kerry's presidential campaign, his campaign donation to Kerry, his longstanding adamant opposition to the President's Iraq policy, and his apparent concern about who is going to play his wife in the movie version of the "scandal," and it looks less and less scandalous all the time.

This is not to say that something untoward did not happen. Nor is it to say that this might not be a major problem for the Bush team. But it is to say that the rhetoric spewing forth from Washington last week, both from the media and from hyper-partisan hacks like New York Senator Chuck Schumer, is almost certainly overblown. This too will pass, and likely without affecting George W. Bush much at all.

And that brings us, at long last, to the final and most important negative story of last week, that dealing with Weapons of Mass Destruction. As expected, chief U.S. weapons inspector David Kay returned to Washington to tell lawmakers what has and has not been found in Iraq.

To hear the mainstream media and Democratic politicians tell the story, one would think that Kay came back entirely empty handed. For example, David Sanger of *The New York Times* wrote last Friday that "nothing found so far backs up administration claims that [Saddam] Hussein posed an imminent threat to the world," and House Minority Leader Nancy Pelosi emerged from a meeting with Kay on Thursday and declared that, "it was clear to me that there was no imminence of a threat for weapons of mass destruction."

And while this might seem damning on the surface, it is anything but. The key to understanding what it is that Bush's opponents are trying to do on the WMD question is the word "imminent." As Mark and I, among countless others, have suggested several times, the President's opponents have taken to inserting the word "imminent" into their discussion of Saddam's WMDs because

the “imminence” threshold is far higher and allows them to dismiss any and all evidence of WMDs short of actual missiles, vials, and canisters. And they have done this despite the fact that imminence was never, ever one of the conditions President Bush attached to the justification for taking out Saddam. Indeed, he is on record having said the opposite. To whit.

Some have said we must not act until the threat is imminent. Since when have terrorists and tyrants announced their intentions, politely putting us on notice before they strike? If this threat is permitted to fully and suddenly emerge, all actions, all words, and all recriminations will come too late. (From the State of the Union Address, 1/ 28/03)

Given the President’s actual descriptions of Saddam’s weapons capabilities, Kay’s report is, in truth, rather vindicating. Though the headlines screamed “No Weapons Found,” the report told a different story. The following is actual text from Kay’s report, with thanks to Andrew Sullivan.

“We have discovered dozens of WMD-related program activities and significant amounts of equipment that Iraq concealed from the United Nations during the inspections that began in late 2002. The discovery of these deliberate concealment efforts have come about both through the admissions of Iraqi scientists and officials concerning information they deliberately withheld and through physical evidence of equipment and activities that ISG [Iraq Survey Group] has discovered that should have been declared to the UN . . . Let me just give you a few examples of these concealment efforts . . .

- ✍ A clandestine network of laboratories and safehouses within the Iraqi Intelligence Service that contained equipment subject to UN monitoring and suitable for continuing CBW [chemical and biological weapons] research.
- ✍ A prison laboratory complex, possibly used in human testing of BW agents, that Iraqi officials working to prepare for UN inspections were explicitly ordered not to declare to the UN.
- ✍ Reference strains of biological organisms concealed in a scientist’s home, one of which can be used to produce biological weapons.
- ✍ New research on BW-applicable agents, Brucella and Congo Crimean Hemorrhagic Fever (CCHF), and continuing work on ricin and aflatoxin were not declared to the UN.
- ✍ Documents and equipment, hidden in scientists’ homes, that would have been useful in resuming uranium enrichment by centrifuge and electromagnetic isotope separation (EMIS).
- ✍ A line of UAVs [unmanned aerial vehicles] not fully declared at an undeclared production facility and an admission that they had tested one of their declared UAVs out to a range of 500 km, 350 km beyond the permissible limit.

- ✍ Continuing covert capability to manufacture fuel propellant useful only for prohibited SCUD variant missiles, a capability that was maintained at least until the end of 2001 and that cooperating Iraqi scientists have said they were told to conceal from the UN.
- ✍ Plans and advanced design work for new long-range missiles with ranges up to at least 1000 km – well beyond the 150 km range limit imposed by the UN. Missiles of a 1000 km range would have allowed Iraq to threaten targets throughout the Middle East, including Ankara, Cairo, and Abu Dhabi.
- ✍ Clandestine attempts between late-1999 and 2002 to obtain from North Korea technology related to 1,300 km range ballistic missiles – probably the No Dong – 300 km range anti-ship cruise missiles, and other prohibited military equipment....

“In addition to the discovery of extensive concealment efforts, we have been faced with a systematic sanitization of documentary and computer evidence in a wide range of offices, laboratories, and companies suspected of WMD work. The pattern of these efforts to erase evidence – hard drives destroyed, specific files burned, equipment cleaned of all traces of use – are ones of deliberate, rather than random, acts.”

Now, I’ll grant that that may not be enough to silence the “Bush Lied” crowd, but at the very least it’s a good start. Moreover, it’s enough to negate the contention that Kay’s testimony was bad news for Bush.

But that should hardly come as a surprise. There was a lot of purportedly bad news for Republicans last week, which, in the final analysis, will likely prove neither as bad as the media portrayed it to be, nor as damaging as many Democrats hoped it would be. They took their cuts, but whiffed every time.

**PUTIN’S WORLD.** Now, I am no expert on Russia, but I have harbored an abiding interest in that nation ever since I was nine years old and learned, along with the rest of the world, that, under the leadership of a mass murderer named Stalin, it had successfully tested an atomic bomb in anticipation of war with America.

As a result of this decades-long interest of mine, I always pay attention when the leader of the Russian people visits America. And so it was a week ago when Vladimir Putin, a former KGB colonel and now President of Russia, was a guest of President Bush at Camp David, Maryland.

I knew as soon as I read that Putin was coming to the United States, that he would be greeted by Bush with a warm smile, a big hug, and much chitter to the press about the depth of their mutual friendship. Nonetheless, even though I knew it was coming, I still found the “old friends” scene between Putin and Bush only slightly less nauseating than when Madeline Albright used to hug the murdering little swine that was running China during the Clinton years.

Now don’t get me wrong. I have nothing against cordial relations between America and Russia and China. Indeed, I hope someday that the citizens of all three nations can live in harmony.

Nevertheless, I have always thought that it would be good form for U.S. political big shots to keep a respectable distance, both publicly and privately, between themselves and those foreign potentates who oversee the administration of thuggish and corrupt regimes. Not only does unbecoming closeness with thieves and murderers send a regretful message to the world, it cheapens similar greetings extended to leaders who deserve America's respect and friendship.

Putin may be a genuine "reformer" with the soul of a moral exemplar, as Bush implied after he got "a sense of" said soul while looking into Putin's eyes during their first meeting. But frankly, I doubt it. For the fact is that he sits proudly at the helm of a nation that is inexorably moving toward a social order that is arguably even more radical, corrupt, and possibly even more dangerous to world stability than the Communist state that was left behind when the former U.S.S.R. collapsed. And he appears to be quite comfortable in this role.

I am aware that this charge may seem a bit extreme. So in defense of this position, I would like to offer a few thoughts from a fascinating research paper that has been sitting in my "need-to-write-about-this-someday" file for the past two years.

Needless to say, this article does not describe an ordinary, democratic state troubled by a spat of routine corruption, as most Americans seem to regard modern day Russia. Instead, it tells of a strange, debased, and entirely new type of social and economic order, a mutant combination of socialism, capitalism, and kleptocracy that is slouching toward a future for which there is no prototype in the history of large state governments, unfettered by either moral or ethical considerations, and led, for all practical purposes, by large bands of gangsters.

This paper is entitled "Corruption and Organized Crime in Post-Communist States: New Ways of Manifesting Old Patterns." It was written by Janine R. Wedel, a highly respected scholar, author, and expert on the evolving social and economic order in Russia and Eastern Europe. She wrote it under the sponsorship of the Department of Justice when she was a Fellow of the National Council for Eurasian and East European Research. My copy was printed in the Fall 2001 edition of the quarterly journal, *Trends in Organized Crime*.

The central theme of Wedel's exploration of Russia today is that it is run not by the Russian government, but by a network of various and sundry "informal systems," all of which encompass parts of the government in one form or another, but which are not subject to the government's legal oversight. She argues that this model of government is so novel that conventional vocabularies and models that infuse western public administration, comparative political science, sociology, popular discourse, and policy making are not useful in understanding its nature.

She explains that these informal networks operate in, mediate, and blur different spheres of influence – state and private, bureaucracy and market, legal and illegal. They also span multiple domains of politics, economics, and law. This, she says, renders meaningless the classic definition of corruption, which she describes as the abuse of public office for private gain. In fact, she notes that the political and economic influence of these groups derives precisely in the control of the interface between these categories and the ability to penetrate institutions that are officially separate.

One consequence of the existence of these state-private entities is an enlarged state that is “comprised of individuals, groups, entities, and institutions characterized by equivocation and ambiguity.” In theory, she says, the state is responsible for the use of the resources of these entities. In practice, however, “it has little control.”

Wedel notes that when Westerners look at Russia and other former communist nations, there is a tendency to overemphasize the role of individuals without a sense that these individuals “are acting as a part of a group whose members’ agendas and activities are interdependent.” She explains that “in the contexts of uncertainly and weakly established rule of law, individuals must take the interests of their groups into account when making choices about how to respond to new opportunities.” Thus, she notes, that a civil servant “is typically more loyal to his or her group than to some office or position.”

Expanding on this idea, Wedel offers the following quote from a 1999 doctoral dissertation by Kathleen Collins at Stanford University.

“The state, despite its formal trappings, is better understood as an arena within which informal social networks, rather than formal political or social organizations, engage each other and compete for state resources . . . The state primarily serves as the mechanism for maintaining order among dominant social structures during an ongoing process of domestic bargaining and exchange. In a second, and just as critical role, the state links social networks to the outside world of international trade, capital and investment -- all vital elements of the state's internal growth. The formal state apparatus is [not] an autonomous and efficient promoter of national policy; rather, the state is the pawn or tool of various clan elites and the networks they represent.”

Wedel explains that this system has its roots in the old communist world, where to “get things done” people “personalized relationships both within and apart from the state.” This practice was called “blat” and involved informal exchange relationships and deals that people made to obtain scarce information, resources, services, and privileges.

But it expanded well beyond this base during the privatization period in the latter years of communism and the subsequent years of “reform,” or as some call it the “privatization of the state” and others the “grabitization” of state-owned enterprises. This process, which Wedel notes was dominated by organized crime, is described as follows in a 1996 paper by Olga Kryshtanovskaya and Stephen White, as cited by Wedel.

“Ministries, for instance, were turned into concerns. The minister typically retired, or became a consultant to the concern that had succeeded the ministry. The president of the concern, as a rule, was a former deputy minister. The concern acquired the status of a joint stock company. The shareholders were typically the most senior management of the former ministry, together with the enterprises for which it had been responsible. The ministry's property, in this way, became the private property of its leading officials; and they themselves did not simply privatise the organisation for which they were responsible, but did so for their own benefit.”

And this from a 1998 paper by Svetlana Glinkina.

“What took place was the privatization of economic power without any public oversight or legal foundation. In addition, the character of the process was heavily influenced by the traditions established by command-system behavior. The shadow market took over not only all monetary resources but also the right to administer, organize and control the posts of government officials of varying rank.

“Transfers from the state budget were quickly ‘privatized.’ Access to the budget of the Russian Federation became the main goal of any minimally serious commercial structure. This in turn served as a foundation for skyrocketing growth in the country’s level of corruption and for the criminalization of the economy in general.”

A case in point, Wedel notes, is Gazprom, Russia’s gas monopoly. She quotes Paul Klebnikov’s book, *Godfather of the Kremlin: Boris Berezovsky and the Looting of Russia*, which was published in 2000, as follows.

“The sole gas supplier to most of the former Soviet Union and the dominant supplier to Western Europe . . . [Gazprom] may have been the most valuable private company in the world. If it had been a western company, Gazprom would have been worth between \$300 billion and \$700 billion in market capitalization on its gas reserves alone. Instead, it sold in the voucher auctions for an implicit price of just \$250 million.”

One of the principal benefactors of this particular scam was Viktor Chernomyrdin, who, U.S. Ambassador Thomas Pickering noted in a memo at the time “spends a significant amount of his time on Gazprom business” despite the fact that he is also Prime Minister of Russia. The CIA charged that this informal public/private networking netted Chernomyrdin a cool \$5 billion, although this charge was described indelicately as “bullshit” by Chernomyrdin’s friend Al Gore, who was Vice President of the United States at the time.

Wedel uses the terms oligarchs and clans to describe men like Chernomyrdin and the organizations they run. And she quotes from a 1999 paper by Thomas Graham to describe them and to explain how they operate within the Russian system.

“The primary oligarchic structures are large political/economic coalitions built around control of key government positions, significant financial and industrial assets, mass media outlets and information-gathering agencies, and instruments of coercion (both state and private). Such structures dominate the political and economic landscape at the national and regional levels. Their rise and fall and the interaction among them drive politics. More than formal institutions such as the government and parliament, these coalitions set the political and economic agenda, limit the range of policy choices, and make the fundamental decisions even if the decisions themselves are presented as the outcome of deliberations and operations of the formal institutions.”

According to Wedel the financial bases of these oligarchies and clans are called “financial-industrial groups,” or FIGs. She quotes oligarch Boris Berzovsky as stating that six of the seven FIGs control more than half of the nation’s economy. And although she maintains that that estimate is an exaggeration, she says that there is no question that FIGs “have come to control a

huge portion of Russia's economy as well as most key national media." In fact, she says that under the Russian clan-state, "entire segments of the government are controlled by powerful clans, some of which have appropriated millions or even billions of dollars in assets to their own private bank accounts."

One FIG, ONEKSIM-bank's Interros Group, is believed, she says, to hold significant shares in seven of the nation's 20 largest companies, including oil concerns and producers of nonferrous and ferrous metals, which constitute more than half of the country's industrial production.

Now I have no way of knowing the full extent to which things have changed in the two years since Wedel's paper was published. But judging from various newspaper accounts, Putin's "clan" of former KGB agents appears to have made considerable headway during that period in enlarging its power base by launching attacks on other clans and oligarchs.

The highest profile such attack occurred in 2000, when Russian media tycoon Vladimir Gusinsky was driven out of the country after criticizing Putin's actions in Chechnya and for supporting former Prime Minister Yevgeny Primakov and Moscow Mayor Yuri Luzhkov against Putin in the run-up to parliamentary elections.

Space does not permit an extensive discussion of this and subsequent similar actions by Putin, but the *Asian Times* stated the concern of many observers quite well in an article by Paul Saunders dated June 17, 2000 and entitled "Who's Behind Media Mogul's Arrest?"

"Will Gusinsky be the first – or the last – of Russia's oligarchs to suffer whatever fate awaits him? If he is the last, political explanations for Gusinsky's removal will become even more compelling. The case against him would then be at best a very selective application of justice. On the other hand, if Gusinsky, is but the first victim of a broader move against Russia's oligarchs, the consequences for Russia's political and economic future could be profound . . . in combination with Putin's moves against regional elites, elimination of the oligarchs as a source of independent power could facilitate the emergence of an authoritarian regime in Russia."

The question of whether Gusinsky would be the first or last oligarch to be attacked was, of course, answered conclusively recently when the Russian government launched an attack on that nation's largest private oil company, Yukos, run by the oligarch Mikhail Khodorkovsky," and jailed one of Yukos' major shareholders, Platon Lebedev. In a recent *Wall Street Journal* op-ed piece entitled "KGB State" Garry Kasparov noted that the charges leveled against Lebedev were "widely seen in Russia as having less to do with justice than with signaling to all Russian business that no one is safe."

The bottom line is that Russia today is a nation led by large groups of predators who fight in packs, with little or no regard to legal or moral niceties. Betting that Putin's pack is the good one aligned against the evil ones may be politically attractive to the White House right now. But when assessing whether this argument holds water, I would recommend paying close attention to an extraordinarily startling and troubling observation made by Susan Glasser in the article quoted in the above "They Said It" section of this newsletter, namely that many of the former KGB men who are assuming power in Russia "like Putin . . . still proudly call themselves 'chekists.'"

If this is true, what more is there to say? “*Like Putin,*” many of his associates are proud to invoke the name of one of the most ruthless and murderous terror organizations in the annals of human history. An organization founded by Lenin and raised to great heights of power by Stalin, two of the 20<sup>th</sup> century’s most prolific mass murderers. An organization that was one of the first terror groups in the world to adopt, in the words of historian Paul Johnson, “the notion of killing people collectively rather than individually,” and to do so with “enthusiasm.” An organization that ran what history calls the “Red Terror,” during which millions of people were systematically executed, tortured and imprisoned for what they believed, rather than for anything they had done.

Putin’s White House fans almost certainly would characterize his actions against his fellow oligarchs and rival clans during the past several years as a welcome attempt by a “reformer” to clean up the nation’s endemic corruption.

This could be true, of course. But then again, Lenin and Stalin were “reformers” too. And according to R. J. Rummel’s remarkable book, *Death by Government*, Lenin was directly responsible for the deaths of over four million people, while Stalin is credited with being the most prolific mass murderer in the history of the planet, responsible for some 42.7 million deaths, the great majority of them non-combatant citizens of the Soviet Union.

To my knowledge, no one ever claimed to have peered into Stalin’s eyes and got a “sense of his soul.” But many people who met him said equally stupid things. According to Paul Johnson, H.G. Wells said of Stalin that he had “never met a man more candid, fair and honest . . . no one is afraid of him and everybody trusts him.” America’s Ambassador to Russia, Joseph Davies, noted that, “His brown eye is exceedingly wise and gentle. A child would like to sit on his lap and a dog would sidle up to him.” The physicist J.D. Bernal noted his “capacity for feeling.”

President Roosevelt liked and trusted Stalin also. Johnson notes that he once rebuked Churchill for being suspicious of the Russian leader, and argued “that if I give him everything I possibly can and ask nothing from him in return, *noblesse oblige*, he won’t try to annex anything and will work with me for a world of democracy and peace.”

Of course, like Bush today, Roosevelt found it to be politically expedient to have friendly relations with this murderer because he was busy dealing with another one. He lived long enough to recognize that Churchill’s warnings that Stalin could not be trusted were true. But, of course, by that time it was too late.

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