Russian Mafia Essay, Research Paper

The Russian Mafia: Protectionism in the New Capitalist Russia

The Russian Mafia has always exercised an important role in the Russian economy. The contemporary mafiosi are descendents of the seventeenth Century highwaymen and Cossack robbers. These men occasionally murdered families prior to raids preventing them from being captured. The Russia mafiosi made a point to remain aloof from the state. Mob men were actually spurned when returning home from fighting in the Great Patriotic War. The gangs begin to dominate markets such as car sales, spare parts, cigarettes, food distribution, and other markets that the Communist Party failed to provide under the Bolsheviks (Remnick196).

Since the collapse of Communism and the dawn of Capitalism, the Russian people have been troubled with innumerable obstacles. There are more than 3,000 gangs known generally as the Russian Mafia. They have proven to be a significant force in delaying the reform process (Goldman 58). The new Russian Mafia has involved themselves in every imaginable kind of criminal activity from drug trafficking and money laundering to protectionism, which penetrates into every area of society. Under the laws of the Soviet Union, the regulations were strong and external. Now the external regulators have disappeared allowing the Russian Mafia to exceedingly enlarge its strength and influence especially with the accelerated speed of privatization without legal safeguards. The Russian Mafia?s effect on the Russian economy through protectionism can be viewed through the different scopes of academia, the United States Press, and the Russian Press.

Protectionism is a preferred activity of the Russian Mafia. When a new private business opens, the mafia ensures that it will get a share of the profits. The mob offers the new operation protection. If the business refuses to purchase protection, the mafia uses violence against them or their property (Gustatson 105). Most entrepreneurs purchase the protection. Then the new company pays unofficial taxes to crime groups. This guarantees that nearly all new businesses will have an affiliation with the mafia. Gustatson estimates that payments can are approximately twenty percent of the profit (105). This is a major form of taxation on top of what the government already commands leading many companies to tax evasion or concealing their exact value. These acts forfeit what little protection the authorities might be able to render.

The mafia demands a cut of the earnings but in turn furnish more than adequate security. The mafiosi provides protection from unaffiliated criminals and rival gangs. They ensure that property is not damaged or stolen. If entrepreneurs are visited by another organization, they must only summon their own mafia group. The two gangs will settle the matter themselves (Gustatson 105). This security is an asset that the State seemingly fails to provide. The Russian Mafia has more men and weapons than the Russian law enforcement. The police force is an intently corrupt place as is much of the Russian government. Both army officers and law enforcers are frantic for cash and willing to sell weapons such as guns, grenades, and rocket launchers (Remnick 109). The Russian Mafia is able to easily locate weaponry to carry out its duties as protectorate; while, the authorities lack money and personnel.

A few days before the union dissolved the biggest Russian Mafia leaders held a summit meeting at a dacha just outside Moscow with the three main Italian crime organizations from Sicily, Naples, and Calabria. They understood that it would bring turmoil and uncertainty; yet, the Vori v Zakonye or thieves in the law saw possibility in the disintegration of the Soviet Union. The organizational leaders assembled to discuss the selling of nuclear materials, and drug-money laundering (108). The mafiosi would use their influence to access bureaucratic power. They began anticipating the collapse by becoming private businessmen: consultants and rainmakers (197). As Consultants and Rainmakers, they would assert their authority through protection.

Academia states that protectionism is having a trenchant effect on the Russian economy. It helps create massive inflation to the already weak economy. The twenty percent of the gross earnings extorted from the business as protection raises the price of the goods and services tremendously for the Russian people monthly. The Russian consumer ultimately pays the protection bill (Goldman 58). It is estimated that in 1996 about eighty percent of all private businesses made regular payments to a mafia organization for protection and a substantial amount of that money ends up in other countries. (Gustatsun 104). Thus the underworld is taking a vast amount of wealth out of Russia. With the Russian Mafia handling so much money, it is little wonder that they were able to buy so many governmental officials.

Scholars tend to take an objective approach. The Russian Mafia demands a cut of the profits, but does render a service that the authorities can not provide. This is having plundering effect on the economy as a whole. It is causing massive inflation and sinking the already weak economy. This has lead to a trend towards nationalism and separatism in Russia.

The United States press understands that the Russian mafia had a definite place in society at one time. It grew because of the buying and selling of smuggled or stolen goods. It satisfied the Soviet consumer with products that the State failed to provide. These items were both consumer and illegal goods. It filled this role for decades under Soviet rule. The mafia was established and equipped to amplify its business during market reforms. It was more in touch with consumer demand (Tanner C2). Russia suffers the most due to mafiosi activities. It seems that gangs are threatening to take over the nation?s economy. Bombings contract killings, and robberies are a common occurrence. Russia is a very different place from the early developing economy of the United States. The robber barons of the United States can be described as vicious. They made their fortunes by building and preventing others from doing just that. Yet, Russian wealth is achieved and held through violence, theft, and manipulation. Many Russians came to believe that this distorted form of mafia control is the normal free- enterprise system. This sentiment is reinforced when they see Western businesspeople and investors fail to complain and then comply with paying protection money (Washington Post C2).

The Puget Sound Business Journal reported ?the Russian mafia is the most Western-like negotiating experience you?ll have in Russia?unlike the slow-moving and fractured government the Russian mafia is businesslike and helpful? (18). The Russian syndicates seem far more organized than the legitimate government. The gangsters have a systematic method of retrieving ?taxes? from their businesses under their protection. They use force. This is how they sustain control. The Atlanta Journal and Constitution reported an antidote about protectionism. There was a small store in Moscow selling groceries and other items, Vso Dlyah Vas or everything for you. It was one of the many new stores springing up in the new Russia. The store?s front windows were smashed; yet, nothing was stolen. A few days later the store was closed; the owners left town (1B). They had failed to pay the appropriate people. This is just one example of mobsters smashing private businesses for failure to comply with their protectionism mandates.

Democracy in Russian has turned out to be a free-for-all of profiteering. For many, it brought increased poverty and despair. Krisha, in Russian, means protection money. It is surmised that seventy-five percent of the businesses in Moscow pay a percentage of its profits to its organized crime associations. Actually, the mafia has a higher collection rate than the Russian government (Washington Post C2).

This infiltration of the economy has had dire consequences. There is no way to determine how much money is involved. However, it is estimated that anywhere from 50-100 billion of state and communist currency and gold have been privately appropriated and transferred out of the country (C2). That is on top of the tremendous inflation due in part to protectionism. In 1992, the prices rose twenty-six percent. The inflation rate was eighteen percent a month in 1995. Needless to say, any adjustment to salaries tarried far behind the constant escalation of prices.

Things are beginning to change in Russia. Companies are building up their own security forces. They are obtaining security from the mob and their protection schemes for themselves. They are employing armed guards, which is reasonably inexpensive in Russia. Many companies are also introducing closed-circuit television and scrutinizing visitors even photocopying identification papers for future reference (Economist 60). This is begining to put most creditable businesses beyond the grasp of the most primary variety of Russian gangster. Protectionism might be slowly coming to an end.

The Russian press reports that fifty-two percent of the country believe that the mafia is running the country. The Majority also believed that Russia?s rich got wealthy through stealing, plundering, bribery, or some other form of corruption (Fifty-two Percent Believe 11). Yet the Russian Internal Affairs minister, Sergei Stepashin, stated that the Russian Mafia is but a myth during an address reporting on the Russian criminal world at a European Union meeting. He said, ?Fear of the Russian Mafia stems from a lack of understanding the processes that are occurring today in Russia? (Sukhova 20). He also reported that there is a myth of a Russian mafia that should be dispelled. Protectionism is not really occurring..

The Russian mafia controls almost every aspect of the Russian market. They determine who can open a business, stay in business, and who must close their business. The mafia makes these determinations, often times, on who is compensating them for their security services. Most Russians report that they are directly or indirectly intimidated or extorted by at least one of the organizations within the Russian mafia. The syndicates seem to arrange an organization for business that is not yet available from the government or professional arena. If one business has a problem with labor or another business, the business owner merely contacts his mafia link. The matter is immediately, quietly, and efficiently resolved. (Crime in Russia14). The Russian mafia is involved in every aspect of Russian life. They provide a code of conduct for business not yet provided by the professional elite or the government.

The mafia has a detrimental effect on the Russian economy. It not only creates massive inflation, it deters companies from other countries from investing in the Russian economy. Foreign investors operating at the retail level where hard cash is a fundamental part of business are particularly susceptible. They are not excluded from the gangster?s tactics of ?offering? protectionism (Fifty-two Percent Believe 11). In some cases, the mafia has succeeded in expelling the foreign owner. Specifically this has happened to a Canadian-owned wholesale electronic good franchise, and Italian merchant of leather goods, and an Estee Lauder shop (Washington Post C2). Russia has taken several steps to stop crime such as protectionism and the Russian mafia. Yeltsin has granted the police various powers to confront these dilemmas. The decree Yeltsin issued permits police to detain organized crime suspects for thirty days without cause, search offices and homes without a warrant, and inspect the finances of suspects. Uncorroborated testimony is now permissible in court, and witnesses that decline to testify can be punished (Fifty-two Percent 11). Yet, these measures seem to have done little to stop organized crime?s growth.

Unfortunately, Russian organized crime has prospered in the new economic system, and has migrated well beyond the Russian boundaries. Much of the private business activity lies in a gray region somewhere between legality and illegality. The law has yet to fully catch up with privatization. Academia, the United States Press, and the Russian press all paint a devastatingly bleak picture of the Russian economy; yet, there is hope for change. Many small companies do not have the luxury of making drastic changes; yet, efforts are being made to stop the mafia or at least cease the growth of it on the side of the government and larger businesses. Enterprise are creating their own company security and stopping protection payments. Things will not change overnight, but Russia can and slowly is moving toward normalcy.

?Biz in Russia.? Puget Sound Business Journal. 7 March 1995: 18.

?Comrade Godfather; In Russia, the Mafia Seizes the Commanding

Heights of the Economy.? The Washington Post 12 Feb. 1995:

C2.

?Crime in Russia.? Current Digest of the Post-Soviet Press 15 Feb. 1995: 14.

?Fifty-two Percent Believe Mafia is Running the Country.? Current Digest

of the Post-Soviet Press 8 Oct. 1997: 11

Goldman, Minton. Russia, The Eurasian Republics, and Central/Eastern

Europe. Connecticut: McGraw-Hill, 1999. 58-60.

Gustatfson, Thane, and Daniel Yergin. Russia 2010: And What It Means

For the World. New York: Random House, 1993. 105-106.

Holmes, Charles. ?In Russia, Repression Gives Way to Corruption.?

The Atlanta Journal and Constitution 7 Sept. 1997: B1.

Lloyd, John. ?The Russian Devolution.? New York Times 15 Aug 1999: A8.

Remnick, David. Resurrection. New York: Random House, 1998. 108-

110, 196-199.

Sukhova, Suctlana. ?Head of Russian Internal Affairs Ministry Believes

The Russian Mafia is a Myth.? Current Digest of the Post-Soviet

Press 9 Dec. 1998: 20.

Tanner, Adam. ?Russia?s Notorious Mafia Spreads Tentacles of Crime

Around the World.? Christian Science Monitor 11 Jan. 1995: C2.

?The Russian Mafia Means Business.? Economist 4 July1998: 60.