

III / The war in Ukraine and Russian capital: From military-economic to full military imperialism

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Volodymyr Ishchenko makes an important contribution to the debate on the nature of Russian imperialism and the war in Ukraine. He postulates that behind the war, there is a class conflict between, on the one hand, political capitalists in Russia, and, on the other, an alliance of transnational capital and the professional middle classes in Ukraine.

According to Ishchenko, the Kremlin's decision to invade Ukraine corresponds with the collective interests of the Russian ruling class, even if it goes against the individual interests of this or that political capitalist. While Ishchenko's article is an excellent starting point in the debate, it ultimately misrepresents the nature of the ruling class in Russia, as well as the causes of Russia's aggression in Ukraine. Ishchenko notes: "Some analysts claim that the war may possess the autonomous rationality of a 'political' or 'cultural' imperialism. This is ultimately an eclectic explanation."

Eclecticism might be a sin, but so is misconstruing the evidence for the sake of theoretical purity. In this article, I focus on the historical development of Russian capital, its relationship to the Kremlin's imperialist policies and the divergence between the economic expansion and the military aggression since 2014.

Contra Ishchenko, I argue that Russian imperialism does have its own logic that is not reducible to the interests of the ruling class. The appearance of the non-economic roots of Russia's aggressive expansionism since 2014 raises questions about the contemporary validity of classical theories of imperialism. I return to these questions in the concluding section.

The fractions of the Russian ruling class

Ishchenko defines the ruling class, or the most influential fraction of the ruling class, in Russia as political capitalists whose chief strategy is "the exploitation of political office to accumulate private wealth". He refers to several key authors - Steven Solnick, Ruslan Dzarasov, Iván Szelényi - to describe the strategies of syphoning off public resources and government-sanctioned plunder characteristic of Russian capitalists.

All the researchers quoted by Ishchenko focus on the period of the late 1980s and the 1990s, and their conclusions - which are broadly similar - are undoubtedly correct in relation to that period.

Russia's "primitive accumulation" certainly involved massive appropriation of public wealth - be it the privatisation of state property or profiting off public money that was placed in private banks by corrupt public officials. This is how the "oligarchs", or big businessmen, made their fortunes.

The 1990s was a period of the "virtual economy", with almost zero investment and capital formation,

as opposed to frantic speculation and rent-seeking by well-connected insiders. The dominant corporate form that emerged in the second half of the 1990s was the so-called “financial-industrial group” – a conglomerate of financial, industrial and media assets that essentially included everything its owners could grab and seize – most often from the state.

The 1998 economic crisis proved a turning point in this dynamic, however. Many of the opportunities for speculation and profiting off state resources dried up, while the dramatic devaluation of the ruble made commodity exports particularly attractive. Restoring the centrality of exports to the economy required investment in Russia’s productive capacity.

Russian businessmen realised they could attract the financing for such investments from the global capital markets. This, in turn, required a change in corporate governance practices and increased transparency. The “financial-industrial groups” of the 1990s were reorganised into more traditional corporations.

The story of Mikhail Khodorkovsky, the oligarch turned archfoe of Putin, illustrates this change. He acquired his initial capital in the late 1980s through his connections in the Komsomol – the communist youth organisation that Gorbachev turned into a launch pad for various entrepreneurial initiatives.

Khodorkovsky’s bank Menatep engaged in all manner of speculative and arbitrage activities in the first half of the 1990s, and in 1995, he acquired YUKOS, the biggest oil company in Russia, through a shady loans-for-shares scheme for a fraction of its true cost.

Khodorkovsky was the archetypical 1990s “oligarch”, running an opaque, sprawling business, harassing minority shareholders, and relying on the threat and practice of criminal violence as a measure of the last resort. However, in the early 2000s, he introduced new accounting and transparency standards and invited independent members to the YUKOS board to secure international legitimacy for his company and increase its market value.

Of Bonapartists and oligarchs

The key part of the story of Russian business since the early 2000s is one of internationalisation. Russian corporations attracted capital from global markets, staged initial public offerings on the key international exchanges, acquired assets abroad, and formed joint ventures with foreign transnational corporations. In the words of political sociologist Georgi Derluguian, they acted as “comprador oligarchies that monopolise the nexus between global economic flows and the local extraction of resources”.

Internationalisation became an integral part of their accumulation strategies. In their personal capacity, Russia’s richest men acquired luxury properties in London, the requisite superyachts, and sent their children to the most expensive private schools European countries had to offer. It is important to factor in this dimension of ruling class activities as it directly relates to the Kremlin’s foreign policy and, as I argue, imperialist goals.

I fully agree with Ishchenko’s characterisation of Putin’s regime as Bonapartist. Similar to Louis Bonaparte, Putin came to power with a promise to “restore order”. While rhetorically attacking the “oligarchs”, he had no intention of ever redistributing their wealth or revising the fundamental pillars of the post-Soviet political-economic order to tackle extreme inequality. Instead, he offered the business elite a new set of rules: the deal was that it would relinquish its influence over the media and political parties in exchange for the opportunity to maintain and multiply its riches.

For Russia’s leading businessmen, this proved an excellent deal as Putin’s personal popularity

compensated for their weak legitimacy in society.

Furthermore, the state that Putin pledged to renew and restore could protect them from industrial conflicts and popular pressure for redistribution. In turn, Putin saw Russian capitalists as a valuable resource.

According to Vladislav Surkov, one of the Kremlin's most important political operatives at the time, the group of Russian big businessmen is "very thin and very precious... they are the bearers of capital, of intellect, of technologies... The oil men are no less important than the oil; the state has to make the most of them both".

The Kremlin considered the business elite to be useful for ensuring economic development at home, as well as providing the resources for projecting power abroad. Of course, there was the small matter of personal enrichment through bribery and extortion as well.

If there is one quote that characterises the state of Russian capital under Putin most accurately, it is to be found in a passage from Marx's 18th Brumaire of Louis Bonaparte: "In order to save its purse [the bourgeoisie] must forfeit the crown, and the sword that is to safeguard it must at the same time be hung over its own head as a sword of Damocles."

From Marx's analysis in the 18th Brumaire, we can gather that a Bonapartist regime may serve - and probably does serve - the interests of the bourgeoisie, however, there is no guarantee that it will place these interests above all other considerations when making momentous decisions. After all, the sword of Damocles might just fall on the bourgeoisie one day.

Corrupt state managers

Despite relinquishing their influence over public policy, the owners of Russia's largest corporations maintained individual informal ties to the top government officials. As a result, they rarely had problems with the state. Another part of Russia's capitalist class - mostly the owners of small and medium enterprises - lacked these political ties.

In principle, the Kremlin had nothing against these business owners, and they benefited from the same policies that privileged the capitalist class as a whole - not least, a highly favourable tax regime. However, they often fell victim to the predatory attacks of various government and security agencies. The Kremlin proved in most cases unable or unwilling to restrain state agents when they engaged in predatory behaviour.

For these reasons, this fraction of the capitalist class lacking the political connections of larger businessmen could potentially benefit from democratisation if it allowed them to restrain and control Russia's vast bureaucratic and repressive apparatus. However, business owners have rarely joined the opposition movement as they have been unwilling to jeopardise their profits by taking a political stand.

We can identify two more fractions of the Russian capitalist class. Putin's policy of renationalisation and expansion of the public sector created a layer of state managers, who form one of the stronger bases of support for the government, often with a background in the security services. They tended to abuse their positions by enriching themselves through various corrupt practices, however, and this is an important point, in terms of internationalisation, Russia's largest state corporations did not differ much from its biggest private businesses. They too actively sought access to export markets, by raising money abroad and forming joint ventures with foreign corporations.

Like their "entrepreneurial counterparts", these corrupt state managers pursued a particular type of

gaudy lifestyle: properties in Miami, London and Dubai and sending their children to the same elite private schools in Europe. The major difference is that state managers are even more dependent on the Kremlin than private businessmen, as they can be dismissed from their positions with the mere stroke of a pen.

Finally, there is another group of businessmen in Putin's Russia that could be termed political capitalists in a straightforward Weberian sense, as their chief activity is servicing government contracts. Members of this group, identified by Forbes as the "The Kings of State Contracts" (with a special ranking published every year), are often Putin's closest associates as well as individuals connected to various influential state managers. Their business model is less internationalised than most Russian corporations. However, the services of technologically advanced foreign suppliers are often required for the biggest government contracts to be completed. Furthermore, these political capitalists depend on the overall "size of the pie" available to the state, and thus, indirectly, on other, globally integrated industries.

Russian capital and the global economy

In relation to the global economy, Russian capital played two roles simultaneously, reflecting the paradox of a dependent, semi-peripheral country that is nonetheless imperialist. As members of a "comprador bourgeoisie", the biggest business owners have exploited Russia's natural resources and domestic markets, often in partnership with foreign corporations, while transferring money to offshore accounts and luxury real estate in the Western "metropole".

As vehicles for a "metropolitan bourgeoisie" in the post-Soviet successor states pace, Russian corporations aggressively expanded into regional markets and reconstructed Soviet-era supply chains under their control. The Kremlin tolerated the "comprador" element and actively supported the "metropolitan" element. Coercive measures, such as oil and gas cut-offs, were used to acquire assets in countries like Ukraine, Moldova, Georgia, and Armenia.

Political and economic motives were often hopelessly intertwined. For instance, in Ukraine, Russian state-owned Vneshekonombank acquired multiple industrial assets in Donbas to the tune of \$10 billion in the late 2000s and early 2010s. Vnesheconombank money was used both to take control over coal and metal factories in Eastern Ukraine and to finance Ukrainian politicians such as Yulia Tymoshenko in the hopes of increasing the Kremlin's influence over Ukrainian affairs.

Overall, Putin's vision for the post-Soviet space invariably involved Russia's political and economic dominance, solidified by its own integration project - the Eurasian Economic Union. Within this vision, political and economic expansion fuelled one another.

The Achilles heel for the Kremlin, in its imperialist advance, was its lack of international hegemonic appeal. Putin's preferred method of operation was doing backroom deals with the post-Soviet political and economic elites, and he often succeeded, particularly in the case of his fellow autocrats in neighbouring states. However, for the populations of the post-Soviet states, Russia represented, at best, "more of the same" - the same poverty, inequality and cynicism characteristic of the post-Soviet condition as a whole.

At worst, it was an authoritarian incursion into fledgling democracies with an arrogant sense of entitlement to its "sphere of influence" and military intervention always kept as an option - as seen in Georgia in 2008. While making loud demands on the countries in its "near abroad" and the United States as a global hegemon, the Kremlin could never articulate the positive vision it had on offer. Its constant calls for "multipolarity" rang hollow, as they amounted to nothing more than a desire to dominate the region for post-Soviet space entirely to the Kremlin's benefit and without the West's

interference.

The invasion of Ukraine

Coincidentally, Russia's latest round of confrontations with Ukraine began in 2013 as a conflict over trade, as Ukraine could not simultaneously be a part of the free trade agreement with both Russia and the EU. Putin's later reflections (in his interviews with Oliver Stone, for example) reveal his clear understanding of the economic stakes at play. However, what happened next marked a sharp divergence between the economic logic and the political logic of Russian imperialism.

Whatever motivated the Kremlin to annex Crimea, it was not economic considerations: the question, discussed by Putin with his advisors, was not how much Russia would gain economically, but rather, would it be able to withstand Western sanctions in response to the annexation. Ukrainian assets (public and private) that Russia expropriated in Crimea were more than matched by lost or devalued Russian assets in the rest of Ukraine.

Furthermore, the fighting in Donbas between 2014-2015 resulted in the physical destruction of some significant Russian investments. For example, the Ukrainian artillery's shelling of an oil refinery in Lisichansk (Luhansk region) cost its owner, the Russian state-controlled oil company Rosneft, up to \$300 million in lost value. More importantly, the confrontation with the West that ensued after the annexation of Crimea has put into question the whole strategy of internationalisation of Russian business.

Russian corporations partly lost access to Western technologies, export and capital markets, a few Russian businessmen were sanctioned, while others lived under the constant threat of sanctions and asset freezes. The number of Russian billionaires on the Forbes list stagnated after 2014 and the GDP growth averaged just 1% between 2014-2021. I agree with Ishchenko that, up until 2014, Putin's regime was acting by and large in the collective interest of the Russian ruling class, especially the three of its most powerful fractions: the biggest private corporations, corrupt managers in the state sector, and political capitalists ("The Kings of government Contracts"). And indeed, the conflict in Ukraine had economic roots.

However, the annexation of Crimea and Russia's covert intervention in Eastern Ukraine were not dictated by economic logic; in fact, they significantly undermined the position of Russian capital. The contradictions of Russian capitalism could not produce such an outcome; it was rooted in something else. From Putin's own subsequent explanations, one could gather that the annexation of Crimea was the product of a deeply held belief in the inevitability of an all-out confrontation with the West in which even the most fantastical scenarios - such as nuclear weapons in Crimea targeted at Russia being considered real threats - could become a reality.

This belief could partly be explained by the unilateral actions of the US in the preceding period, such as the withdrawal from the Anti-Ballistic Missile (ABM) Treaty in 2002. However, it was also rooted in Putin's denial of the very possibility of popular revolutions (including the 2013-2014 Maidan revolution) which he invariably saw as coups orchestrated by the West against Russia (with an ultimate plan to stage such a coup in Russia itself).

Putin's actions were also driven by the deep fear and mistrust of popular mobilisation. His inability to comprehend the existence of power in the Arendtian sense, that is, collective social power, ultimately led him to rely on force - repression at home, military aggression abroad.

This strategic orientation was certainly not Putin's alone - it was shared by the large part of Russia's national security establishment. Driven by fear and mistrust, the Kremlin engaged in what

international relations scholar Jack Snyder termed the “myths of empire” - that is, strategic orientations that dictate that the best defence is a good offence. This logic led the Kremlin to break its own promise to respect Ukraine’s national borders (enshrined in the 1994 Budapest memorandum), annexing part of its territory.

Putin’s decision to launch the full-scale invasion of Ukraine in 2022 reflects recognition of the failure of the Kremlin’s own policy of hybrid aggression towards Ukraine in the previous period. The twin daggers thrust into Ukraine’s body - the annexation of Crimea and the occupation of Donbas through the Kremlin-controlled proxies - failed to destabilise the country enough to prevent it from acquiring a solidly pro-Western and anti-Russian direction.

‘Myths of empire’

When Vladimir Zelensky failed to implement the Minsk agreements in a way preferred by the Kremlin, and closed down three TV channels associated with the pro-Putin businessman and politician Viktor Medvedchuk, Putin realised that he had no veto power over Ukrainian affairs. After that, he tried to persuade the West to pressure Ukraine into accepting his demands, and, when this did not work, he settled on an outright invasion.

The “myths of empire” resulted in an abject failure in 2014-2022, but instead of abandoning them, the Kremlin doubled down on the same logic of preventive aggression. Unsurprisingly, it failed again, this time with even more tragic consequences.

Marxist theories of imperialism emphasise its connection to the process of capital accumulation and the interests of the ruling class or its fractions. However, Russian imperialism since 2014 does not easily lend itself to such an explanation. Russia’s military aggression in Ukraine since 2014 has resulted in the significant loss of capital and export markets, as well as investments abroad, diminished cooperation with transnational corporations, and personal sanctions against many prominent representatives of Russian capital.

The gains from Russian corporations’ increasing monopolisation of the domestic market and plundering of occupied territories do not nearly compensate for the losses. The discrepancy between the economic interests of the ruling class and military aggression is not unique to Russia: David Harvey has captured it by studying the dynamic interaction between “capitalist logic” and “territorial logic” across different historic and contemporary examples of imperialism, and Michael Mann has described it in relation to the United States as an “incoherent empire”.

This discrepancy in Russia is rooted in the ideology and strategic orientation of the national security establishment. Clearly, more work needs to be done to identify the particular cliques and coalitions in the Russian elite that were supporting and encouraging Putin’s belligerent impulses; another task would be to understand the role of irredentist Russian nationalism. However, the attempts to find a direct causal link between the contradictions of capital accumulation and Russia’s military aggression should be abandoned, as they conceal the real origins of the terrible war in Ukraine.

Imperialism does not need to be a simple extension of capitalism to be deserving of normative critique. To quote historian Salar Mohandesi’s broad revision of the Marxist approach to the subject: “Imperialism... has to be broadly understood as a relationship of domination between states, rather than as a synonym for capitalist expansion.”

As a form of violence and domination driven by an unaccountable political class and, as usually is in the case of these things, its victims are predominantly the working classes - both in the aggressor state and in the countries that fell victim to it - imperialism should be opposed and fought on its

own.

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