The aim of this thesis is to look at how the process of privatization of state property, and thus state industry, had an effect in the problematic political symbiosis of the Russian legislature and executive, which ended in October 1993 with the shelling of the Russian White House. In the attempt to understand and analyze the political developments of the late Soviet and nascent Russian state in the period between 1990-1993, the notion of the State is approached as a "melange of social organizations" seeking to control resources and promote their interests.

The institutional framework that was set during Mikhail Gorbachev's attempt to reform the USSR, was inherited by Russia, without drafting a new constitution. The lack of a complete and applicable legal framework in the process of privatization that was launched on January 1st 1992 by the government of President Yeltsin allowed some "social organizations" to grasp or retain control of prosperous state companies, in a process named euphemistically "insider privatization".

Starting with Pareto's premise that revolutions are mainly a matter of elite change, it is concluded that in Russia, contrary to other transitional cases, the elites of the old regime managed to remain intact in the new political circumstances. Those elite groups that managed to take advantage of the new chances that a new free market environment offered, mainly through their ability to control key assets of the economy during the socialist times, mobilized themselves and contested the role of state power in the reform process.

The group of former industrial directors preserved its strong networking from the previous socialist system and managed to achieve the goals it had set, without difficulties: preserve the control of the most important state enterprises and prevent outside investors from obtaining ownership of enterprises.

The difficulties Russia faced during its transition were a result of non functioning democratic institutions, preventing effective rule. It was obvious that the problematic co-existence of President and Parliament was a result of the failure of the political elite to introduce a viable consensus and face demanding financial problems.