



A Follow-on to the Facebook Revolution

T&B is gratified that our most recent opus triggered a bit of controversy, with an outpouring of correspondence – mostly favourable, but a few very critical. This signifies that we are doing our job – provoking discussion and undermining the unthinking consensus.

Despite our title, neither T&B, nor any other source, has a monopoly on Truth. That said, we would like to believe that by challenging the Standard Narrative, we can make a far greater contribution than the bent journalists and paid shills who (and the smarter ones know full well what they are doing) have sold their souls so very cheaply...

Our last paper on the Facebook Revolution proved quite controversial and we are still engaged in answering our many correspondents.

While there was a narrow majority in favour (several warmed our hearts, stating what a relief it had been to finally encounter a non-consensus view) and we have engaged in some productive discussions with several correspondents who strongly disagreed with our views, we were most amused by the vitriol elicited from of a few of the more emotional of the would-be Orange Revolutionaries.

Of course, a few readers – cosy and closeted in their unthinking adherence to the consensus – are simply unaccustomed to reading anything which at all contradicts their own happy assurances. The Western press is so comfortably homogeneous, having told the reader what to think, they will hardly disturb him with contradictory views.

We, on the other hand, have long experience with a media which are 95% disinformation. The systematic falsehoods in the *FT* alone exhausted our capacity for outrage some years back. The paid propaganda for the thuggish Khodorkovsky, the egregious lies during the Georgian war – the Iraq WMD dossier writ large!

While we shall answer individually everyone who has offered constructive views – pro or con – there is a common thread worth addressing: There appears to be a propensity to give great importance to what the Russian electorate voted AGAINST – conveniently ignoring what they voted FOR, i.e. those

disagreeing with our warnings that the election results were profoundly and obviously anti-liberal seem to believe in "democratic legitimacy" when EdRu loses votes – then to glibly ignore whom it was that these same electors voted for. A voter wishing simply to vote "against Putin" could have as easily voted for the liberal Yavlinsky as for the racist, nationalist Zhirinovsky or the Communist Zyuganov. Indeed, far more critical of Putin than the ultimately pliable and collaborationist Zhirinovsky, Yavlinsky would have been the ideal target for the protest vote... Yet his party was crushed.

Along these lines, several of our Russian readers have stated that they had voted for the liberals or for Just Russia as a protest against EdRu – yet not one of them claimed to have voted KPRF or LDPR... Perhaps then, those who did vote for the Red/Brown opposition did so to express their preference for a political line radically different to that of the FB crowd (and very certainly, to our own!).

The remaining points are secondary:

T&B certainly never claimed that there were no violations in the recent Duma election. There have been violations in every Russian election since Gorbachev (including Yeltsin's 1996 victory over Zyuganov – clearly fraudulent, and resulting in the election of the less popular candidate – and thank God for it!); this detracts from, but does not nullify their legitimacy.

The extent of violations, on the other hand – like the size of the Saturday demonstration or the death toll in Mao's Great Leap Forward – seems to increase with every retelling, with some tough competition for the most ludicrous overstatement. Sober estimates run to results having been "corrected" by about 5% nationwide. Thus, the election results – as reported – largely conformed to the views of the electorate, as demonstrated by the numerous pre-election opinion polls.

The size of Saturday's demonstration continues to grow – at least in the memories of the participants... Bloomberg and Reuters – certainly no Putin fans – estimated it at 25,000, which we think very generous. In their most recent report on Russia, Stratfor (even less suspect of pro-Putin sympathies) estimated turnout at 15-20,000 – which fits with what the aerial pictures show.

We would note in passing that a Pro-Putin demonstration – hastily organised without the assistance of Facebook, but with substantial "administrative resources" – gathered about the same number of people before the Kremlin Walls; oddly, we find almost no mention of it in the Western Press...

Finally, as regards Prokhorov, all we can say is that those who claim that Spain is the country of surrealism have obviously never been to Russia! Several of our correspondents have compared him with Silvio Berlusconi – that is absurd. Like him or not, Berlusconi was a very successful businessman before entering politics – we are not aware of Prokhorov having ever done a successful deal, save by accident. Furthermore, he is a wildly improbable candidate, given his lifestyle and proclivities. Russia remains a socially very conservative country, and we very much doubt his candidacy would survive public scrutiny. Certainly it would lead to some very colourful press.

As our friend C.W., one of the smartest and most experienced Russia strategy hands recently put it – our profession has suddenly gone from the routine, and even faintly boring to the utterly fascinating! T&B is not complaining – suddenly, there is something to write about, and we were beginning to miss the adrenaline of old.

T&B is ultimately a financial publication, so we must end with a note on the investment conclusions: actually, precious few and far between.

The market, terrified of a European meltdown/global recession, is almost totally irresponsive to Russian domestic factors. While a few foreign accounts – typically misguided by the press – initially sold equities, the more meaningful Eurobond debt spreads, local bond markets and the rouble are holding up surprisingly well given the very stressed (global) circumstances. It would be a brave man indeed who jumped in now – with liquidity drying up as markets go into holiday mode, and the fear of

something really ugly from those exemplary G7 democracies gripping us every time we open our Bloomberg terminals.

Not constrained by short-term mark-to-market, we shall take advantage of the bearishness to slowly accumulate Russian bank bonds for the accounts we manage, but shall otherwise endeavour to keep our fingers out of the machinery.

Happy fear and trembling!

T&B

*Readers are **welcome to forward T&B** to any party who might be interested. We write to be read!
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Like cats and horses, markets – whether emerging or emerged, are apt to do as they damned well choose, and a considerable measure of luck is required to come out in one piece. Exercise caution in all things. Good Luck!

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