Corruption and capitalist Russia

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The beginning of March 2009 marked one year since the election of Dmitry Medvedev as president of Russia. Although he announced from the outset that the fight against corruption would be one of his main priorities, his first year in office has shown that these words—as in the years of presidents Yeltsin and Putin—were nothing more than propaganda.

Medvedev occupies the highest post in a state in which corruption is neither a secondary feature nor an aberration, but rather its essence. From top to bottom, corruption in post-Soviet Russia permeates the bureaucratic apparatus, the security structures and big business. Like a virus in the blood of a diseased organism, it is present in all commercial and government relations. For the "system" it is everything—its foundation and true ideology, which can be summarized with the banal formulas: "Everything is for sale" and "Get rich."

At a session of the Council to Combat Corruption that occurred in October 2008, Medvedev was forced to admit, "Corruption in our nation has not simply become wide-scale. It has become a common, everyday phenomenon which characterizes the very life of our society. We are not simply talking about commonplace bribery. We are talking about a severe illness which is corroding the economy and corrupting all society."

Here are several examples from the Russian mass media, typical of stories that can be found on virtually any given day:

* On March 11, Vladimir Pak, head of the Nevelsky Region in the Sakhalin area, was accused of exceeding his powers and was temporarily suspended from his post by court order. He is charged with embezzling 56 million rubles ($1.5 million) from resources allocated for reconstruction following an earthquake that occurred in August 2007. Using funds budgeted for building new housing for victims of the quake, Pak signed several long-term contracts with commercial firms for information and consultative services, which, according to the investigation, was a means of illegally obtaining the funds.

* In early March in Moscow, two officers of the Main Directorate of the Ministry of Internal Affairs (MVD) were detained under suspicion of taking bribes exceeding $100,000. While investigating a case concerning the embezzlement of government resources by heads of the Spartak sports complex, the two officers promised suspects that they would not hold them criminally responsible in exchange for a payoff.

* On March 16 the trial began at the Moscow City Court of a senior official of the MVD, Lt. Colonel Dmitry Luzgin, who is charged with extorting $1 million from the bosses of the construction company Russian Real Estate House. Having launched an investigation of the firm's work, he offered not to bring criminal charges against them (for which he claimed he had gathered sufficient material) in exchange for the designated sum of money.

* Last summer a case proceeded behind closed doors in Moscow against four men, including a former member of the president's administration (a colonel by rank), who were charged with selling "cushy jobs" in the state apparatus. In particular they wanted to make one of their clients the head of customs at the port city of Novorossiisk, and another the governor of one of the regions. Seventeen of the deals were crowned with success—the interested parties obtained high posts in regional ministries and other state bodies.

What is the scale of Russian corruption?

According to data from the head of the MVD, Rashid Nurgaliev—and one must assume that the figures are significantly understated—each year the Russian economy loses from $20 billion to $40 billion due to corruption.

According to other estimates made, for instance, in 2006 by the first deputy of the Russian general prosecutor, Alexander Buksman, the overall yearly market for corruption in Russia is on the order of $240 billion. This figure is comparable to the state budget.

It cannot be said that there is no fight against corruption. There seem to be many exposés and criminal convictions. But they do not, as a rule, touch major figures in a real way. In these matters, much like with the mythical Hydra, when one head is cut off, two take its place.

According to Yuri Chaika, the general prosecutor of Russia, in an interview given to the *Russian Gazette* on February 25, last year "after verification by the prosecutor, 3,400 criminal corruption cases were opened. Among the accused were bureaucrats of various levels; there were about 200 from municipal bodies. There were also deputies of leaders on the Federation level."

Chaika noted that "in some places the fight against corruption is only simulated, and the bureaucrats who should be prosecuted for bribery are rarely actually indicted." That is, one form of corruption both engenders and nourishes another.

The general prosecutor also stated that the very character of Russian law creates a mass of loopholes for the carrying out of corruption schemes. "In one year we have uncovered more than 200,000 violations of legislation concerning the fight against corruption in the areas of state and municipal service," he said. "In the various localities there are more than 10,000 local regulations which open the door to possible corrupt practices. We uncovered more than 40,000 crimes against the state, the interests of state service, and service in local administrative bodies."

How are the authorities trying to restrict the spread of the disease of corruption?

In an interview on Russian television's First Channel, which was broadcast March 15, Medvedev gave one example of a "definite step forward" during his first year as president. He noted that "we nevertheless for the first time in the modern period of the history of our nation have created a new regulatory basis for the struggle against corruption."

What did he have in mind? Merely the fact that amendments were passed requiring civil servants to declare income. The amendments require not only the civil servants to declare income, but their closest relatives as well. It is obvious, however, that this is nothing more than a palliative, serving a more or less decorative function.

Medvedev then added, "Now begins the most complicated part—the task of carrying out these laws."

The post-Soviet period saw a sharp growth in the ranks of the bureaucracy, and, starting with Putin's coming to power ten years ago, a significant increase in this bureaucracy as the most important layer within the new ruling elite.

The number of state officials in Russia is at least one-and-a-half times

larger than in the entire Soviet Union on the eve of its collapse. In 2006 alone the number of government employees increased by 7.9 percent and reached almost 1.6 million people.

The portion of the total gross domestic product spent on state officials and the security organizations has doubled over the last five years.

The authorities and the state apparatus have merged in the most intimate way with private business. The leading officials of the government and the ministries join the advisory councils of the largest Russian companies and receive millions of dollars in legal compensation for their services.

Representatives of private business enter politics, becoming bureaucrats and deputies. According to columnist Valery Vizhutovich, writing in the August 1, 2008, edition of the *Russian Gazette*, 26 percent of senators in the upper chamber of the Russian parliament came from business in 2002. Now it is 32 percent.

As for the composition of regional legislative bodies, if one considers, for example, the Lipetskaya and Astrakhanskaya *oblasts* (provinces), one finds that businessmen make up more than half of the deputies. In Chuvashiya their share among legislators reaches 60 percent.

"Business is very concerned with its further development," writes Vizhutovich, "and sees no more effective means than personally entering into power."

The so-called "state corporations," of which since 2003 a minimum of seven have been established, are stark examples of the fusion of politics and business. Among them are the Vneshekonombank (Bank for Development and Foreign Economic Affairs), Olimpstroy (Olympic construction), Rosnanotekh and Fond Sodeystviya Reformirovaniyu ZhKKh (utilities), Rostekhnologii, and Rostatom.

The state hands over property and financial means to state corporations free of charge, after which it loses all rights over the transferred property. Inasmuch as these companies were founded on the basis of special laws, the government also loses normal mechanisms for regulating their activities. State corporations are not under the regulatory eye of the tax authorities and cannot be subjected to bankruptcy procedures. Individuals appointed by the government head these organizations.

What is this but legalized corruption raised to the level of government policy?

Today's liberal opposition criticizes the authorities for their lack of control and their corruption. However, the arguments of the leaders of this opposition—like publicist Andrei Piontkovskii, Boris Nemtsov (former vice-premier under the late Yeltsin), former Duma deputy Vladimir Rizhkov, world chess champion Gary Kasparov, and Andrei Illarionov (former economic adviser to Putin)—are false and hypocritical.

They assert that the all-powerful bureaucracy is a particular characteristic of the post-Yeltsin period, whereas in the 1990s democracy and freedom reigned in Russia. They declare total privatization to be the most important means for eradicating corruption.

It is important to remember that precisely this argument, according to which it was possible to conquer the old Soviet bureaucracy with radical privatization, lay at the base of all the policies of Yeltsin and his milieu when they created in Russia a new pro-capitalist regime out of the wreckage of the USSR.

Beginning in 1991 all essential socio-economic measures—the liberalization of prices in 1991, voucher privatization, the securities auctions of the mid 1990s, etc.—were implemented without any public discussion and without approval by parliament. The latter was bombarded by tanks in 1993 and henceforth lost even the pretense of independence.

The most important measures of the 1990s, based on the personal directives of President Yeltsin, effectively created a layer of super-rich oligarchs, in whose hands were placed, free of charge, the most profitable and strategically important sectors of the former Soviet economy.

In the beginning of the 1990s one of the "superintendents of *perestroika*" and former mayor of Moscow, professor Gavriil Popov, expounded the necessity of legalizing corruption, justifying this by saying that the bureaucrat had to receive "worthy" compensation.

Current liberal oppositionist Mikhail Kasyanov, former prime minister from 2000 to 2004 (during Putin's first presidential term), received the nickname in the press "Misha two percent" for his insistence on receiving a kickback for all the laws that he signed.

The post-Soviet regime was thoroughly corrupt from the very beginning. The more it moved in the direction of capitalist reforms, the more corrupt it became.

Not long ago, Georgy Poltavchenko, a powerful representative of the president of Russia in the Central Federal district, stated that "it is necessary to oppose the transformation of power into a commodity that can be sold." However, it is precisely this "transformation" of power into a commodity that forms the essence of the socio-political structure of modern Russia.

The current Russian ruling elite is the inheritor of the privileged Soviet bureaucracy. In the 1920s and 1930s the Stalinist bureaucracy usurped political power from the Soviet working class. Ultimately it joined with Western capitalists to do away with the working class' basic socio-economic conquests, which were the product of the October 1917 revolution. In the process of its transformation from a parasitic caste to an owning class, it adopted the most odious and predatory methods of enrichment from the capitalist West.

Analyzing the nature of the Stalinist regime in his time, Leon Trotsky emphasized that the official privileges of the bureaucracy, having no basis in either the principles of socialism or the laws of the country, were nothing short of theft. "Besides this legalized thievery, there is illegal elite thievery, to which Stalin is forced to close his eyes because thieves are his best support...*the Bonapartist apparatus of the state is an organ for the defense of bureaucratic thieves and plunderers of the people's wealth.*" ("The Bonapartist Philosophy of the State," *Bulletin of the Opposition*, 1939, ? 77-78, p. 13, emphasis added).

He noted that misappropriation and theft, the fundamental sources of the incomes of the bureaucracy, do not constitute a system of exploitation in the scientific sense of the word. But inasmuch as they fundamentally contradict the interests and needs of the broad masses, they necessitate a regime of uncontrolled tyranny. "In order to safeguard the systematic pilfering of the bureaucracy, its apparatus is forced to turn to systematic acts of robbery. All this together creates a system of Bonapartist gangsterism." ("The Bonapartist Philosophy of the State," *Bulletin of the Opposition*, 1939, ? 77-78, p. 13).

Continuing this analysis in the post-Soviet period, the historian Vadim Rogovin noted in his seven-volume study *Was There an Alternative?* that "corruption and the mass misappropriation of social property was transformed into an essential factor in the rot of the post-Stalinist regime." (*Mirovaya revoliutsiya i mirovaya voyna*, ?oskva., 1998, p. 28).

Rogovin insisted that the restoration of capitalism in the republics, which was founded on the ruins of the USSR, confirmed Trotsky's prognosis that "the contradiction between forms of property and norms of distribution cannot grow without end. Either bourgeois norms will prevail in one or another form, expanding to the means of production as well, or the opposite [will happen]—norms of distribution will have to come into correspondence with socialist property." (Trotsky, L.D. *Predannaya revoliutsiya*, ?oskva., 1991, p. 202-203).

Rogovin wrote: "In practice, the first variant of this prognosis was realized from the end of the 1980s to the beginning of the 1990s. Corrupt and shadow elements of the ‘old' social structure became that layer from which was recruited the class of the new bourgeoisie. A growth in the income of this class is happening simultaneously with new blows against the social interests and living standards of the vast mass of the population." (V. Rogovin, *Mirovaya revoliutsiya i mirovaya voyna*, ?oskva, 1998, p. 28).

Corruption in modern Russian is not an administrative, or even a criminal problem, it is a political one.