

PUTIN'S RUSSIA: A CONFUSING NOTION OF CORRUPTION

Virginie Coulloudon*

One of the main difficulties in examining corruption both under the Soviet regime and in post-Soviet Russia lies in its definition. Ever since Yurii Andropov launched systematic anticorruption campaigns in the late 1970s and raised the level of awareness of this social disease, all Soviet and Russian leaders have emphasized the necessity of eradicating corruption without really clarifying what particular phenomenon they had in mind.¹ When analyzing Russian corruption, one is surprised to see how many forms it takes: from rule evasion and bribe taking to rent-seeking, abuses of power, embezzlement, bureaucratic extortion, and insider dealing. Adding to this already complex picture, the causes of such infringements of the law and endemic corruption are perceived differently in different contexts -- whether under the Soviet regime or in post-Soviet Russia, or if such actions were motivated by the necessity to survive in an economically and politically hostile environment or merely by a thirst for personal gain.

Organized corruption has been openly denounced in Russia since the summer of 1988, when then-Interior Ministry official Aleksandr Gurov explained to journalist Yurii Shchekochikhin how organized crime and corruption functioned under the Soviet regime.² Although the phenomenon was widespread in both pre-revolutionary and Soviet Russia, it has largely remained a taboo subject for discussion. It was only few years after former Soviet leader Mikhail Gorbachev launched perestroika and glasnost that denouncing corruption took on a public dimension and began affecting public opinion.

Since then, fighting corruption has been on the agenda of the leaders of all parties in the post-Soviet Russian political spectrum. Anti-corruption statements were near the top of the electoral programs of both leftist and rightist political parties in the December 1999 parliamentary and the March 2000 presidential elections. With the arrest of Yukos's financial director Platon Lebedev in July and the interrogation of tycoon Mikhail Khodorkovsky, the struggle against corruption and embezzlement was again at the core of political debate on the eve of the 7 December Duma elections. However, instead of reflecting on the different forms and functions of contemporary corruption and providing complex answers to the phenomenon, most politicians have focused primarily on the accused individuals, highlighting their negative values systems.

Such a moralistic approach is not new in Russia. On the contrary, it has been extensively used over the last 20 years, and one can recall the numerous anticorruption campaigns launched by the Soviet and Russian leaderships to discredit and eliminate political rivals. Although there is no doubt that Russia made significant progress in adopting a legal framework specifically designed to fight bureaucratic corruption (bribery) and embezzlement, the tendency to single out individuals has remained a prevailing feature of all the successive Soviet and post-Soviet governments.

Corruption describes a relationship between the state and the private sector. More specifically, it is a relationship among three main actors, which Diego Gambetta calls the Principal, the Agent, and the Client.³ According to Gambetta's theoretical framework, the Principal (legislative/regulatory bodies or property owners) establishes formal rules of activity and delegates the rights to control the implementation of these formal rules to the Agent (civil servant or manager). The Agent, who is fully aware of these rules and who is not authorized to change them, consciously violates the formal rules established by the Principal in favor of the Client. The Client (or third party) manifests an

* Virginie Coulloudon is associate director of [the](#) Communications Division and director of Regional Analysis at Radio Free Europe/Radio Liberty [in](#); Prague.

interest in getting some benefit through the infringement on formal rules. The Agent and Client make the necessary arrangements to exchange the benefits of the forthcoming action prior to its being carried out.

What Gambetta's theoretical framework demonstrates is a mechanism common to all cases of bureaucratic corruption. It is easy to agree with the idea that corruption is universal: the phenomenon has emerged in all countries and under all regimes without exception. One can provide identical explanations for all corrupt activities and even highlight identical mechanisms in all countries.

However, none of the general conclusions and remedies provided on a theoretical level has ever helped to fight endemic corruption efficiently. The reason for this lies in the intrinsic paradox of the nature of corruption. To decipher the nature of any particular government's dysfunction and the causes of endemic corruption within it, one needs to take into consideration historical and cultural specificities of the phenomenon and develop a specific agenda for each country or region.

What is corruption in President Vladimir Putin's Russia? Bribery often hides behind the sophisticated forms of consultancy. Tax evasion has long been a common informal business rule, an answer to the structural weaknesses of post-Soviet economy, and has even been tolerated by the state. Even embezzlement, in its new form of capital flight, has been (and still is?) tolerated in those cases when players could rely on the backing of key officials from the executive branch. The dimension of informal versus formal politics is still perceived as a crucial element of success by Russian politicians and businesspeople. To understand the extent of corruption in today's Russia, one must consider the political culture and the legacy of the Soviet state in contemporary Russian governance.

This article has a twofold goal. First, it aims to highlight the dysfunctional mechanisms of Russian governance that encourage various forms of corruption to spread. Vadim Radaev has argued that, in Russia, corruption is a well-established institution, rather than a deviation from the norm, and should be studied as such.⁴ Successive failures in combating organized corruption have shown that a proper response to the phenomenon in Russia should be sought in complex measures articulated simultaneously around a restructuring of political beliefs and a reform of Russia's governance. As Susan Rose-Ackerman has shown, the nature of corruption usually depends both on the organization of government and on the power of individuals.⁵

In addition, this article describes three types of anticorruption campaigns that have been used by all Russian heads of state since then-KGB-head Yurii Andropov in the late 1970s. As explained below, all these so-called anticorruption policies actually relate to other political incentives, and none of them was specifically implemented to address corruption as such.

True, many scholars have demonstrated that only a complex and structural strategy can provide an answer to the causes of endemic corruption and, subsequently, can help fight this disease.⁶ Louise Shelley has pointed out that "the institutions needed to address the problem of organized crime and corruption might best be found outside the legal and law enforcement arena, whose coercive – rather than preventive – measures fail to provide an integrated approach to the task of restructuring society."⁷ However, by using mainly the rhetoric of anticorruption campaigns and by resorting to these coercive instruments to restructure the state, Russian officials have entrenched themselves in a vicious circle that leads to the tarnishing of the state, both domestically and internationally, rather than providing an effective response to widespread corruption.

Soviet and Post-Soviet Corruption: Some Continuity

Many experts have emphasized the collective nature of corruption in the Soviet Union.⁸ They have pointed out that the system of organized corruption did not depend on the negative values systems of a handful of individuals, even though the level of corruption varied -- sometimes substantially -- from one regional Communist Party boss to another. Rather, the phenomenon was intrinsic to the Soviet centralized economy, an economy that denied private property and constituted a single, colossal public sector.

Russian and Soviet émigré scholars widely believe that the endemic corruption of industrial managers and high-ranking officials was harmless under the Soviet regime, given the context of the political and economic system. These scholars argue that, while Soviet corruption was a massive dysfunction of the centralized economy, it nevertheless created a parallel economy, which compensated for the weaknesses of the Soviet system.⁹ William Clark has enumerated some of the positive aspects of corruption in the USSR. In his view, corruption, among other functions, encouraged capital formation, reduced bureaucratic rigidity, promoted entrepreneurial behavior, substituted economic activity for political violence, and attracted quality personnel to government service.¹⁰

Strangely enough, although corruption was explained as a structural dysfunction of the communist system, the focus in post-Soviet Russia shifted, and it is now mainly perceived as a reflection of individual values. Corruption has spread in post-Soviet Russia as a result of what Jeffrey Jordan calls the “post-communist malaise” that affects all countries undergoing post-communist transitions. As Jordan puts it, “post-communist malaise may generally be described as the dissonance between the communist histories and the new freedoms thrust upon ill-prepared societies.”¹¹

Indeed, new freedoms have often provided new avenues to profit for those in a position to exploit them. The key actors of new market economies and post-Soviet states have often been the same individuals who pulled the levers of communist leadership before the 1989 revolutions in Eastern Europe and the 1991 collapse of the Soviet Union. But, instead of maintaining a structural approach to the corruption phenomenon in post-Soviet Russia, most observers have emphasized a thirst for personal gain among a handful of oligarchs. No one would argue today that Russia has not developed a political regime and an economy fundamentally different from those of the Soviet era. In the economy, Soviet leader Gorbachev imposed a monetary system that led logically to the creation of the first private financial institutions. Reforming the military-industrial ministries and the state-planning agency Gosplan was also of great importance in remodeling the economy.

On the political level, a decision adopted in February 1990 to abolish the leading role of the Communist Party (granted by Article 6 of the Soviet Constitution) allowed a transfer of power from the party to the government, on both the federal and regional levels. To these reforms, Boris Yeltsin later added a freely elected bicameral parliament and a Constitutional Court. At the same time, he maintained freedom of speech, and continued to develop a market economy, and launched the privatization of state enterprises.

However, as the past 10 years have shown, there is a fundamental discrepancy – sometimes perceived as a contradiction – between the reform policies implemented in post-Soviet Russia (i.e., the political programs) and the approach to them (i.e., the way they are implemented). Although Russia has implemented radical reforms, there has also been continuity in the administration and the elites. Despite the fundamental transformations described above, the Russian government has maintained three fundamental characteristics inherited from the Soviet past:

- Supremacy of informal networks over institutions;
- An overly powerful executive branch; and

- An extremely secretive decision-making process.

As shown below, these traditional aspects of Russian governance have encouraged systematic bribery, insider dealing, rule evasion, and economic crimes at all levels of the state.

Informal vs. Formal Politics

Corruption was endemic to the communist system of the entire Soviet bloc, and Soviet Russia was no exception. From a practical standpoint, corruption generally arose from the material shortages generated by the communist system, and it usually took the form of gift giving and bribery. Soon, relying on informal relationships was considered far more efficient than abiding by formal rules, whether one wanted to develop a factory and promote one's political career. In industry, as within party structures, loyalty was clearly favored over competence.

The years of communist rule have shaped a code of conduct that has largely been maintained. More than 10 years after the Soviet regime collapsed, preconditions amenable to patron-client relationships are still in place. When they acquired power after the collapse of the Soviet Union, members of Yeltsin's entourage created a new team disconnected from the traditional Communist Party Politburo and Central Committee networks. But, if they changed the clientele, they never broke with the basic system of co-opting a clientele.

Patronage has long been a key element of Russia's political culture and should not be considered a crime or corrupt practice per se. However, over the years, this code of conduct has led the ruling elite to a fundamental confusion about the public and private sectors. The state policy of patronage, which was meant under the Yeltsin regime to create a coherent ruling elite, led to the paradox of cronyism in a market economy, where one would expect competition and new rules of recruitment. Not only has the alliance between financial institutions and politicians never been hidden, but it has also become systematic from the federal government down to the municipal level.¹²

Even though it was obviously not intended to, privatization has consolidated the oligarchic power structure. Russian and Western media have extensively described the role played by the private banks in Yeltsin's 1996 re-election. In return for tax exemptions and greater investment opportunities, Russian bankers offered the incumbent president control over the media. During the year that followed the elections, the banks managed to consolidate their power by funding the government in some of the most strategic areas, including national security.¹³

Until recently, former government officials explained the collusion between the financial and political worlds by repeating that their priority at the time was to implement a market economy and to democratize political institutions, even if that meant closing the recruitment channels and writing off any potential alternative elite. Increasingly, the popular perception of the Yeltsin regime was that it was nothing but a weak central state ruled by a handful of bankers and industrial managers. This feeling was reinforced by official declarations from federal ministers admitting their difficulties struggling against the oligarchs.¹⁴

This systematic policy of patronage on the part of high-ranking officials shows that they still treat the state not only as a major actor in resource allocation, but also as a patron dealing with a select clientele.¹⁵ According to opposition parliamentary leader Grigory Yavlinsky, the state still exercises control over most of the country's industrial fabric by placing its own clientele at the head of newly privatized enterprises and retaining land ownership rights.¹⁶

Over the past three years, Russia's state policy, both in the media sector and in the alleged struggle against oligarchs, has shown that there has been no change in the attitude favoring informal politics over formal political institutions. Indeed, businesspeople consider informal connections a

form of political capital essential to economic success.¹⁷ The Yukos affair launched in the summer of 2003 has again reminded all investors that ownership is not a sacrosanct right in today's Russia. Although long resigned to the coerciveness of Russia's customs and tax authorities, many Russian businesspeople openly expressed the fear that the latest developments are a sign that some privatization deals could be revised.

Interestingly enough, the Prosecutor-General's Office opened seven cases against Yukos just a months before the statute of limitations -- the 10-year period for challenging the results of the early 1990s privatization tenders -- expires. When then-First Deputy Prime Minister Anatoly Chubais launched the privatization program in 1994, most strategic privatization deals stipulated a 10-year statute. Russia is now facing a crucial challenge as the legal deadlines for challenging tender results approaches. This loophole in the privatization legislation unexpectedly opened the way for the country's most strategic enterprises to be selectively targeted. Because the authorities will never be able to review all possible cases, one could indeed expect to see charges filed selectively against private, strategic enterprises that are not controlled by the power elite. As is now traditional in Russia, this process is simultaneously unfolding at both the federal and the regional levels, thus allowing the power elite to strengthen its positions.¹⁸

On 22 July 2003, Economic Development and Trade Minister German Gref has declared that he opposes "de-privatization." However, he also told "Vedomosti" that "one should keep in mind that there is no clear boundary between a revision of history and a criminal investigation. If [economic] crimes were committed during the privatization process, nobody will be able to stop their investigation until the statute of limitations expires." Therefore, he added, "If we all can remain calm during this emotional and intense time, I am convinced that all will be fine." This declaration sounded like a clear call to all businesspeople: if they remain calm and maintain "close" relationships with the power elite, they will be able to keep their property. Political capital was again presented as a crucial resource.

Even if the names of the Russian oligarchs have changed since Putin came to power and if Moscow has launched a fierce struggle against few of them at the federal and regional levels, relying on patronage networks is still at the core of Kremlin politics. Interestingly enough, those few opponents who have remained above the fray, such as Yavlinsky, have been discounted as astute moralists, but inefficient politicians.

An Over-Powerful Executive Branch

Another specificity of the Soviet single-party regime was that it implicitly offered absolute power to all Communist Party first secretaries who, in turn, could wield it, limited only by the territory they administered: be it a city, district, or region. The entire state was run by a single vertical executive power, the power of the party, which controlled the economy, the judicial system, and the police. Those powers were also associated with duties: party first secretaries were responsible for the social stability and the economic achievements of their cities, regions, or republics. This made them prisoners of a system imposed from above. They too had to negotiate the budgets of their territories in the Central Committee and often had to resort to gift giving to maintain their positions. On the local level, their absolute power often led to systematic abuses of power, lawlessness, and arbitrariness. This elaborate system of organized corruption reinforced, in turn, a highly secretive state decision-making process and the systematic practice of patronage and cronyism.

Whatever Soviet industrial managers' and officials' degree of sincerity may have been, the overwhelming presence of the party in their daily lives shaped a specific mindset that can be interpreted as passive resistance in a "cold war" environment. In this context, the enemy or occupying power was the party, which most of Soviet citizens perceived as stranger to their lives, at

once provider and vampire, and for which they nourished a forced respect. In Soviet Russia, a clear dividing line separated the party from the rest of the country.

One should consider the law on cooperatives, which was adopted in 1988 under Gorbachev, as a watershed both in the liberalization of the economy and in corruption.¹⁹ It was then that the Soviet authorities allowed an embryonic private sector to develop. Shortly after this, the first decision to create a private banking system was adopted. After 70 years of a controlled and centralized economy, the only organizations with enough capital available for investment in “private” enterprises were the Communist Party Central Committee, the Komsomol (the communist youth organization),²⁰ the Foreign Trade Ministry, and the KGB. They built the most powerful financial institutions, which continued to develop under the Yeltsin regime.²¹ The former Soviet ministries in charge of regulating industry were transformed into private corporations with the aim of creating a new industrial apparatus. In both the financial and the industrial sectors, the authorities did not draw any clear lines between the public and private sectors.

Corruption inevitably shifted in response to these structural changes. While most of the “economic crimes” of the Soviet regime took the form of bribery, gift giving, and rule evasion, corruption after 1988 became more diverse. It involved all kinds of deliberate transgressions of the laws connected with the implementation of the market: insider dealing, misappropriation of public funds, and, more importantly, conflicts between state and private interests. Therein lies an interesting paradox of the Yeltsin regime: Regardless of the disappearance of the centralized economy and the emergence of privatization, businesspeople and industrial managers emphasize that corruption under Yeltsin did not, in fact, change in nature and remained state-generated.²² In the minds of businesspeople and industrial managers, what seemed to be the cause of persistent corruption was less the multiplication of opportunities as a result of the emergence of a private sector than the ongoing perception of the state as the main provider of resources. In the absence of appropriate legislation, resource allocation remained in the hands of government officials who were the only ones to decide which strategic enterprises would be privatized and what the rules of access to them would be. Therefore, what industrial managers and politicians who were not part of the Kremlin inner circle consider corruption was limited to cronyism and insider dealing involving representatives of the executive branch. Despite Gorbachev’s institutional reforms to limit the powers of the party in 1989-90 and the change of regime after 1991, a dividing line was maintained under the Yeltsin regime between the executive branch and the rest of society. Although corruption took several sophisticated forms under the Yeltsin regime, its main agent -- the omnipotent executive branch -- remained largely unchanged from the Soviet era.

During the first years of Yeltsin’s presidency, the institutional vacuum and the political confrontation with the legislative branch forced the reformers to rely on the executive branch as a vertical chain from the Kremlin to the regional level. The new team needed a powerful political tool to impose a policy of democratization. Thus, regional governors were appointed directly by the Kremlin. In December 1993, a newly drafted constitution granted the executive branch the upper hand over the legislature. The president, as well as governors on the local level, began ruling the country by decree. Although people from Yeltsin’s entourage claimed they would have been unable to democratize the country without relying on a strong executive branch,²³ this political choice led to a new paradox. While political parties flourished, Russia still lacked a competitive political system. Yeltsin’s reforms were determined by policies implemented from above only and left little room for genuine dialogue among various political, social, financial, and industrial bodies. Obviously enough, the widespread belief among high-ranking officials that all elements external to the ruling elite and its policies were potential destabilizers did not foster consensus-based policies based. On the contrary, this belief led to the alienation of the state from society and from part of the industrial and

financial elite. Consequently, Yeltsin's executive branch closed down a path toward alternative government and reproduced the Soviet pattern of governance.

This attitude had yet another consequence. While taking personal responsibility for implementing a democratic regime, Yeltsin took advantage of the traditional absence of a balance of power and frequently resorted to non-democratic means. On various occasions, the president gave free reign to the executive branch arbitrarily to govern the country, individual regions, and cities.²⁴ Yeltsin's granting of virtually unlimited power to his allies was a means to carry out his democratization policy in an institutional vacuum. But this eventually led to an unforeseen situation in which, both on the federal and the local levels, representatives of the executive branch eventually developed a quasi-absolute power and stopped obeying the center.²⁵

The Putin regime has tried to enforce greater discipline among regional governors. However, getting control over the regional elite has meant, once again, reinforcing the vertical, top-down chain of order and the overwhelming role of the executive branch. The supremacy of the executive branch over the legislature is now a key feature of Russia's governance, at both the federal and regional levels.

As the history of the Soviet regime demonstrates, the policy of reinforcing a vertical chain of order and offering the executive branch overwhelming and unbalanced power has only limited results. With regard to corruption, such a policy has had many unforeseen consequences and has created confusion between the government policies and the state. Each time the government's anticorruption policies failed, state authority was undermined in the eyes of the population. In the long run, this could also affect its legitimacy.

A Secretive Decision-Making Process

In the eyes of the post-Soviet ruling elite, the same politically hostile environment of the transition period justified the maintenance of an extremely secretive decision-making process. This allowed individuals to influence the presidential and government decrees, a specificity that opened the way to endless struggles for power.

According to anthropologist Janine Wedel, during the years 1992-96, the "young reformers" often secretly drafted presidential decrees to carry out the government's privatization policies, thus bypassing a parliament dominated by Communists and their conservative allies.²⁶ In their defense, the "young reformers" have claimed that the real incentive behind the lack of transparency was political expediency, not personal gain. But by debating whether this secretive collusion between the financial and political worlds occurred by design or by accident, senior Russian officials demonstrated that they were still thinking in Soviet terms.

One of the causes of today's numerous capital-flight scandals lies precisely in the way the Yeltsin administration chose to implement its political priorities. As we have seen above, the Kremlin team sought to establish a democratic regime with the belief that the ends would justify the means. Thus, they chose to rely exclusively on the executive branch and to recruit members of their team through co-optation from commercial structures. They were also eager to maintain a highly secretive environment in order to avoid endless debates with their own legislature and with Western financial institutions.

The Fimaco scandal, which concerned Russia's Central Bank, was a perfect illustration of the transformation of state officials into "ideological kleptocrats."²⁷ In November 1990, the Soviet government established a small offshore company named Fimako on Jersey Island and transferred sums to its accounts from the Communist Party coffers. Starting in 1992, Eurobank, a Paris-based subsidiary of the Russian Central Bank that also took part in establishing Fimako, began to control it. Fimako continued to enjoy access to government hard-currency reserves, using them to play on

the Russian bond market on behalf of the Central Bank.²⁸ Had it been known in the West, these financial operations could have created serious problems with the International Monetary Fund (IMF), which forbids a country from placing its currency reserves on the domestic market. Therefore, rather than openly acknowledging the state's dramatic lack of cash and examining various solutions with both the parliament and the IMF, the Kremlin decided to circumvent the IMF regulations. More precisely, this meant turning the loopholes in the fund's rules to its advantage. According to IMF Russian Managing Director Alexei Mozhin, one should not talk about corruption in the Fimako case. In his view, the problem is that the IMF simply failed to adapt its own rules to the Russian environment.²⁹ In July 1999, the Russian Central Bank Chairman Viktor Gerashchenko acknowledged that he had authorized hard-currency transactions through Fimako.³⁰ In Gerashchenko's view, this transfer was not carried out for personal enrichment and, on the contrary, was intended to benefit the country's ailing economy. Such a reading of the case is typical of a biased understanding of democracy, which forgets about the essential elements of democratic governance, such as transparency and consensus. It also demonstrates a biased understanding of corruption, reducing the phenomenon to an issue of values and thirst for personal gain.

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As explained above, where one would have expected to find genuine competition and legislative oversight, post-Soviet Russia has instead seen an ever-growing executive power that has retained Soviet methods of managing the public sector. Imposing a state policy of patronage has engendered an oligarchic regime. Keeping financial, industrial, and political spheres under a single locus of control has encouraged embezzlement and repeated abuses of power. In the absence of appropriate legislation, resource allocation has remained in the hands of government officials, who were the only ones to decide which strategic enterprises would be privatized and what the rules of access to them would be. These three patterns of governance have all led to growing corruption and abuse of power. Despite the disappearance of the centralized economy and the emergence of privatization, the Russian authorities never drew a clear line between the public and private sectors.

The Kremlin's of the past three years has have not been essentially different from the ones of the country's former leaders. Here again, a closer analysis of Putin's anticorruption campaigns, as well as those of his predecessors, shows continuity in the incentives and the argumentation justifying the state anticorruption campaigns in Soviet and post-Soviet Russia.

Russia's Anticorruption Reforms

Today's Russian political leadership proclaims that it has become a vital priority to "clean up" the state of "corrupt" elements, and state officials have adopted the well-known terminology of an "active offensive against crime" and "onslaught against corruption."³¹ In his 2002 state-of-the-nation address, Putin made it clear that the anticorruption struggle was a state priority. In his 2003 state-of-the-nation address, he specifically mentioned the "gray area" that surrounds the funding of political parties and election campaigns.³²

Eradicating corruption is once again on the agenda of leaders from all parties across the political spectrum. Yet, instead of opening a debate and reflecting on the different forms and functions of contemporary corruption, officials focus primarily on individuals, using anticorruption campaigns as political weapons and failing to build a consensus on this sensitive issue. Anticorruption campaigns have traditionally been implemented without prior debate about the causes of corruption. Indeed, one of the main reasons for the failure to control corruption lies in the attitudes of Russian officials, in their selective tolerance of corruption and their selective use of coercion, and, therefore, in the common misunderstanding of the motives behind anticorruption

campaigns. This discrepancy between the structural causes of corruption and the methods used to eradicate the problem aggravates the already important confusion that accompanies anticorruption campaigns.

At first glance, it seems that legal charges, audits, and arrests under Putin have been extremely selective, with law enforcement agencies primarily targeting the media and big business.³³ All Soviet and post-Soviet Russian high-ranking officials have systematically adopted the struggle against corruption as a political instrument. But not all anticorruption campaigns have been identically motivated. One can distinguish among three motives that lay behind anticorruption campaigns:

- The struggle for power;
- The need to build an image of incorruptibility or “clean the state”; and
- The need to restructure the state.

Surprisingly enough, since Andropov, all Russian leaders have launched these three types of anticorruption campaigns in an identical order and have relied on the same sequence of motives to justify them. In so doing, they have shaped a particular style of governance that has been continuous for 25 years, both in Soviet and post-Soviet Russia. Putin, since he was appointed head of the Federal Security Service (FSB, the successor to the KGB) and later prime minister and acting president and then elected president, has also launched several anticorruption campaigns, following the same three motives in the same order.

The Struggle for Power

The motive of the "struggle for power" is the best known and most systematically implemented by the Russian ruling elite. There are two types of anticorruption campaigns that answer to the motive of the "struggle for power." The first one is what one can call the "Andropov type," which consists of gathering compromising information against a rival team to discredit it and enhance one's power. The second type is a "defensive strategy," used by a team in power when attacked by political opponents. The defensive strategy consists of gathering compromising information to use against political rivals and secure power. Both types of "kompromat wars" and "anticorruption campaigns" are widely used during election campaigns. They mainly address the issues of acquiring –or securing – power. They are focused, first and foremost, on power politics, and not on combating corruption. Beginning from the first days of his regime, Yeltsin and all his prime ministers resorted to anticorruption campaigns every time the political environment necessitated a show of force. This was due first and foremost to the confrontation between the executive and the legislative branches that characterized his regime before October 1993.³⁴ However, while the Yeltsin team at the head of the executive power kept counterattacking officials in the legislative branch and launching successive anticorruption campaigns, they were also using systematic political antagonism as a pretext to justify a state policy of patronage (relying on individuals they trusted) and a collusion between the political and financial spheres (to liberalize the economy as quickly as possible), as well as a highly secretive decision-making process (to avoid endless debates with the opposition). In so doing, they maintained the principal characteristics of the Soviet state and failed to eradicate corruption.

Later, in the aftermath of the August 1998 financial crisis, then-Prime Minister Yevgeny Primakov also resorted to the same instrument in his power struggles. The scandal became known as the Mabetex affair.³⁵ In parallel, Primakov launched an offensive against financial tycoon Boris Berezovsky, then a close ally of Yeltsin's so-called Family, and accused him of embezzlement and

eavesdropping against the president.³⁶ The timing of the attacks left little doubt about Primakov's intentions, since he was then considered as a possible contender in the 2000 presidential election. Primakov's aim was to prepare public opinion for impeachment proceedings against Yeltsin, scheduled by the Russian parliament in early 1999.

Primakov's campaigns added one unprecedented element-- the use of Western law-enforcement agencies and of the Western press. In a way, Primakov simply adjusted to the new global context by using international institutions such as the Swiss Prosecutor-General's Office and the Western press as part of a domestic power struggle. However, this new international element in anticorruption campaigns did not change the basic motive of the struggle for power that underlined the entire affair. By relying on foreign public opinion and by allowing Skuratov to send a commission to Switzerland, Primakov obviously wanted exert even more pressure on the Kremlin. But, as in all previous such campaigns, the Mabetex case disappeared from the headlines as soon as the balance of political forces within the Kremlin was restored.³⁷ In that sense, the Mabetex affair contributed to the increasing build-up of political scandals that eventually fell through and to the growing disillusionment of the general public.

During his tenure as head of the FSB, Putin also relied on the rhetoric of anticorruption politics to protect Yeltsin's Family members and close associates caught up in various corruption scandals. He openly sided with then Kremlin Property Office head Pavel Borodin, who had brought Putin into the Yeltsin administration in 1998. In 1999, when the presidential administration was getting prepared for the presidential election and felt politically threatened by Moscow Mayor Yurii Luzhkov's political ambitions, Putin asked for a financial and tax audit of Inteko, a company run by Luzhkov's wife, Yelena Baturina. This operation resulted in accusations of embezzlement and tax evasion, putting Luzhkov, then a potential contender in the 2000 presidential election, in a difficult position.

Although most of these politically motivated campaigns eventually fell through, Putin continued to use this pattern of anticorruption campaign. In response to the "war of kompromat and the attacks from Vladimir Gusinsky's Media-MOST holding company, which had financed the electoral 1999 Duma election campaigns headed by both Luzhkov and Yavlinsky, Putin answered by directing a campaign against the company.³⁸ On 11 May 2000, just four days after Russia's newly elected President Putin was sworn in, the FSB and the Tax Police raided the headquarters of the Media-MOST Group, Russia's largest private media group. The Kremlin justified its decision to crack down on one of the country's most powerful oligarchs by claiming that Media-MOST was suspected of tax evasion. The raid was reportedly successful. Not only did the FSB announce it had found evidence of tax irregularities, but law enforcement agencies also claimed that they had discovered eavesdropping devices that Gusinsky and his associates were allegedly using against the power elite. Not surprisingly, Media-MOST denied the Kremlin's allegations and argued that the raid was "politically motivated."³⁹ Eventually, Gusinsky was also cleared of all charges.

During the summer of 2000, the presidential administration repeatedly used alleged systematic tax evasion and bribery to justify the creation of new bureaucratic agencies. In July, it was considering setting up a financial intelligence agency that would monitor all financial flows. In addition, the Kremlin was reportedly working on a decree to give the federal Tax Police extra powers.⁴⁰ The result was widespread fear among businesspeople. In an interview published in July 2000 Unified Energy Systems chief Anatoly Chubais suggested, "Medium-sized businesses have been sending alarm signals that are changing into signals of panic."⁴¹

Likewise, Putin raised the issue of tax evasion on the part of many Russian governors to justify the creation of the seven new federal districts in May 2000. These districts were intended to reinforce the presidential administration's control over the Russian Federation's 89 regions. In July 2000, the Tax Ministry set up interregional audit departments in each of the new districts to monitor

the regions' compliance with federal tax laws and to supervise the activities of the regional tax-collection agencies. Tax Minister Gennady Bukaev made it clear that none of the current heads of the regional tax departments would be chosen to head the new audit departments, because doing so would violate the essence of the reform. In other words, the Kremlin suggested that only personnel chosen at the federal level would be able to impose appropriate control over the regional branches of the ministry and really to struggle against corruption and tax evasion.⁴² Such a political step was clearly perceived as a reinforcement of the instruments of coercion wielded by the executive branch, in general, and the Kremlin, in particular.

Building an Image of Incorruptibility

When at the head of the FSB, Putin reinforced the FSB's Economic Security Department by creating new sub-departments responsible for the security of industrial and transportation facilities, for the banking sector, and for combating smuggling and drug trafficking. Another important move was the drafting of an amendment to Russian law allowing the federal government to use assets confiscated during police operations. In November 1999, during his tenure as prime minister, Putin announced that the Interior Ministry would lead a consortium of law enforcement agencies in a battle to reduce the shadow economy, end capital flight, and to prevent criminal groups from penetrating the government.⁴³

However, none of these moves helped Putin build a clean image either for the Yeltsin state or for himself. In December 1999, when Putin became acting president following Yeltsin's resignation, public opinion focused more on his decree guaranteeing "immunity from criminal and/or administrative prosecution" and "lifetime full security services" to Yeltsin and his family than on the anticorruption measures he had previously adopted.⁴⁴

After the presidential election in March 2000, anticorruption campaigns continued to be used as a political instrument to build up an image of incorruptibility while, at the same time, getting rid of political opponents. The most visible and widely publicized aspect of Putin's anticorruption reforms was his crackdown on the oligarchs: It was selective, calculated, and highly profiled. In waging a war against oligarchs and regional governors, Putin seemed to be in a win-win situation. This cause found great support with the Russian public, and Putin consolidated his power while getting rid of political opponents.⁴⁵

Reactions in the West have reflected the inherent discrepancies of the Kremlin anticorruption campaigns. On the one hand, international lending institutions, frustrated with Russia's cronyism, have promoted the Kremlin anticorruption efforts and its claim that "dictatorship of law" in Russia was in the interests of the United States and other Western powers. On the other hand, following the arrest of Vladimir GusinskyGusinskii, the U.S. House of Representatives adopted a resolution criticizing Putin for his crackdown on the media.⁴⁶

While trying to clean up the image of the state, Putin's team failed to launch a genuine examination of the structural causes of corruption. By systematically adapting anticorruption campaigns following the criteria of patronage -- i.e., orienting them against potential rivals -- Putin's inner circle takes the political risk of failing to create the image of a state essentially different from the Soviet one.

Restructuring the State

The third type of anticorruption campaign is the most specifically designed to combat bureaucratic corruption, mainly bribery. It aims at restructuring the state institutions and relies much less on coercive measures than the other types of campaigns. Rulers have launched this type of reform only

after the previous types of campaigns failed and resorting to selective coercion proved to be not only useless, but also damaging for the image of the team in power.

"The way the state apparatus is organized at present unfortunately promotes corruption," Putin in his 2002 state-of-the-nation address. "Corruption is not the result of the absence of repression, but a direct consequence of the restriction of economic freedoms," he added. Soon after Putin became president, then-Chairman of the State Duma's Anticorruption Committee and former Interior Minister Sergei Stepashin developed a strategy to restructure the state and to reform the bureaucracy using a seven-step agenda that, in his mind, was also designed to reduce corruption and economic crime.⁴⁷ This program is one of the best examples of the third type of anticorruption campaigns and is articulated as follows:

Reform of government finance. Stepashin highlighted the need for more transparency in the country's finances. In his view, this should concern all "financial flows," as well as organizing budget hearings in the State Duma and in the regions, auditing the state purchasing system, reforming the tax administration and eliminating all arrears, and auditing privatized companies to revise -- but without de-privatization -- all deals concluded through insider dealing.

State administrative reform. To fight against personal networks and cronyism, Stepashin proposed implementing the regular rotation of officials into new positions and systematically checking - office-holders' qualifications. To reduce bureaucratic corruption, he offered to raise bureaucrats' salaries, a well-known short-term strategy that has never demonstrated its efficiency in combating bureaucratic corruption.

De-monopolization of the economy: Stepashin wanted to introduce systematic competition in all economic spheres, improve financial reporting, and management accountability, and, most importantly, launch a thorough audit of the energy monopolies, telephone companies, and state banking services.

Reduce economic regulations and barriers to the market: Stepashin sought to limit regulations and the authority of controlling entities where they exist simply to solicit bribes, and to defend consumer rights and improve the judicial system.

Support for institutions linked to civil society: Stepashin encouraged the idea of developing an anticorruption campaign in the media even if he never mentioned who should be in charge of this strategic policy. He also sought additional support for journalists who uncover crimes and for legal education.

Support for reform in the private sector: Stepashin urged drafting a business code, improving ethics, and simplifying procedures for financial reporting.

Legislative reform of the law enforcement agencies: Stepashin called for the modernization of state agencies to offer them more technology and personnel, as well as for drafting an extradition law and a law on international cooperation during criminal investigations.

Clearly enough, Stepashin developed a complex approach to the problem. This was notably a consequence of efforts undertaken by many NGOs and civil society leaders in the preceding years. As an example, a number of websites appeared with interesting discussion on the nature of corruption in Russia and anticorruption campaigns.⁴⁸ In August 2002, Putin signed a decree on ethics and correct behavior to be followed by all civil servants in Russia. Although limited to

bureaucratic corruption, the decree nevertheless did demonstrate a new level of awareness of bureaucratic corruption in the state structures.⁴⁹ There was no sign, however, that the Russian state started addressing other forms of corruption, such as informal politics and clan logic (two crucial factors of oligarchy) or abuses of power among representatives of the executive branch (notably at the ministerial and regional levels).

Stepashin's program demonstrated first and foremost that confusion does not necessarily result from a program per se, but more from the way a program is implemented. On a theoretical level, all would agree with the idea that the Russian media need to be cleansed of corruption and, on paper only, such a reform could be considered a structural one. However, resorting to systematic coercion against journalists of a rival team – or clan – and then imposing patron-client relationships to take control over a potentially “alternative” television channel, as was the case during the NTV and TV6 affairs and in the weeks preceding the tender of the license for the sixth television channel, creates the opposite image that the Putin's anticorruption campaigns are still at the stage of power politics and are not really designed to fight corruption.

Another element maintains confusion over the real motives behind state reforms. In a speech entitled “The Turn of the Millennium,” delivered when he was prime minister, Putin said that the struggle against corruption is one of the structural reforms needed to develop a “strong state.”⁵⁰ As it was presented, it was clear that the primary goal of the new team would be reinforcing the state -- i.e. strengthening a vertical and over-powerful executive branch, rather than tackling the issue of the state structural dysfunctions that are at the core of endemic corruption. Below are some excerpts from Putin's speech:

We are at a stage where even the most correct economic and social policy starts misfiring while being realized due to the weakness of the state power, of the managerial bodies. A key to Russia's recovery and growth is in the state-policy sphere today. Russia needs a strong state power and must have it. I see the following directions of its formation:

- A streamlined structure of the bodies of state authority and management, higher professionalism, more discipline and responsibility of civil servants, keener struggle against corruption;
- A restructuring of the state personnel policy on the basis of a selection of the best staffs;
- Creating conditions beneficial for the rise in the country of a full-blooded civil society to balance out and monitor the authorities;
- A larger role and higher authority of the judiciary (...).

Conclusion

In Russia, an additional important actor is the entire population and, more specifically, three categories:

- The adult population of working and voting age;
- Media representatives; and
- State representatives, i.e. civil servants and the ruling elite.

All three categories play key roles in maintaining the current perception of political, economic, and bureaucratic corruption. Although there is a general awareness of endemic corruption among all actors, there is also a large degree of tolerance toward corruption. Such tolerance is based on widespread pessimism and self-delusion that “nothing can be done,” and that “corruption is a natural part of political life.” Tolerance is mainly a result of the lack of civic education and of a collective understanding that personal responsibility can have tangible positive results when applied on a large scale.

Overall, the preservation of a Soviet pattern of governance in today's Russia has contributed to the widely shared perception that corruption in post-Soviet Russia has not changed its nature and

is still state-generated. As a result, the country confronts a corruption of the state rather than the corruption of a handful of civil servants within state structures. The continuity in the features of governance creates a fundamental discrepancy between the causes of bureaucratic and political corruption and the perception of it. Anticorruption campaigns, as they are traditionally implemented in Russia, do little to combat the phenomenon. Subsequently, they are bound to failure. They cannot be seen as the only means for fighting corruption. If the right exit strategy does not lie in coercion and the replacement of individuals, other means should be sought. The structural reform of the state should respect three basic features that make a democratic regime function: a genuine balance of power and respect for the legislature; elite recruitment based on merit rather than patronage; and fiscal transparency.

Improving the efficiency and the coherence of the state's decision-making processes, reinforcing discipline among civil servants at both the federal and the local levels, and struggling against corruption (more precisely, against the misappropriation of public funds and tax evasion) were all used as pretexts to structurally reform the state. Interestingly enough, during his presidential campaign, Putin repeatedly stressed that what the country needed most was a "paternalistic leader" and a "vertical state," in which discipline predominates.⁵¹ In so doing, the Kremlin seemed not to realize that its centralization of the state's decision-making and its cadres' policy could lead to establishing new patron-client relationships at both the federal and regional levels, thus failing to eradicate patronage as a system.

¹ Stalin used to refer to "bureaucratic malfeasance" and to embezzlement. I am grateful to Steven Kotkin for pointing this to me.

² Interview ~~of by~~ Yuri Shchekochikhin with Interior Ministry official Alexander Gurov, "Lev prignul," *Literaturnaya Gazeta*, 20 July 1988. Gurov ~~was~~ then ~~heading-headed~~ a team of specialists on organized crime at the ~~Union-Soviet~~ Interior Ministry.

³ Diego Gambetta, "Corruption. An Analytical Map: Political-Economic Transformations and Corruption: Historical and Contemporary Perspectives," a paper presented at the Shelby Cullom Davis Center/Open Society Institute Workshop, Princeton University, May 21-22, 1999

⁴ Vadim Radaev, "Bureaucratic Extortion and Entrepreneurial Strategies in Russia," paper presented at Virginie Coulloudon's seminar, "The Power of Corruption," Davis Center for Russian Studies, Harvard University, 8 May 2000.

⁵ Susan Rose-Ackerman, *Corruption and Government: Causes, Consequences and Reform* (Cambridge: Cambridge University Press, 1999), p.114.

⁶ See Keith Henderson, "Corruption: What Can Be Done About It? A Practitioner's Perspective Through a Russian Lens," *Demokratizatsiya*, vol.6. no.4 (fall 1998), pp.681-691.

⁷ Louise Shelley, "Is the Russian State Coping with Organized Crime and Corruption?" in Valerie Sperling, ed., *Building the Russian State* (Boulder: Westview Press, 2000), p.93.

⁸ For a description of political corruption under the Soviet regime, see John M. Kramer, "Political Corruption in the USSR," *Western Political Quarterly*, vol.30, no.2 (June 1977). See also Konstantin M. Simis, *The Corrupt Society: The Secret World of Soviet Capitalism* (New York: Simon and Shuster, 1982).

⁹ See, for example, Aron Katsenelinboigen, *Tsvetnie rynki i sovetskaya ekonomika SSSR.Vnutrennie protivorechiya*, 1981 cited in Mikhail Heller, *Cogs in the Wheel: the Formation of Soviet Man* (New York: Alfred A.Knopf, 1988) p.139.

¹⁰ As ~~a-for~~ ~~dysfunctions~~, Clark points out that corruption entails the outflow of capital, distorts investments, decreases administrative capacity, and weakens the legitimacy of the system. Clark, William A., *Crime and Punishment in Soviet Officialdom: Combating Corruption in the Political Elite, 1965-1990* (Armonk, N.Y.: M.E. Sharpe, 1993), pp.208-214

¹¹ See his analysis of widespread corruption in the Czech Republic in Jeffrey M. Jordan, "Patronage and Corruption in the Czech Republic," in *RFE/RL East European Perspectives*, vol. 4, ~~nos~~Nos. 4 and 5, (<http://www.rferl.org/eepreport/>).

¹² Under the various governments of Yeltsin's presidency, most senior government officials have ~~simultaneously~~ been ~~at once~~ co-opted officials and board members of private enterprises in various industrial sectors. They have served as the necessary liaisons between the financial-economic and the political worlds. There are numerous examples of such co-optations: Vladimir Kadannikov (~~Chairman-chairman~~ of the Avtovaz automobile company ~~who was~~ appointed deputy ~~Prime-prime Minister-minister~~ in charge of ~~Economythe economy WHEN?~~); Vladimir Potanin (~~c~~Chairman of ~~OnexsimBank-Onexsimbank who was~~ appointed deputy ~~p~~Prime ~~m~~Minister); Vitalij Ignatenko (director of the TASS news agency ~~who was~~ appointed deputy ~~Prime-prime Minister-minister~~ in charge of the ~~pressmedia~~); and Boris

[Berezovsky-Berezovskii](#) ([Chairman-chairman](#) of the Logovaz automobile company [who was](#) appointed deputy [chairman secretary](#) of the [Russian](#)-Security Council).

¹³ In the spring of 1997, [then-then](#)-Defense Minister Igor Rodiyonov summoned the country's leading bankers and asked them to finance short-term food supplies to the army's starving garrisons. Three banks – [OneksimBankOneksimbank](#), Vozrozhdenie, and Neftekhimbank -- won a [Finance Ministry](#) tender [launched by the Finance Ministry](#) to fund the Defense Ministry. OneksimBank offered [Rodyonov-Rodionov](#) a [one-1](#) trillion-ruble loan. To compete in the tender, the banks had to have capital equivalent to 200 billion rubles as of April 1, 1996, and have a network of regional agencies. [OneksimBank-Oneksimbank](#) had already offered a 725 billion-ruble loan to the Defense Ministry in December 1995. *Segodnya*, 7 May 1996.

¹⁴ On [18 March-18](#), 1998, then First Deputy Prime Minister Boris Nemtsov held a roundtable meeting entitled "Russia's Future: Democracy and Oligarchy." See his article in *Nezavisimaya Gazeta*, 17 March 1998.

¹⁵ See, for example, Olga Kryshatanovskaya, "From Soviet Nomenklatura to Russian Elite," *Europe-Asia Studies*, 48 (July 1996), pp.711-734, "Nomenklatura nashego vremeni," *Obshchaya Gazeta*, 23-29 January 1997, and "Kremlevskie Zavisegdatai," *Vremya-MN*, 13 February 2002; Yuri Burtin, *Novyj stroy. O nomenklaturnom kapitalizme: sta'ti, dialog, interv'yu* (Moscow: Seriya 'Mezhdru proshlim i budushchim,' 1995).

¹⁶ Visiting Washington D.C. during the fall of 1997, [YavlinskyYavlinskii](#), the leader of the Yabloko liberal group in the State Duma, noted that up to 82% of enterprises within the Russian Federation no longer belonged to the state. But he suggested that only a few of them were actually private-owned. Paul Goble, "Russia: Analysis From Washington—The Paradoxes of Privatization", 29 September 1997, RFE/RL Reports, [www.rferl.org](#)

¹⁷ This perception clearly came out of the 120 interviews I conducted in [the years](#) 1998-2002 during the research project "The Elite and Patronage in Russia," developed at the David Center for Russian and Eurasian studies at Harvard University. I am grateful to the Smith Richardson Foundation for [having-funded-funding](#) this project.

¹⁸ See Virginie Coulloudon and [Viktor-Victor](#) Yasmann, "Time Bomb of Litigation Delays Threatens Russian Privatizations," RFE/RL's Newline, 25 July 2003.

¹⁹ The [initial](#) authorization was given by [a](#) presidential decree. A year [after/after](#), in 1988, the Supreme Soviet (parliament) [voted-adopted](#) the Law on Cooperatives. See A. Jones, W. Moskoff. *Ko-ops. The Rebirth of Entrepreneurship in the Soviet Union* (Bloomington & Indianapolis: Indiana University Press, 1991).

²⁰ On the role of the Komsomol, see Steven L. Solnick, *Stealing the State: Control and Collapse in Soviet Institutions* (Cambridge, MA, London: Harvard University Press, 1998), pp. 60-124.

²¹ These banks are Menatep, Most Group, Kredobank, Mosbiznesbank, and Inkombank.

²² Author's interview with Russian industrialist Kakha Bendukidze, 20 March 1998.

²³ Author's interviews with former First Deputy Prime Minister Boris Nemtsov, 28 September 1998 and 16 February 1999; former First Deputy Prime Minister Vladimir Shumeiko, 1 December 1998; [MP-Parliamentarian](#) Sergei Yushenkov, 1 December 1998; former Privatization Minister and Chairman of Montes Auri investment fund Alfred Kokh, 25 November 1998; former Economics Minister and Chairman of the Board of the RFK State Investment Company Andrei Nechaev, 24 March 1998; and sociologist and [Deputy](#) [Chairman](#) of the [Board](#) of Unified Energy Systems Leonid Gozman, 27 November 1998.

²⁴ Russian scholars Igor Klyamkin and Liliya Shevtsova [have](#) compared the Yeltsin regime to an "elective monarchy," in which the president has "absolute powers," "Eta vsesil'naya bessil'naya vlast'," *Nezavisimaya Gazeta*, 24 June 1998.

²⁵ As Joel Hellman has shown, leaders in post-communist countries tend to insulate the state, favor arbitrage opportunities, and implement partial economic reforms "that generate concentrated rents for themselves, while imposing high costs on the rest of the society." Joel S. Hellman, "Winners Take All: The Politics of Partial Reform in Postcommunist Transitions," *World Politics*, 50.2 (1998) pp.203-234

²⁶ Janine R. Wedel, *Collision and Collusion: The Strange Case of Western Aid to Eastern Europe (1989-1998)*, (New York: St. Martin's Press, 1998).

²⁷ See the definition of "ideological kleptocrats" in Rose-Ackerman, *Corruption and Government*, op.cit., pp.114-121

²⁸ On this scandal, see for example *Segodnya*, 16 February 1999, pp.1,4; *Kommersant Daily*, 2 March 1999, pp.1,7 and 18 March 1999, pp.1-2; *Parlyamentskaya gazeta*, 4 March 1999, p.4. See also the report of Price Waterhouse/Coopers, which was posted on the IMF web-site until September 4, 1999 at [www.imf.org](#).

²⁹ Interview with Alexei Mozhin, *Vremya-MN*, 1 October 1999.

³⁰ Interview with Viktor Gerashchenko, *Kommersant-Daily*, 13 July 1999, pp.1-2. In this interview Gerashchenko also acknowledged that hard currency reserves were transferred in September 1994 to Fimako, a month before the October 1994 ruble crash, known as the "Black Tuesday" financial crash.

³¹ See Vladimir Putin's speech, "Russia at the turn of the millennium,"

[http://www.ireland.com/newspaper/world/1999/1231/wor100.htm](#)

³² See transcript of Putin's [State-state](#)-of-the-[Nation](#) address on BBC Monitoring, 16 May 2003 that cites RTR [Russia TV/Television](#), Moscow, [in-Russian-0800-gmt](#) 16 May 2003.

³³ Stephen Handelman, “Shadows on the Wall: Putin’s Law-and-Order Dilemma,” *East European Constitutional Review*, http://www.law.nyu.edu/eecr/vol9num_onehalf/feature/shadows.html; see also, *American Journalism & Review* (May 2001, v23 i4), p.42.

³⁴ The period 1992-1993 witnessed saw a series of intricate scandals that opposed Vice President Aleksandr Rutskoi to Yeltsin, and the Supreme Soviet to the Kremlin. Rutskoi launched a-an initial first-attack that involved several high-ranking officials (Sergei Shumeiko, Gennadii Burbulis, and Mikhail Poltoranin). The executive branch counter-attacked with a different scandal – Seabeco – involving Security Minister Viktor Barannikov and Deputy Interior Minister Andrei Dunyayev, who had sided with the parliament against the Yeltsin team.

³⁵ Mabetex was a Swiss-based contracting company, which-that was selected to renovate the White House, the former headquarters of the Russian Supreme Soviet, after the bloody events of October 1993. Under another contract, Mabetex was entrusted with the renovation of Yeltsin’s apartment in the Kremlin. Mabetex was run by a man named Beghjet Pacalli. Its Mabetex Vice-President Viktor Stolpovskikh was also at the head of Mercata, the contracting company that would later transform the Russian President’s-president’s Ilyushin jet plane-into a flying hospital. Backed by Primakov, then-then-General Prosecutor Yuri Skuratov accused the head of the Kremlin chancelleryProperty Office, Pavel Borodin, a man close to both Yeltsin and Putin, of insider dealings and misappropriation of public funds. On the Mabetex affair, see for example *Le Monde* (26 February 1999); *Komsomolskaya Pravda* (18 and 23 March 1999); and *Nezavisimaya gazeta* (21 September 1999).

³⁶ Accusations of embezzlement were connected to Russian national air carrier Aeroflot, in which Berezovsky Berezovskii had a major stake. The company was run by Yeltsin’s son-in-law, Valery-Valerii Okulov.

³⁷ Borodin was eventually given a position of responsibility within the new Russian-Belarusian-Belarus Union. After having run for the presidential-election in 2000, Skuratov was eventually dismissed by the Russian-Federation Council, the Upper-upper Chamber-chamber of the Russian parliament. As of-for Primakov, he-Yeltsin was dismissed by Yeltsinhim in the spring of 1999, and he was replaced by Sergei Stepashin.

³⁸ The Media-Most-MOST group then-at that time controlled the TV-NTV television channel-NTV, the radio station *Ekho Moskvy*, the daily newspaper *Segodnya*, and the weekly news magazine *Itogi*. During the 1999 legislative campaign, the group stood-on the side-of-supported Moscow Mayor Yuri-Luzhkov and strongly criticized the-Kremlin policy-policies.

³⁹ See Paul Goble’s analysis on this particular case, “Repression by Selective Prosecution,” *RFE/RL Newline*, Vol.4, No.92, Part I, 12 May 2000.

⁴⁰ *Kommersant-Daily*, 28 July 2000.

⁴¹ *Kommersant-Daily*, 27 July 2000.

⁴² *Izvestiya*, 12 July 2000.

⁴³ Stephen Handelman, “Can Putin Strengthen the State While Attacking Corrupt Officials? Shadows on the Wall: Putin’s Law and Order Dilemma,” *East European Constitutional Review* (vol.9, see http://www.law.nyu.edu/eecr/vol9num_onehalf/feature/shadows.html)

⁴⁴ See the translation of the presidential decree in appendix.

⁴⁵ Lee S. Wolosky, “Putin’s Plutocrat Problem,” in *Foreign Affairs*, (March-April 2000 v79 i2), p.18; *The New York Times* (15 July 2000); *The Economist* (U.S.) (17 June 2000 v355 i8175), p.49; *Nezavisimaya Gazeta* (15 June 2000); Robert V. Daniels, “Putting Putin to Test,” *The New Leader*, (Sept 2000 v83 i4), p.11; “Russia’s Fallen Angel” (Anatoly Chubais), *The Economist* (US), (24 June 2000 v355 i8176):79; Katrina Vandel Heuvel, “Putin’s Choice,” *The Nation* (24 July 2000 v271 i4), p.4; “Putin a la Pinochet?” *The Economist* (U.S.) (24 June 2000 v355 i8176), p.21; “The Acid-Bath Solution: Want to watch some billionaires scream? Just tune into Putin’s slow roasting of Russia’s powerful elite,” *Time* (3 July 2000 v156 i1), p.41

⁴⁶ Congressmen called on then U.S. President Bill Clinton to address this issue directly with Putin. “House Representatives to Target Russian Crackdown, UPI (20 June 2000, p100817u8950). See also Front Page Opinion, “Russia’s Oligarchs Cry Wolf,” in *Foreign Affairs* <http://www.freerepublic.com/forum/a3951045b2606.htm>

⁴⁷ Sergei Stepashin, Chairman of the Anti-Corruption Commission of the State Duma, in a speech at Harvard, 14 March 2000 <http://ksgnotes1.harvard.edu/BCSIA/Library/nsf/pubs/StepashinTrans> The issue of corruption was so crucial prior to the 1999 legislative elections that the National Anti-Corruption Committee (NAKO) was established in Russia in late fall 1999 -- only weeks before the Duma elections. The committee, led by former Prime Minister Sergei Stepashin, submitted a Draft Presidential Anti-Corruption Program to then-Acting President, Vladimir Putin and drafted a law, “On Fighting Corruption,” which was under long-term discussion by the Duma.

⁴⁸ See the website of the Foundation-INDEM foundation [<http://www.anti-corr.ru>] and of their project on analyzing corruption and anti-corruption measures [<http://www.indem.ru/corrupt/index.htm>]; the site of “Civic Forum Against Corruption,” [<http://www.infosib.ru/sg/>]; and, earlier, the-a site created in September 1999 by the Association of Far East Lawyers-the lawyers from the Far East [<http://law.vl.ru/>].

⁴⁹ Presidential decree “Ob Utverzhdenii obshchikh printsipov sluzhebnogo povedenia gosudarstvennykh sluzhashchikh” was signed on 12 August 2002. See comments from Georgii Satarov on the website of the Foundation INDEM on <http://www.anti-corr.ru> See also *Izvestiya*, 13 August 2002; *Kommersant* (No. 143) 14 August 2002; and *Novaya Gazeta* (No. 59) 15 August 2002;

⁵⁰ Vladimir Putin’s speech, “Russia at the turn of the millennium,” <http://www.ireland.com/newspaper/world/1999/1231/wor100.htm> This article first appeared on the Russian government’s website (<http://pravitelstvo.gov.ru/>) when Putin was prime minister.

⁵¹ Garfield Reynolds, “Putin Gives People Paternal Patriotism,” *The Moscow Times* (30 December 1999).