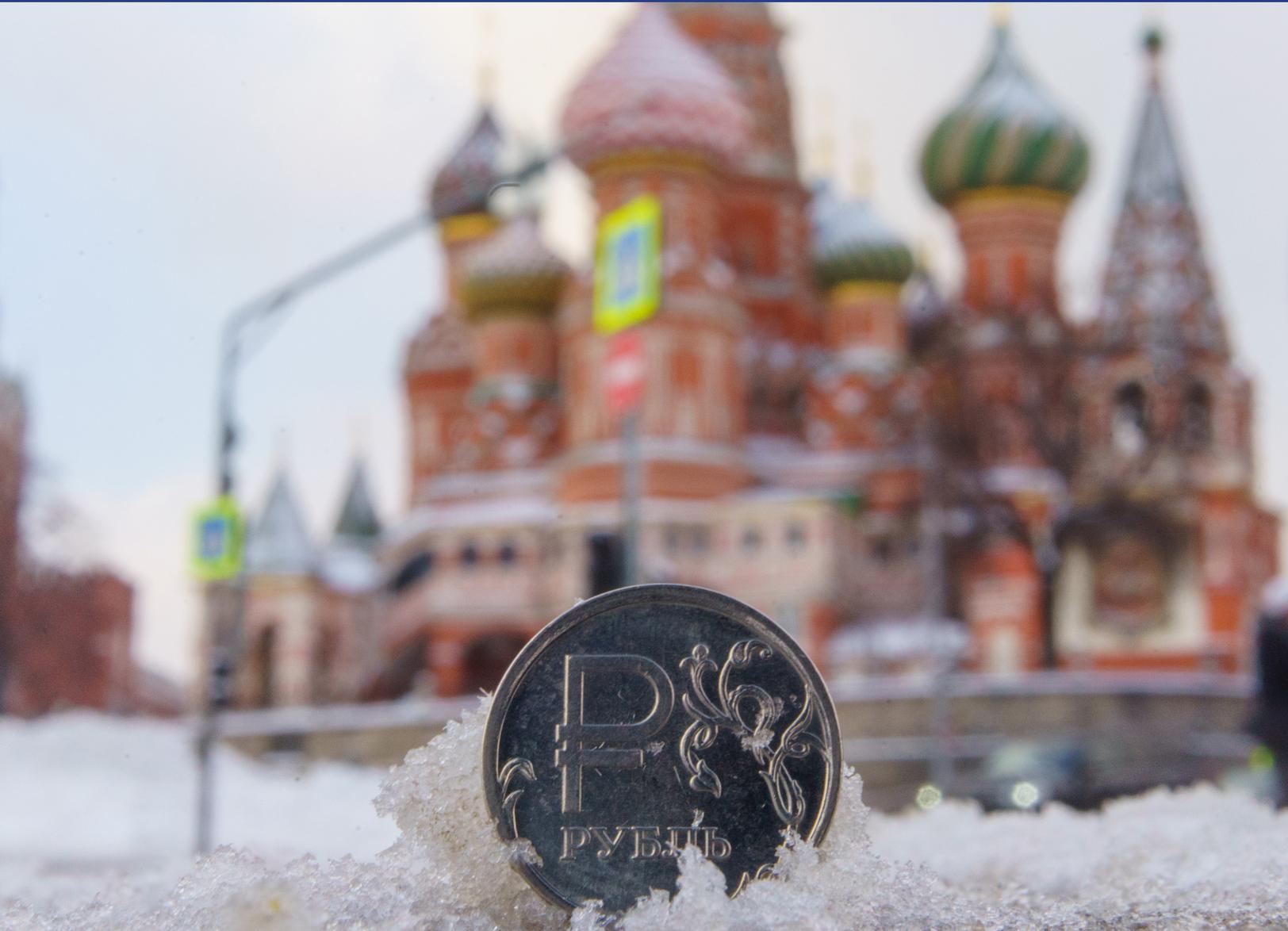




# CORRUPTION AND POWER IN RUSSIA



RUSSIA POLITICAL ECONOMY PROJECT

FOREIGN POLICY RESEARCH INSTITUTE  
APRIL 2018



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COVER: A coin worth one ruble against the background of St. Basil's Cathedral in Moscow, Adobe Stock.



# FOREIGN POLICY RESEARCH INSTITUTE

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## ABOUT THE AUTHOR



**Noah Buckley** is a postdoctoral researcher at New York University Abu Dhabi and research fellow at the International Center for the Study of Institutions and Development at the Higher School of Economics. His research encompasses authoritarian politics, post-communist political economy, elite and regional politics in Russia, and corruption. Before joining NYU Abu Dhabi, Noah received his Ph.D. in political science from Columbia University with focuses on comparative politics and quantitative methodology. His in-progress book project, based on his dissertation, uses an extensive new dataset to uncover the salutary effects that political competition has on the levels of corruption that ordinary Russians experience.

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## EXECUTIVE SUMMARY

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Noah Buckley

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Corruption has been a constant factor in Russia's political economy. From one era to another, the multifarious forms of corruption continue to pervade Russian politics despite sincere and insincere efforts to fight it. The election of Vladimir Putin as president in 2000 brought a new effort at consolidating and organizing authority in the country. However, far from eliminating corruption, politics of the Putin era have merely changed the form of corruption, integrating corruption into the "power vertical" through which Putin governs.

In recent years, corruption has played an ever larger role in the regime's stability. It serves as a force to co-opt and control the political elite and to replace formal institutions with something more flexible and more amenable to the needs of a consolidated authoritarian regime. Only deep changes, such as higher levels of political competition, have a chance of reducing corruption in the long run. The approaching fourth term of President Putin will continue to increase the role of informal institutions in Russian politics, in which corruption plays an increasingly large role in the Kremlin's management of the political process.

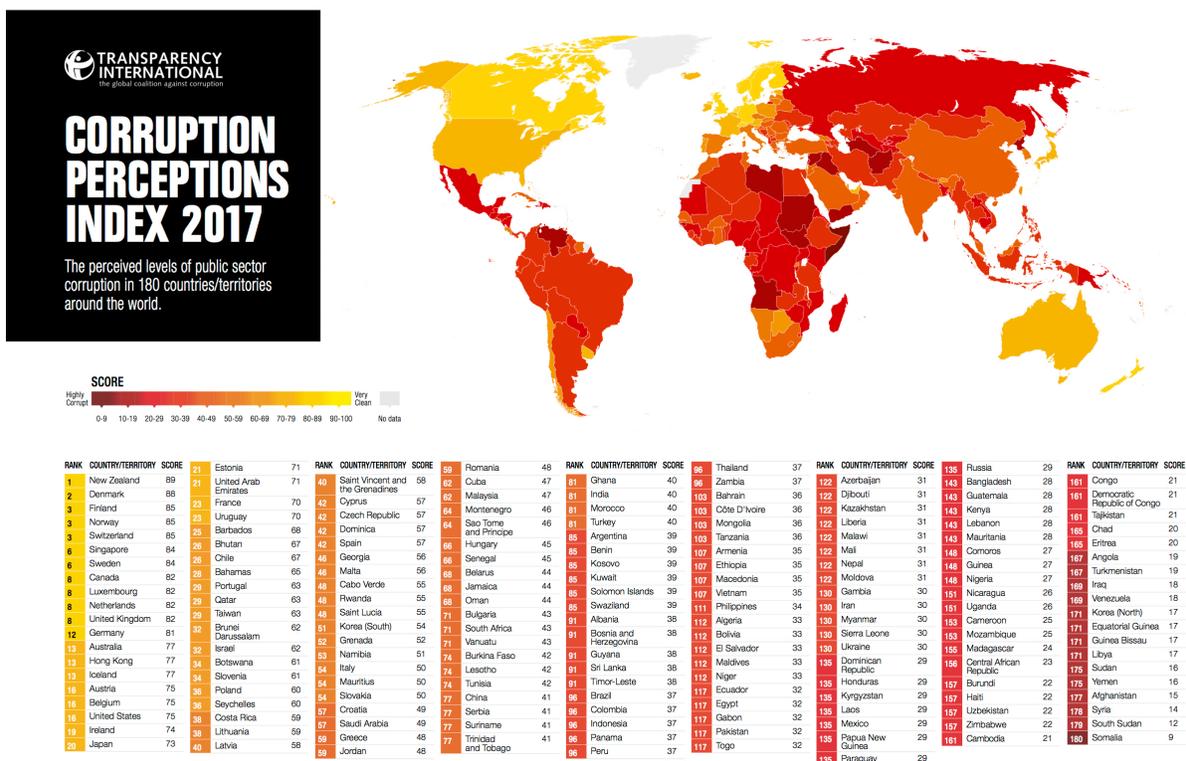
# THE ROLE OF CORRUPTION IN RUSSIA

From Leo Tolstoy’s novels to the modern tabloid, it is difficult to read about Russia without confronting corruption. In 2016, Transparency International ranked Russia 131<sup>st</sup> in its Corruption Perceptions Index (CPI), placing the country in the unseemly company of countries such as Guatemala and Nigeria (see Figure 1). While nearly every society faces some amount of corruption, it is rare to find a nation that has incorporated corruption into its collective consciousness as deeply as Russia. Any attempt to understand

Russia’s political economy must consider corruption in all its forms. Graft—including all forms of overt and covert corruption, from a bribe paid to a scowling traffic cop to a suitcase of euros handed off in a Moscow club—has evolved along with post-Soviet Russia itself. Understanding the phenomenon and the role it plays in politics and economics is crucial.

But what is corruption in Vladimir Putin’s Russia? Who engages in it, what sums are involved, and what are its various forms? A crude distinction should be

Figure 1: Transparency International Corruption Perceptions Index for 2016



**Figure 2:** Proportion of respondents who report having had to give a bribe in the following situations

Situation in which bribe was given	Jul'00	Feb'05	Jan'07	Apr'10	Jan'12	Jan'13	Feb'15	Feb'16	Mar'17
Spending time in the hospital	13%	8%	9%	10%	9%	10%	9%	7%	9%
Breaking traffic rules and being detained by the traffic police	6%	8%	8%	8%	9%	7%	6%	7%	6%
Acquiring a driver's license, registering a vehicle, passing vehicle inspection	3%	5%	4%	6%	5%	5%	6%	6%	5%
Getting a child into school	3%	2%	1%	3%	3%	2%	2%	2%	3%
Getting into higher education	5%	4%	3%	3%	3%	2%	3%	3%	2%
Acquiring important documents from local authorities	-	4%	3%	3%	2%	2%	2%	3%	2%
Getting a job	6%	3%	2%	4%	3%	2%	3%	2%	2%

made between “grand” corruption and “petty” corruption. The former often entails substantial payments from businesses or interest groups to high-ranking government officials. The latter is the venality that everyday Russians encounter—payments during traffic stops or permit applications. Each form has distinct causes and dynamics, but both types of corruption increase economic inefficiencies, distort the political system, and decrease state legitimacy. After all, neither investors nor citizens are likely to trust a highly corrupt state apparatus.

As Figure 2 shows, raw levels of reported corruption are sizeable and have been stable over time. Other survey evidence on bribery in general indicates that about 15–25% of Russians report having had to give a bribe in the last year. Bribes are given for mundane tasks like receiving medical care or getting driving documents. Petty corruption remains distressingly common in Russia—and it has been for some time.

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**Endnotes**

1 “Corruption Perceptions Index 2016,” Transparency International, January 25, 2017, [https://www.transparency.org/news/feature/corruption\\_perceptions\\_index\\_2016](https://www.transparency.org/news/feature/corruption_perceptions_index_2016).

2 “Corruption and Bribetaking in Russia,” January 15, 2015, <http://fom.ru/Bezopasnost-i-pravo/11912>; and Noah Buckley and Timothy Frye, “Of Bribes and Badges in Russia: Does Paying a Bribe Undermine Trust in Government?” Unpublished manuscript, presented at the Midwest Political Science Association conference, 2012.”

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# CORRUPTION THROUGHOUT RUSSIAN HISTORY

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Throughout history, Russian officials have extracted bribes no matter their titles: from the *geroldmeistry* of the Russian Empire to the *kommissars* of Soviet Russia to today's deputy health inspectors. In the imperial era, some officials viewed corruption as an inevitable means of supplementing meager salaries.<sup>1</sup> Bribes were often in-kind, such as a gift of English whiskey to a customs officer or a fine dinner for a skeptical judge. In fact, a rich vocabulary arose to describe different forms of "donations" that could be made to curry favor with officials: from *vziatki* and *posuly* to *pochesti*. Russia's modernizing tsars often sought to ban such practices, while those more inclined toward stability grudgingly allowed them.

After the Soviets established a socialist command economy, venality continued to pervade many aspects of the regime.<sup>2</sup> Though carefully hidden from public view, the phenomenon was particularly widespread in the early decades of Soviet power. For example, the Politburo arrested and tried some members of the Soviet Supreme Court for bribery in 1948.<sup>3</sup> Strict party control over a totalitarian bureaucracy meant that officials had to devise less overt strategies of personal gain. Bribery often took a non-cash form. Gifting scarce goods, trading personal

influence (*blat*), and other informal practices were common among less scrupulous officials. The punishment for engaging in such anti-communist behavior when discovered was severe. Officials were fired, ejected from the Communist Party, and often sentenced to lengthy prison terms.<sup>4</sup>

In the late 1980s, as Mikhail Gorbachev's *perestroika* and *glasnost* began dismantling the Soviet political economy, new opportunities for private gain appeared. This trend coincided with a growing sense that stagnation and the slow rot of corruption plagued the communist enterprise during the late Leonid Brezhnev and gerontocracy era. Well-intentioned tolerance for entrepreneurship, profit, market mechanisms, and non-state organization far outpaced the ability of Soviet authorities to regulate or even comprehend the changes taking place. From this environment arose Russia's first oligarchs, whose roots in the Komsomol and Soviet economy combined to yield great influence. Corruption, extortion, black markets, and criminality flourished as a result.

## *The Wild '90s*

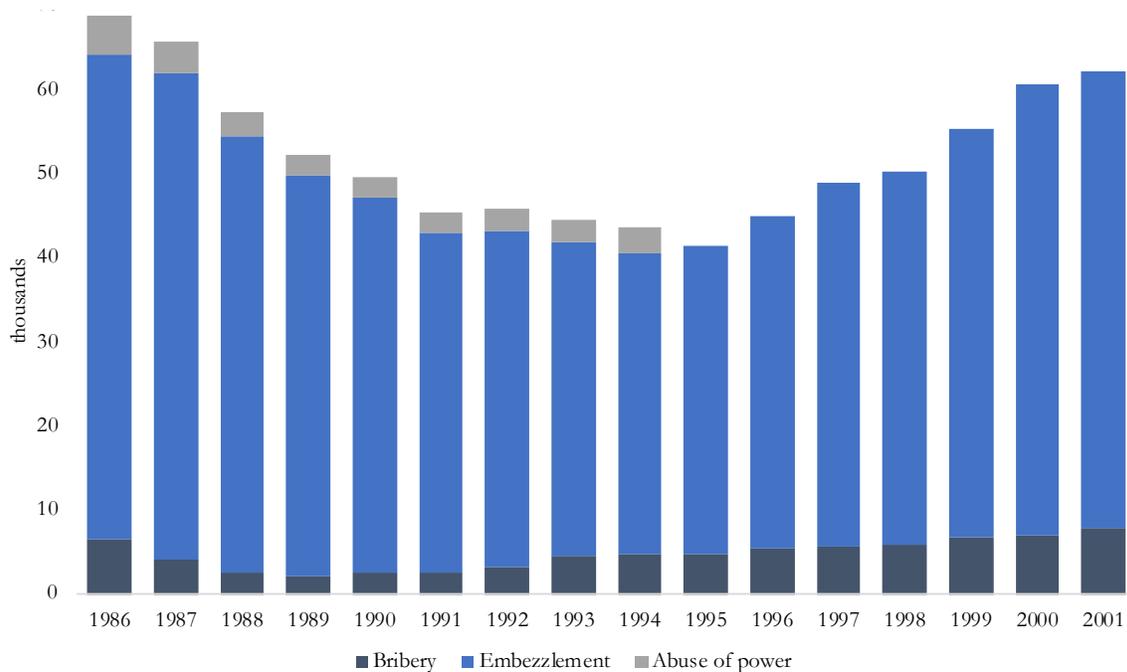
After the USSR collapsed, the collapse of the state economy and the emergence of new, private firms brought forth yet

new types of corruption. Fiscal shortfalls, political inexperience, and bureaucratic inertia chronically weakened the state apparatus. Organized crime, unscrupulous businessmen, and government officials—desperate for funds to supplement their vanishing salaries—found common interests. The distinction between the malfeasance of state actors, especially the security services, and organized crime faded. Officials demanded bribes to get anything done, while mafia bosses extorted business owners trying to avoid trouble.<sup>5</sup> Perceptions of the prevalence of corruption, both among the broader public and within the business community, skyrocketed.

But just how unexpected was the corruption that Russia experienced in

the 1990s? Some scholars have argued that this experience was “normal” given Russia’s level of economic development.<sup>6</sup> They asserted that it was difficult to expect a country with nearly no experience with democracy, liberal market institutions, private ownership, or financial governance to do any better. As the country grows, gains expertise, and integrates into the global community, these difficulties should fade. Figure 4 shows that these trends have not come to pass—corruption worsened or remained high in Russia from the late 1980s to early 2000s, while it improved in countries that were in comparable circumstances. What is more, while the “normal development” line of thinking is quite attractive, it understates the fundamental

**Figure 3:** Number of Recorded Offences Committed by Officials in Russia (thousand).<sup>7</sup>



Note: Data on “abuse of power” is not available for 1995–2001

Figure 4: Corruption Perceptions Index for Selected Countries (10 = highly clean, 0 = highly corrupt)<sup>8</sup>

		1980-1985	1988-1992	1996	1997	1998	1999	2000	2001	2002
Italy	Score	4.9	4.3	3.4	5	4.6	4.7	4.6	5.5	5.2
	Ranking	31/54	34/54	34/54	30/52	39/85	38/99	39/90	29/91	31/102
Poland	Score	3.6	5.2	5.6	5.1	4.6	4.2	4.1	4.1	4
	Ranking	40/54	27/54	24/54	29/52	39/85	44/99	43/90	44/91	45/102
Czech Republic	Score	5.1	5.2	5.4	5.2	4.8	4.6	4.3	3.9	3.7
	Ranking	27/54	27/54	25/54	27/52	37/85	39/99	42/90	47/91	52/102
Hungary	Score	1.6	5.2	4.9	5.2	5	5.2	5.2	5.3	4.9
	Ranking	46/54	26/54	31/54	28/52	33/85	31/99	32/90	31/91	33/102
Russia	Score	5.1	3.3	2.6	2.3	2.4	2.4	2.1	2.3	2.7
	Ranking	27/54	39/54	48/54	49/54	49/54	76/85	82/90	79/91	71/102

role that corruption has come to play in Russia. It is not a question of bad eggs, low state capacity, or criminal pockets in government, as it often is in other, more developed contexts. Rather, corruption is not dying out in Russia because it has become essential to how politics and governance work.

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**Endnotes**

1 For a quantitative study of the meaning and implementation of corruption in Imperial Russia, see, E.S. Korchmina, "Do not give bribes in honor: Pochest and vziatka in post-Petrine Russia," *Rossiiskaia Istoriiia*, vol. 2 (2015), pp. 3-13.

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4 Andrei Borovoy and Olga Ilyina, "Korrupsiya v SSSR: 7 gromkikh ugovnykh del [Corruption in the USSR: 7 high-profile criminal cases]," *Pervoye Antikorrupsionnoye SMI*, August 26, 2013, <https://pasm.ru/archive/95250/>.

5 Vadim Volkov, "Violent entrepreneurship in post-communist Russia," *Europe-Asia Studies*, vol. 51 no. 5 (1999), pp. 741-754.

6 Andrei Shleifer and Daniel Treisman, "A Normal Country: Russia after Communism," *Journal of Economic Perspectives* vol. 19, no. 1 (2005), pp. 151-174.

7 Manabu Suhara, "Corruption in Russia: A Historical Perspective" (Manuscript, 2004).

8 Manabu Suhara, "Corruption in Russia: A Historical Perspective" (Manuscript, 2004).

## INTRODUCING THE POWER VERTICAL

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In 1999, President Boris Yeltsin surprised Russians by resigning on New Year's Eve, making little-known bureaucrat Vladimir Putin the president of the Russian Federation. Putin wasted little time in reestablishing state authority. Frustrated by central government weakness in the 1990s, Putin moved against oligarchs, organized crime bosses, and regional politicians who threatened central control. Though he talked tough about eradicating corruption, it merely morphed into new forms.

In many ways, Putin simply sought to bring order to Russian corruption. Explicitly or implicitly, he forced malfeasance into the constraints of the newly established power vertical. New rules of the game appeared, and elites had to demonstrate their willingness to play by these rules. Mikhail Khodorkovsky was the most prominent oligarch who challenged the vertical's political code by building alternative centers of power. He strayed too far into politics by funding civil society groups and hinting at political ambitions, and was imprisoned for a decade as a result. By the mid-2000s, a new political rule had emerged: enrich those above you in the vertical and maintain your loyalty as you work to enrich yourself.

### *Manifestations of Corruption in Putin's Russia*

The process of corruption being molded

into the power vertical caused graft to morph into several new forms. The first form is the use of state procurement practices to steal funds from the government via overpriced contracts. The current process for procurement, established in the 2000s, offers numerous opportunities for theft. Auctions are either hastily announced or not publicized at all; bidders are barred on technicalities; and bids are manipulated to give an unfair advantage to insiders. The result is a vast system of corruption that benefits those connected to the regime with kickbacks, fraudulent contracts, shoddily produced outputs like poorly constructed roads that quickly disintegrate, and other forms of ill-gotten winnings.

*By the mid-1990s, a new political rule had emerged: enrich those above you in the vertical and maintain your loyalty as you work to enrich yourself.*

The 2014 Winter Olympic Games in Sochi offer an enlightening, if uncharacteristically large-scale, example. Opposition politician Boris Nemtsov—who was later assassinated just outside the Kremlin's walls—and his colleagues published an examination of graft that detailed the egregious overspending on transport infrastructure in preparation

for the Games.<sup>1</sup> Highways connecting Olympic venues were budgeted at over \$140 million per kilometer, easily twice the standard international cost. In sum, the authors allege that over \$30 billion was stolen from Sochi's bloated budget. Substantial portions went to companies run by oligarchs with close personal connections to Putin, such as Arkady and Boris Rotenbergs' StroyGazMontazh.

The second prominent method of concealing systematized corruption utilizes complex asset ownership deals. The renationalization of the economy's commanding heights under Putin, such as the centralization of much of Russia's oil and gas production into Gazprom and Rosneft, created ample space for shady deals. For example, oil trading profits are obscured by opaque agreements with Swiss- and Cyprus-owned holding companies. Ill-gotten gains from extorting Russian businesses are funneled into offshore accounts.<sup>2</sup>

A third form of corruption is classical, less-concealed graft: petty bribes taken from the public and payments taken from businesses. Public opinion research consistently shows that Russians consider the traffic police to be one of the most corrupt institutions that they regularly encounter. The image of a driver on the shoulder of the road making a "man-to-man" deal with a rapacious police officer exemplifies everyday Russian corruption.

The government has attempted to address low-level corruption, undertaking sweeping reforms to the Ministry of Internal Affairs (MIA) in 2012.

In addition to renaming the police force from their Soviet-era moniker militsia to today's politzia, thousands of personnel were either laid off or retrained as the sprawling apparatus was modernized. The MIA embraced computerization, hoping that the use of electronic tablets among traffic police would reduce opportunities for bribery. Yet, it appears these efforts were not very successful—data shows that Russians still regard the police as dirty—with one study finding a majority regarding the police as corrupt and less than 30% reporting that the police can be trusted all or most of the time.<sup>3</sup> This experience stands in contrast to that of Georgia, where in the mid-2000s ambitious President Mikheil Saakashvili rejuvenated the police force by firing most traffic cops and training modernized, well-paid officers in their place. Real and perceived corruption plummeted and has remained low since.<sup>4</sup>

In the business realm, entrepreneurs in small- and medium-sized enterprises (SMEs) have long been stifled by what might be termed "mid-level" corruption. From bribes for business licenses to shake-downs by greedy inspectors, high corruption makes Russia a difficult environment for business. Whereas owners of large enterprises often have the political connections necessary to

*The image of the driver on the shoulder of the road making a "man-to-man" deal with a rapacious police officer exemplifies everyday Russian corruption.*

navigate the dangerous waters, mom-and-pop shops are easily bled dry by incessant demands for bribes. This barrier to entrepreneurship has long been acknowledged at all levels of the Russian government. Presidents Putin and Medvedev have mentioned the issue in speeches, including addresses in 2008 and 2016, and have signed numerous decrees to reduce the burdens of paperwork and inspections. Little has come of these efforts.

From an international perspective, how typical are the various forms of corruption discussed here?<sup>5</sup> Some analysts suggest that corruption is standard in a developing country like Russia. This is true, but it misses the extent to which Russia's political elite has deliberately used corruption to manage politics. Comparisons with other countries of similar economic development levels or historical legacies that have succeeded at cleaning up corruption show that what may have begun as rot is now an integral part of the state's operation. Behind Russia's efforts to present a modern face of technocratic development lies a deep-seated unwillingness to root out corruption.

Several highly publicized scandals illustrate the ways in which public officials use large-scale corruption to their benefit. In the famous "Three Whales" scandal, officials waged a war of influence over the alleged smuggling and customs evasion of a Moscow furniture store. After investigators at the Ministry of Internal Affairs claimed the FSB-connected owners of Three Whales used their influence in the security services to evade \$5 million in customs duties, accusations of corruption flew from all

sides. The General Prosecutor, also a member of the security services clan, cancelled the original case and opened one against the investigator for abuse of office. The scandal dragged on for several years as new connections and large cash payments came to light. In the end, the journalist investigating the case died under suspicious circumstances, and numerous officials, including the General Prosecutor, lost their positions.

***What may have begun as rot is now an integral part of the state's operation.***

The Three Whales case highlights some of the limitations of viewing corruption through the lens of the power vertical. While one could argue that the example demonstrates the center's efforts to establish dominance in a still-chaotic state arena, it also obscures the ways that corruption resists being pigeon-holed into one structure—much as the Putin regime also fails to fit into a power vertical conceptualization. Corruption remains an integral element of Russia's political culture. It fuels the kleptocratic, personalized aspects of the regime, where fealty to Putin, his cronies, or the local strongman governor discredits the vertical organization of authority. As Putin's system of governance matured, so did corruption's role in the system. After the vertical tamed the wild 1990s, it slowly was discarded, and new mechanisms of control emerged.

Today, corruption serves a purpose. Corruption acts as the glue that helps keep non-democratic regimes together by rewarding insiders and co-opting them into a unified structure. If a threat to stability arises from a dissatisfied

member of United Russia, Putin's political party, or an elite individual outside of the regime, payments can bring them back into the fold. Corruption rents, such as a state procurement contract to the troublemaker's brother's construction company, are fungible and opaque—perfect for this use. Co-optation is a crucial tool for any authoritarian regime wishing to maintain its rule, and corruption provides the concomitant means. Indeed, some political positions seem desirable only for their access to rents. Governorships in Russia offer very little in the way of incentives to meaningfully improve policy or prove one's executive competence, and they rarely provide upward political mobility. Instead, the power of the position derives mostly from its access to great wealth.<sup>6</sup>

The state is more than just presidents and governors, and graft serves a similar role as corruption at other levels of governance.<sup>7</sup> Just as corruption can fuel a governor's rise, it can also maintain the state hierarchy beneath him. Russian bureaucrats, like counterparts across

the world, are fickle and sometimes greedy. Turning a blind eye to their corrupt practices is a reward for loyalty. Pyramids of corruption thus incentivize low-level bureaucrats who otherwise may not help the regime drive voter turnout. Each official can take his cut and pass the rest up the ladder. The ringleader then receives a handsome payout with minimal effort. This self-reinforcing system effectively replaces a professional civil service, which is both expensive to maintain and dangerously independent of political control.

Corruption, however, is not only a carrot. It is also a firm stick for dealing with uncooperative officials. Anyone who does not toe the party line can be threatened with punishment for past infidelities. This kompromat helps the regime keep officials in line. The message is clear: play by the regime's rules or face legal consequences. Having discarded the need to maintain a vertical of power, the informality of graft helps manage an unruly system of overlapping networks of power.

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## Endnotes

1 Boris Nemtsov and Leonid Martynyuk, "Winter in the Subtropics," *Putin Itogi*, 2013, <http://www.putin-itogi.ru/winter-olympics-in-the-subtropics/>.

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3 Olga Semukhina & K. Michael Reynolds, "Russian citizens' perceptions of corruption and trust of the police," *Policing and Society*, vol. 24, no. 2 (2014), pp. 158–188.

4 See, Matthew Devlin, "Seizing the Reform Moment: Rebuilding Georgia's Police, 2004–2006," *Innovations for Successful Societies*, 2010.

5 Andrei Shleifer and Daniel Treisman, "A Normal Country: Russia after Communism," *Journal of Economic Perspectives* vol. 19, no. 1 (2005), pp. 151–174. See, also Daniel Treisman, "The Causes of Corruption: A Cross-National Study," *Journal of Public Economics* vol. 76, no. 3 (2000), pp. 399–457.

6 This may be changing as Putin prepares for his fourth, and presumably final, term in office. Recent governor replacements have focused on putting technocrats, loyalists, and fixers in office, rather than on those who seek power for themselves.

7 For an explanation of corruption as a workable alternative to state capacity, see, Keith Darden, "The integrity of corrupt states: Graft as an informal state institution," *Politics & Society*, vol. 36 no. 1 (2008), pp. 35–59.

# RUSSIA’S FIGHT AGAINST CORRUPTION

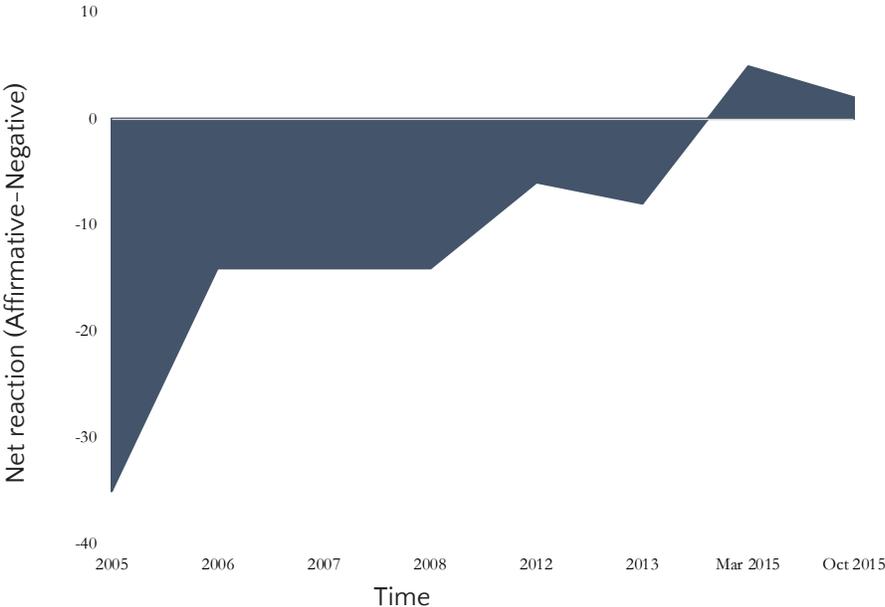
Despite corruption’s utility in stabilizing Russia’s regime, authorities still on occasion have fought to reduce its prevalence—or, at least, its obviousness. Whether these are genuine attempts to improve the business environment and professionalize the state apparatus or simply cosmetic steps, Russia has engaged in a guerilla war against certain types of corruption for years.

Both Presidents Putin and Dmitry Medvedev have tightened legislation and made speeches about the need to fight graft. Medvedev, in particular, made anti-corruption policies a central part of his reform-centered, “liberalization-lite”

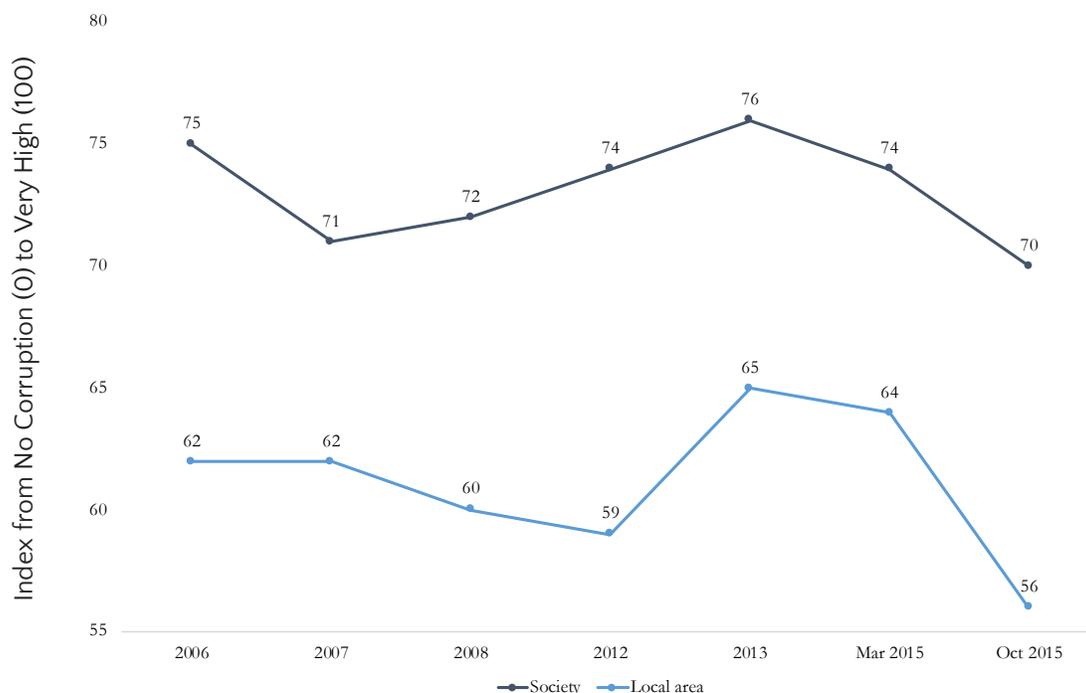
term in office. His 2008 “National Anti-Corruption Plan” called for an extensive, if vague, reform of corruption laws. These changes were to counteract corruption with legal sanctions, administrative reform (including a decrease in the number of state employees), and institutional strengthening to better manage corruption cases.<sup>1</sup> As ordered, the State Duma passed a sweeping law that attempted to fulfill these requirements. While far from perfect, this step constituted a serious effort toward identifying and engaging with the problem.

A further presidential decree in 2010 and an additional anti-corruption law

**Figure 5:** Russian Public Opinion Research Center (VTsIOM) survey responses to the following question from 2005 to 2015: “The authorities constantly talk about the necessity of the war on corruption. Do you see the results of this war, say, in the last year, or not?”



**Figure 6:** VTsIOM survey responses to the following question from 2006 to 2015: “How do you assess the prevalence of corruption in society in general and in your local area?”



in 2011 demonstrated that Medvedev believed his early efforts at fighting corruption were ineffective. And with good reason—it is difficult to discern any decrease in corruption because of Medvedev’s reforms. While Transparency International did register a slight improvement in Russia’s Corruption Perceptions Index in 2011, it merely rose from from 2.1 to a still-dismal 2.4 out of 10.<sup>2</sup> Moreover, any progress in Russia’s fight against corruption is undercut when external threats shift attention away from domestic transgressions. In 2016, amid hostility with the West, authorities weakened the harshest legal components of Medvedev’s anti-corruption initiative by recategorizing numerous felonies as misdemeanors.<sup>3</sup> One year later, when asked a hard-hitting question about

Russia’s corruption problem during his annual press conference, President Putin dismissed the issue, saying that it is important, but not “among the top issues” that must be dealt with.<sup>4</sup>

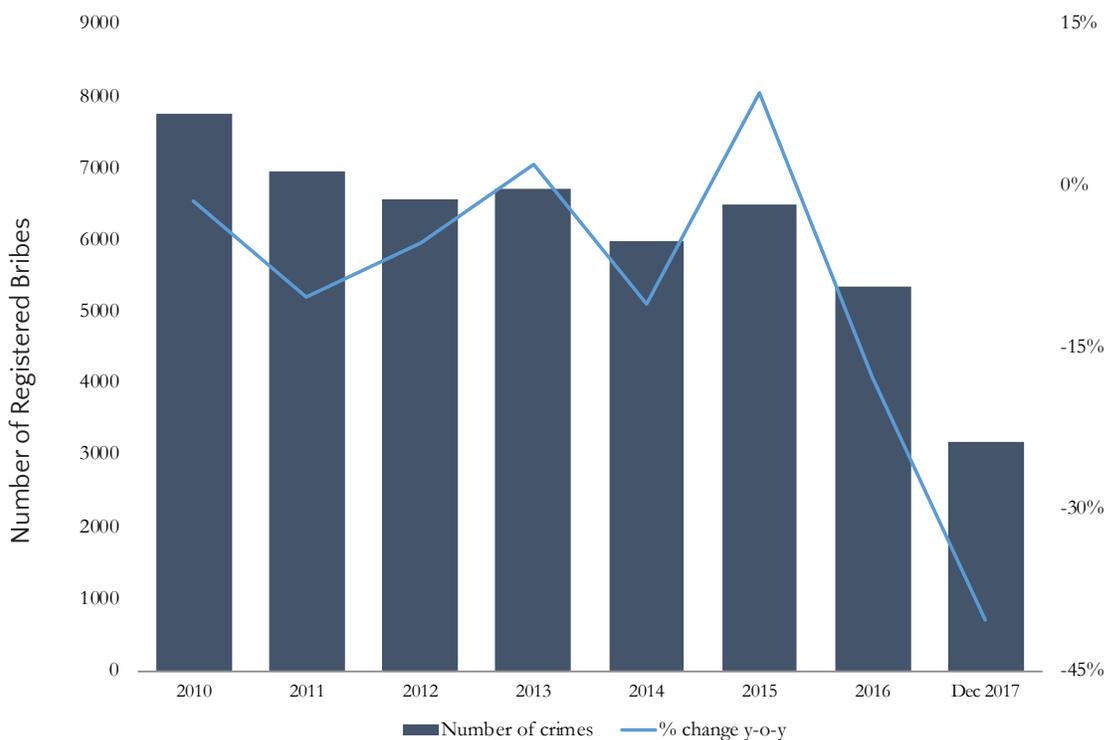
More impactful than grand pronouncements of large-scale anti-corruption plans are prosaic changes to how Russian state employees work. Clamping down on low-level corruption is not threatening to the political system. The easing of licensing and inspection burdens for businesses has helped reduce the burden corruption places on business because fewer interactions with bureaucrats means fewer chances for them to extract bribes. The advent of a simplified business registration system called the “Single Window” has had a

significant effect. The “single window” allows documents to be submitted to one bureaucrat rather than numerous agencies. Combined with e-government tools that are harder for bureaucrats to cheat, the “single window” reform appears to have reduced the scope for extracting bribes. These successes should not be overstated, however. Many forms of corruption, including corruption at the highest levels of government, are impervious to tools that restrict street-level bureaucrats. For instance, while the introduction of transparent, online procurement systems has greatly improved data availability, high-level bureaucrats remain able to manipulate state procurement through canceled auctions or unfair tender procedures. Similarly, in 2009, authorities enacted a policy that allowed citizens to

pay supplementary fees for quicker government services, a move many viewed as the legalization of corruption.

When corruption reaches the very heights of Russia’s political and economic elites, the regime has other tools available for managing this theft. The fight against grand corruption has taken the form of information transparency—for instance, law requires high-level officials to report their household income and assets. Yet, this law presents little risk to unscrupulous officials. They can easily conceal ill-gotten gains by hiding assets in relatives’ names, sending wealth offshore, or avoiding marriage because they must disclose a spouse’s assets. A more striking front in Russia’s battle with grand corruption is the sudden arrests of senior government officials—governors, vice governors, and

**Figure 7:** Number of instances of bribe-taking registered by the police from 2010 to December 2017.<sup>5</sup>



even a federal minister—in recent years. Public corruption cases have not touched high-ranking officials in this way since the conviction of Justice Minister Valentin Kovalev in 1999 for the theft and bribery of over one billion rubles. Of course, there is little doubt that individuals such as ex-Minister of Economic Development Alexei Ulyukaev and former governors Alexandr Khoroshavin and Nikita Belykh have taken part in less-than-savory deals. Yet, since corruption is so widespread among the political and economic elite in Russia, these cases are more difficult to assess. The arrests may speak more to the individuals' weakness vis-à-vis rival interest groups rather than a unique instance of corrupt behavior.

As authorities have taken their shots at Russia's corruption crisis, so too has a nascent civil society. Non-governmental organizations (NGOs), such as INDEM and Transparency International Russia, and countless brave journalists have strived to uncover accounts of bribery since the 1990s. One organization, the National Anticorruption Committee, which was formed in 1999, has boasted the membership of prominent figures such as former Prime Minister Sergey Stepashin, assassinated former Deputy Prime Minister Boris Nemtsov, and current Central Election Commission head Ella Pamfilova. Of course, today's most notable anti-corruption crusader is Alexei Navalny, a one-time battler of potholes turned politician, activist, and blogging celebrity. His presidential ambitions and striking ability to call Russia's disaffected to protest have overshadowed much of his other work. But his recent notoriety has largely come from the efforts of his NGO, the Anti-Corruption Foundation (FBK), to disseminate information

about the misdeeds of Russia's political elite. Even figures as senior as Prime Minister Medvedev and oligarch Alisher Usmanov have been targeted by the FBK's well-documented and highly popular YouTube investigations.

The public awakening that accompanies this increased civil society activity can change the ways that Russian authorities engage with corruption. Younger generations, who did not experience the Soviet Union's slow-motion collapse or the chaotic the 1990s, have come to view the Putin regime in a different light than their parents. This less favorable view of the regime combined with economic malaise has heightened a sense of unfairness that anti-corruption activists have been quick to capitalize on.

The most effective medicine for fighting corruption in Russia is increased political competition. Even minimal levels of competition can incentivize elites such as Russia's governors to crack down on bribery.<sup>6</sup> By examining a massive original dataset on the public's experiences with bribery, it becomes clear that when governors face competition in the form of an approaching end to their term in office, they decrease bribery by over 13% to keep the population on their side. Rather than merely reforming laws and threatening punishment, competition changes the incentives that officials face and disrupts networks of corrupt behavior.

Whether it is constraining what political actors can do when fighting for power in Putin's authoritarianism or driving a more fundamental flourishing of democratic norms and rule of law in democratizing contexts, political competition can tame graft in ways that more superficial

reforms cannot. In other words, political competition is not just for democracies—it is a way of improving incentives for good governance at a deep level. Liberalizing Russian politics will do more to help cure the underlying causes of corruption than any legislative reform or law enforcement crackdown. But liberalization looks unlikely, because it threatens the core of Russia’s current political system.

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## Endnotes

1 Dmitri Medvedev, “Natsional’nyy plan protivodeystviya korruptsii [National Anti-Corruption Plan],” Rossiiskaya Gazeta, August 5, 2008, <http://rg.ru/2008/08/05/plan-dok.html>.

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4 Stephen Sestanovich, “Vladimir Putin is suddenly on the defensive against corruption,” Washington Post, June 22, 2017, [https://www.washingtonpost.com/news/democracy-post/wp/2017/06/22/vladimir-putin-is-suddenly-on-the-defensive-against-corruption/?utm\\_term=.b0c3730b8c96](https://www.washingtonpost.com/news/democracy-post/wp/2017/06/22/vladimir-putin-is-suddenly-on-the-defensive-against-corruption/?utm_term=.b0c3730b8c96).

5 “Predvaritel’no rassledovano prestupleniy po st. 290 UK RF (polucheniye vzyatki) [Preliminary investigation of crimes under Article 290 of the Criminal Code of the Russian Federation (bribe-taking)],” Portal of Legal Statistics, Office of the Prosecutor General of Russia, [http://crimestat.ru/offenses\\_chart](http://crimestat.ru/offenses_chart).

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## CONSEQUENCES OF CORRUPTION FOR RUSSIA

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The consequences of corruption in Russia are severe, yet the government is not willing to change. Russia's political elite worries that rampant corruption creates dangerous opportunities for figures like Alexei Navalny—activists who oppose the current distribution of wealth and power and mobilize the public against the regime. While the regime's hold on regional and national elections appears strong, public discontent worries the Kremlin. The regime's medium-term success depends on a perception both of invincibility and legitimacy. Public awareness about the corruption that permeates Russia's government is slowly eroding these pretenses. However, for the moment, authorities appear more apprehensive of the risks of reform and the possibility of losing control.

The decision to maintain Russia's status quo of corrupt, informal authority has consequences beyond regime stability. Unchecked venality damages the legitimacy of the Russian state. In the long run, this legitimacy deficit will reduce the public's trust in government institutions, deepen political apathy, and undermine future efforts at reform. In addition, corruption inflicts substantial damage on the Russian economy. Russian business suffers from extortion, and firms invest less as a result. Average Russians also feel the squeeze as prices rise, wages stagnate, and demands for

bribes form a costly submerged tax. As Vladimir Putin enters his fourth term as president, the informality of Russia's system of governance will hamper any efforts at reform. He will struggle to develop Russia or to build a durable political system. The increasing reliance on informal political institutions makes more difficult his task of engineering an orderly continuation of power after his term ends in 2024. Officials will continue to prefer corrupt, cronyistic ties over rules-based governance. Jockeying for dwindling resources and maneuvering of would-be power centers for future gains are likely to threaten Putin's ability to manage the political process over his next six-year term, or to create an enduring legacy after that. His government will be unable to mount any more than a cosmetic fight against corruption. Bribes are not easily eliminated when they are integral to how the regime keeps power. 🌐







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