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**Factors promoting corruption in Russia’s public and legal sectors**

This work explores the processes of increasing corruption in the post-Soviet context, taking into account the historical aspects and emerging economies in the process of formation of the new legislation. Paper explores the administrative and legal reforms that have taken place between 1992 and 2008, focusing on the following:

- stage, trends and its distribution in the state management system in the period of democratic reforms;
- forms of corrupt behavior of public servants;
- corruption as a condition for penetration of organized crime in the system of government and administration.

**Key words:** Corruption, Social systems, economic crimes, government, democratic reforms.

Corruption in Russia penetrated the political, economic, judicial and social systems so thoroughly that it has ceased to be a deviation from the norm and has become the norm itself. By pursuing poorly thought-out actions during its transition to a market economy, the state became a generator of crime, where authority becomes criminal-based institutions generating asocial behavior. Nearly every other individual (60 percent) admitted giving gifts and money to doctors, surgeons, nurses and school teachers. Almost each third Russian driver (28 percent) has bribed the State Automobile Inspection official (GAI).

The cause for unrelenting corruption is not that the Russian people are genetically programmed to pay bribes, but that the state still sees them as its vassals rather than its masters. The situation is further complicated by the severe circumstances surrounding the state of corruption within law enforcement agencies.

The interdependence of economic crimes and corruption has not yet been seriously studied. Corruption is rarely registered as a criminal activity in many countries. Such features of crimes and corruption as the high social positions of the involved officials, specific methods of their activities, material and moral damage resulting from their actions, latent character of the crimes, and lenient attitude of the state authorities to such criminals, make them especially dangerous for the democratic development of the society.

Corruption has an implicit, compromising character. Usually it does not result in complaints, because the involved parties receive a mutual profit from their illegal bargains. Even bribe extortion is not necessarily always reported, because people do not trust the authorities or do not believe that the legal procedures would lead to the expected results, and justice will triumph.

The corrupt activities are usually performed under complex, and confidential conditions. Corruption as a social, political and legal phenomenon has a superior adaptability. The forms of corruption are constantly changing and getting more sophisticated. The latent character of corruption prevents anyone from gathering complete data about it or its participants. Only a few such participants, usually from the lowest strata of the pyramid, are caught, convicted, and charged with concrete crimes.

The nucleus of corruption is bribery. This type of criminal activity is seldom reflected in statistical reports. For example, in the United States statistics on bribery are based on the reports of the arrests of suspects, and in the annual reports is listed under the column other crimes.

According to UN annual reports, the percentage of incidents of bribery (1983–1984) was very low — 1 percent among the 10–12 crimes followed by the international community. By 1996–1997 this figure increased by eightfold.

Corruption is not merely a primitive bribery, especially under the conditions of the free market economy. Lobbying, protectionism, creation of the favourable conditions for selected groups of people, investing of the commercial structures from the state budget, traditions of appointing of the political leaders and presidents of corporations and private companies, transfer of the state property into the possession of holding companies, use of criminal connections, etc., are the latent forms of modern corruption.

This paper investigates the processes of rising corruption in the post-Soviet context, considering the historical aspects and developing market economy, in the process of the rule of law formation. It examines the administrative and legal reforms that took place between 1992 and 2008 focusing on the following:

- the precondition of corruption infiltration into the public service in the late 20th – early 21st centuries;
- stages, tendencies, and directions of its expansion in state public service during the democratic reforms;
-- forms of corrupt behavior by state employees in 1990s – early 2000s;

Factors promoting corruption

One of the most important factors promoting corruption is the poor regulation of the property rights system. Instead of active property rights, there is a very complex system of mutual relationships between governors, law enforcement officials, and the courts. Such relationships implanted in the social fabric of society, which was formed within the last decade and grew rapidly in the transitional period. At the same time, within the period of private property formation, the privatization of state took place. The rights on the supreme power and state resources allocations have become the property of the new elite. These new ‘rights’ of old elite and bureaucracy in property distribution embraced the army, the right to collect taxes, the courts, and even the right of printing money.

Most of the socio-economic factors promoting corruption were generated during the transitional period. Among them are the growing poverty and property differentiations as a result of ill-thought state property privatization, instability in the economy, 1997 financial crisis, and the last but not least, non-restrictive business ethic principles in all spheres of economic activity. Thus, a hope that economic growth might be a mean in reducing corrupt activities should be cast away.

With the disintegration of the old Soviet system, a need for new economic structures in establishing tight relationships with the old elite, led to absorption of the old elite into new structures. Many oligarchic groups had employed top management from former senior KGB staff, the Ministry of Internal Affairs, and the central government. An official version of this policy was the ‘continuity of professionalism’. However, it was more likely to assist in retaining the worst Soviet traditions, including the old system of mutual relationships based on the rendering of joint services. In these new economic conditions, it has continued to strengthen the growth of corruption.

The disintegration of the old political and economic systems generated a huge legal vacuum and, at a later stage, confusion. If, for example, the tax regulations were not clear and specific, the economic relationships were practically illegal. The system of taxation, which was adopted by Yeltsin’s government, placed all Russian people not only in immoral, but also in criminal positions. Thus, keeping the population in semi-criminal conditions was the means of maintaining power by the ruling elite.

This led to a crisis in law-enforcement agencies. Having lost ideological principles, they ceased to work for the state, but still, did not for society. Instead, they started working for self-preservation, and then personal enrichment, gradually turning criminal justice system into a commercial entity.

Corruption, which is deeply rooted in Russian culture, can be seen through a recent interview.

«The interviewer: Let us assume that corruption is not at present in our society.
The expert: With the current laws?
The interviewer: Yes.
The expert: If the existing laws were fully obeyed, it would be a catastrophe. It would mean that society would stop in its development, the economy would collapse».

Corruption in Russia is interwoven into societal relations and the problem is that without it the economy could collapse. Corrupt networks between state authorities and businesses exist at every level throughout the society, from garbage removal to school textbook supply.

It is important to note the corruption practices of local and top officials. One of the distinctive features is that the local officials, who receive bribes, are simply commercializing state services. At the top level, generally speaking, there are long-term corrupt relations, which merge government with private business interests.

However, between the two, strong relationships exist in practice. First of all, petty bribery existed throughout the entire Soviet regime. Secondly, local corruption developed as a consequence of upper level corruption. The state system created a situation for the officials and businessperson where without bribes it was impossible to achieve anything. Such rules of the game grew from top to bottom. Thirdly, there was a public moral «if high-ranking officials and politicians are taking so much, then we not only can but must do the same». In addition, growth in corruption at the local level was perpetuated by general poverty and low moral.

For the large number of officials involved in corruption, a pyramid network continues to exist. It affects top-level officials of the Ministry of Internal Affairs who cover-up bribery and racketeering of local officials involved in the ‘control’ of prostitution and drug trafficking.
Such rapid growth in the rate of corruption is a consequence of the demolition of the old social system and controlling institutions. Radical reforms were doomed to foster criminalization, legal vacuums, instability, lack of rule of law and a backwardness of the judicial system. This was accompanied by the further disintegration of moral values. Within such a structure, a corrupt philosophy developed — «grab everything you can, and run before you got caught».

Today there is the new tendency, not to grab and escape, but to take greater sums less often. People think in the long-term, caring more about keeping the position they have than about the short-term benefits of small bribe transactions. This is a new element of corruption found in Russia. Now the part of the profit taken by corrupt networks from their activities are redirected back to strengthen and develop the networks themselves. Such corruption became one of the new spheres of investment activity.

The illegal and corrupt behavior became a norm in Russian society. At the same time, many people involved in corruption have experienced limits, which they cannot surpass, such as state security. Therefore, if corruption is viewed only as a means of expediting processes, then many officials gladly receive bribes. However, if, for example, military officers feel an infringement of the state or personnel interests are involved, they stop. For others, police officers more often then not, moral standards are even dimmer and with each successful transaction the appetite is growing.

This immorality, which has become a norm, has lead to the creation of substitute moral values among people in business management. Concepts such as ‘honest-dishonest’ and ‘decent-dishonorable’ have special meanings. Conducting illegal transactions may not be considered wrong. However, it is immoral to break a promise and not execute the condition. In other words, it is normal to kill, but it is impossible to betray or deceive on the personal level.

In everyday Russia, decency and incorruptibility are considered to be synonyms for clumsy, failure and simple stupidity. On the contrary, bribes in the form of gifts are valued as a form of gratitude, or blagodarnost’ for services rendered and, from this standpoint, the law is something that was imposed by the state and does not need to be obeyed; only fairness generates moral standards.

Two major factors play an important role in changing the society’s corrupt morals. One is a political will of the higher authority of the state that could signal to the population and corrupted officials that the policy must be changed. The other is the media, which should publicize each act of anticorruption as well as the successes made in counteracting corruption.

Corruption and public service

In determining the factors that cause corruption in public services, low salaries, lack of social guarantees at retirement and legal vulnerabilities must considered. Some bureaucrats, experts say, realize that they probably got their bureaucratic power for just two-three month of probation period and could be thrown out of the system. The same experts say that at the beginning of 1990s decreasing salary for law enforcement was done in order to get rid of the experienced and uncorrupted professionals. At the same time, government officials (mostly high-ranking bureaucracy) are well protected. They have free-of-charge government summer dachas, full health coverage, prestigious cars, and subsidies for better food.

Others argue against a direct influence of salary on the level of corruption. They state, for example, that regional authorities have established for themselves much greater salaries than of the federal authorities, however have not stopped taking bribes. Moreover, there is a third argument that bribes always will be more than the salary, regardless of how high it is.

As to the question of whether there is risk for officials who digress from corrupt practices, the opinions divided. Some believe that outsiders, disassociating themselves from corrupt activities, will be forced out of public service. Others believe that to such officials, there is nothing to be afraid of, especially the threat of physical punishment. A third group believes that such officials will be bypassed since they are not corrupt, or used ‘blindly’. In reality, all opinions are true.

In recent times, there is a buying and selling of positions in the high-ranking government, from deputy minister and chief of department to the members of secretaries. Two thirds of ministers and almost all vice-premiers are «non-commercial» posts because they have no authority in terms of financial and natural resource allocation. Therefore, the positions of secretary, heads of departments and those who draft decision proposals are much more valuable. The sums vary considerably. The bribe for the post of deputy minister ranges from $50,000 to $500,000; and, 1 million dollars for the post of a minister. The final price to be paid depends on the departmental structure and the associated and implied powers.
The ideological connivance in corruption was accompanied by a number of institutional changes that inevitably lead to a considerable growth of corruption. The first of these changes was the practice of licensing the export of raw materials and products in their primary processing stage (oil, fuel, ferrous metals). The prices of raw materials, although growing, were still low and close to those of the Soviet years, while the rate of the ruble dropped tenfold and then many-hundred-fold. No control existed over the large sums obtained from exports. Contracts were signed for ridiculously low prices, which suggested that large sums of monies were being paid directly to the Russian officials involved.

Among the recent cases of corruption, experts specify the following:
- buying and selling high positions within the Russian government;
- allocating quotas on crude oil export;
- releasing or selling shares in publicly held enterprises at a loss profit level by the regional governments;
- violating property rights;
- bribing decision-making officials at the arbitration courts;
- filing deliberate bankruptcies of enterprises, in order to intercept the property;
- bribing tax police to arrest competitors, with the property often being resold to the briber;
- using law enforcement as ‘roofs’ for organized criminal groups; and,
- illegally terminating criminal prosecutions.

The following is an attempt to rank the most corrupted spheres of Russian economy, starting with the most corrupt:
- licenses and quotas on exports (oil, metals, energy resources);
- Ministry of Finance tax offsets;
- social sphere (service of budgetary accounts);
- barter and natural offset of debts in regions (plundered 30–40 percent of total debts);
- railway transportation (the cost of transporting the same cargo can differ significantly, depending on the arrangements made with the local public official);
- agricultural sphere (preferential financing, write-off of debts).

It is well known that modern Russian domestic politics is made up of bribes, payoffs, and corrupt favors. Such practices are widely used for political campaign financing, personnel assignments and appointments. At the same time, Russian political campaigns are a litmus test that identifies the level of corruption. Political competition inevitably makes any actions public, which leads to corresponding public opinion and civic pressure towards corrupt politicians.

In the 2004 State Duma elections, a new approach dominated the campaign: ‘buy and sale’ deputy mandates either at the level of one-mandate districts or at the level of party candidates. For example, one businessperson confirmed that for approximately $200 million it was possible to buy half of the State Duma and have 200 dedicated people in it. However, it is too expensive, he said, there are 30-40 influential deputies in the parliament, which is enough to push through necessary laws.

In the first years of democratic elections, these structures were investing their financial resources in themselves. In the present period, they prefer simply to bribe already elected deputies in order to lobby their interests. The reason for this change of strategy is simple. During the first period of Russian reforms, non-state structures did not have enough financial resources. In contemporary time, corruption networks invest significant financial resources in obvious favorites. Russian oligarchic structures no longer concern themselves with who will win the elections. Investing in all elections campaign became too expensive, unpredictable, and at the end less profitable. Therefore, they bribe an elected deputy for lobbying a desired outcome.

Experts explain such developments by the lengthy transitional period, shortcomings of the electoral legislation and, in particular, its’ financing process. Practically each action of the Russian legislator has its price. For example, the appointment of the deputy to the post of committee chairperson would cost approximately $30,000. The price for any bill submission and its consideration by the State Duma of the Russian Federation is about $250,000. Deputies of such key committees, for example, budgetary, receive approximately $30,000 per year from illegal, corrupt transactions; whereas their legal wages are approximately 1/15th to 1/20th of the bribes they receive.

There is almost a competitive market of corruption services and bribes in the State Duma. Lobbyists are constantly at work for the rates of each deputy service and for each voting. The state budget is the major object that, on a regular basis, is lobbied in the State Duma through corruption networks. In many cases, this
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System of decision lobbying in the Russian Parliament is rather convenient for executive authority. It is not a necessity to build a long-term political relationship with all deputies, to bribe some of them is much easier and much cheaper.

Corruption in the state administrative system

Beginning in 1991, over 270 legal decrees to combat corruption were passed in Russia, but corruption permeated all levels of the government.

It was a period of intensive infiltration of corruption into the government sector and development of corruption networks. During these years’ new manifestations of corruption, which evolved from previously existing forms, emerge and alter according to political and social changes. State employees perceive their official duties as commercial goods, which is the essence of corruption that poses a real threat to the standard and lawful functioning of the government and its personnel. Corruption became more of a norm, than an exception, also encompassing the political, authoritative and economic elite. The cause for unrelenting corruption is not that the Russian people are genetically programmed to pay bribes, but that the state still sees them as its vassals rather than its masters. The situation is further complicated by the severe circumstances surrounding the state of corruption within law enforcement agencies.

Beginning with 1993, the Main Information Department of the Ministry of Internal Affairs of the Russian Federation has been collecting data on the corruption of the state officials. However, in 90s, these data were strictly classified. The authorities did not make public about the corrupt officials and criminal cases rarely reach the stage of final investigation and, even more rarely, the courts. They retrain from publishing complete annual statistic reports as the Soviet system did.

The most significant problem is that the fight against corruption does have an adequate legal base in Russia: there are no laws on corruption or on legalizing the funds accumulated in the course of business activities, as no appropriate articles exist in the Basic Law on Civil Service (1995).

There is no independent government agency capable to fight corruption. These nos reflect a very high level of corruption of state officials in the country. The Basic Law on Civil Service was created during five-year period. It’s Articles 11 and 12 provide certain restrictions on the official activities as well as for their duty to report their income annually. Out of 12 points dealing with possible violations, 10 involve corruption. However, this Law as well as the earlier adopted Regulations on State Service extend only to lower and middle-rank personnel (state posts of the categories A and B). Officials of the category A, such as the heads of the legislative and executive authorities, people’s deputies, ministers, judges and other top federal level officials were out of the law’s reach. In particular, regulations involving official’s incomes declaration apply only to the officials themselves, their family members as well.

Meanwhile, it is well known that the property, which corrupt officials buys or receive as a bribe, is usually registered in the names of their relatives.

The new Russian top officials are free from any previously subordinated authorities and any moral obligations. Within the last two years more than 15 ministers of economic and finance, their deputies or the deputies of the Chairman of the Government were replaced. A majority of them the next day would receive the leading posts in the largest private commercial banks, companies or firms.

A typical example of how the Russian authorities obstruct a development of the legislative to combat corruption is the adoption of the Law to Combat Corruption. There were ten drafts of this bill prepared, and the Russian Supreme Soviet adopted one of them in 1993. But the President Yeltsin and his closest officials sent the bill back for further work because it seemed to them being unnecessarily restrictive.

The State Duma adopted the law only in December 1994. But the Upper House — the Federation Council — did not like the provision of making declaration of incomes obligatory for top state officials and the members of their families. Such financial disclosure of the incomes of the state officials and the members of their families is a norm in democratic countries.

The rejection of the law after its first reading shows that while personally accepting the suitable Western freedoms and privileges for themselves, the Russian top officials refuse the responsibilities regarding the declaration of incomes. Moreover, they treated such declarations as a return to totalitarianism.

The Federation Council adopted the law On the Fight against Corruption only in December 1995. However, President Yeltsin again refused to sign it. He objected to the inclusion into the subjects of corrupt activity officials of the category and rejected the provisions on financial disclosure of state officials and their families’ income.
The President branded this as violation of the Constitution, citing Paragraph 1 of Article 23 of the Constitution of the Russian Federation and Article 12 of the law On the State Service. According to these articles, only a top official, but not members of his family, must declare his income. However, the appeal to the Paragraph 1 of the Article 23 is not proper here. The article stated: «Every individual has the right to the inviolability of their private life, personal and family facts and to defence of his honour and good name». Justifying the President’s behaviour, his assistant brought as the most important argument a possibility of repressions similar to Stalin’s 1937 purges [1].

A paradoxical situation existed in Russia under Yeltsin. On the one hand, the issue of corruption of top state officials is one of the most discussed topics in mass media. The President, in his address to the parliament, denounced the delays and sluggishness in the fighting corruption [2]. On the other hand, it is the President’s administration, which had hindered the adoption of anti-corruption laws for many years.

In Western countries, exposure of top officials’ in corruption usually results in investigations and possible court proceedings. In Russia, however, other traditions and laws are in force. During the Perestroika, the collapse of the USSR and the following transition to the market economy, an old truth has been proven again: the largest fortunes are made during the destruction of old empires and the emergence of new states.

The above-mentioned conditions stimulated criminal activity of new state officials. Paralyses of law enforcement structures contributed to this phenomenon.

It is widely assumed in Russia that every official has his price. The price of a housing-office official for providing criminal elements with information about old people living alone is $500. The price of a person in the banking and finance system for loans on favourable conditions is much higher. According to sources in the Ministry of Internal Affairs, up to 40 percent of the total amount of credits and loans return to the pockets of such benefactors [3].

In Putin’s time, data on corruption was no longer treated as information intended ‘only for official use’, and public access to it became open and unrestricted. The State Duma affirmed that the main threats to the existence of the state and society included:

- widespread expansion of criminal lobbyism;
- mercenary contracts by officials;
- investment in commercial structures at the expense of the state budget;
- unfounded and unprofitable for society transfers of state property into management by commercial enterprises;
- creation of bogus enterprises and illegal operations undertaken outside established economy;
- merging of public service duties with participation in commercial organizations;
- wrongful intervention with the activities of law enforcement agencies [4].

General neglect of the proper law-enactment procedures allows for passage of legal decisions in the mercenary interests. There emerged a necessity to enact a law on lobbyism, and also, a law dictating and delineating proper procedures for passing other laws.

The common public attitude towards corruption was as follows: If it is likely to take bribes in one area, then why not do so in another. If mass media spoke about the widespread bribery of the State Automobile Inspection (GAI) employees as being generally acknowledged and legally existent, then a nurse who bribed a GAI official recouped that sum from her patients. As a result, corruption acquired a general character. The second fundamental factor of corruption expansion became the fact that the state, although having proclaimed itself civil and lawful, was not as such in reality.

By pursuing poorly thought-out actions during its transition to a market economy, the state became a generator of crime. Such state should be deemed as criminal, one where authority becomes criminal-based, in total, an institution generating asocial behavior. Russia has entered the ranks of the twenty most corrupted countries in the world, and is approaching, if it has not reached already, the level where corruption becomes a core obstacle on the path of its development.

Corruption renders direct influence on governmental mechanisms and on a majority of economic processes, while causing degeneration of authority and transforming it into a tool of criminal operation in society. Being a complex social phenomenon, corruption leads to a dysfunctional operation of state institutions and their management, while placing the functioning social network under a threat of decline. In the late
1990s loss from corruption in Russia had already reached 25 percent of gross national product. At the same time, the number of court cases filed against corrupt individuals was extraordinarily small. At the end of 1996, a number of Russia’s top officials were charged with misappropriating budget funds and depositing those funds in commercial banks in order to get high interests. The former Deputy General Procurator A. Ilushenko was among those arrested for this type of corruption. The former member of the State Duma S. Stankevich, who was charged for receiving a $10,000 bribe and escaped from Russia, was found in Poland in 1997, though Polish court refused to extradite him to Russia. Then the deputy Premier Minister A. Chubais was paid $95,000 for an unwritten book on Russian privatization, by a company whose owner financially benefited from Chubais’ decision on privatization of the state property. Then President Yeltsin later fired him, but no further action was taken. The state fought corruption extremely irresolutely and extremely ineffectively, and it is not incidental that Russian citizens exhibit a low level of trust towards law enforcement agencies.

Sociological studies of 1993, 1999 and 2001 illustrate that the majority of respondents perceived corruption in tolerant terms. The highest degrees of corruption were in the areas of taxation, the judicial system, law-enforcement bodies (particularly in the GAI), public health, and property disputes. For example, three quarters of (interviewed) Russian population (74 percent) responded that there is «high» or «very high» rate of corruption in Russia (30 percent responded as high and 44 percent very high) [5]. Only 19 percent respondents think that corruption rate is «moderate», and 1 percent as «low»; no one has agreed that there is no corruption in Russia (Figure 1).

![Figure 1. Official corruption index in Russian Federal districts](https://wciom.com/)

* Source: All-Russia survey was conducted September 6–7, 2008. Interviewed 1600 people in 140 cities and towns of 42 Federal Regions, Oblast, and Republics. http://wciom.com/

About a half of respondents have either received or have given bribes, undertaking these actions in varied aspects of their lives. More than half (52 percent) admitted giving gifts and money to doctors, surgeons, and nurses (Figure 2). One-third (36 percent) of the respondents admitted that they bribed teachers or school administration in order to «solve» their problem (in 2006, for example that rate was 29 percent). Almost each third Russian driver (28 percent) has bribed the State Automobile Inspection official (GAI). In 2008, for example (Figure 3), 1300 individuals were prosecuted for taking bribes. The highest number of those, 31 percent, are law enforcement officers, judges, procurators, lawyers and deputies in a legislative bodies of municipal and regional levels [6]; the next most corrupt, 20 percent, are doctors and medical stuff; and the third group, are governmental officials. And for corruption, 1642 state officials were charged, among them 62 Federal and regional Deputy of the Parliament, three judges, eight district attorneys and 70 detectives.
Representatives of small and mid-size businesses demonstrated the most negative dispositions concerning corruption. Thus, the major condition fighting corruption is its proper identification in the consciousness of Russian citizens, especially since practically not a single citizen is able to avoid encounters with corrupt officials. The general consciousness of citizenry does not accept the fact that corruption, in addition to being more extreme than bribery, is also multi-faceted. For example, Mr. Golovin, who owns a tool-leasing company in Yekaterinburg, explains: «You go to the local administration to get permission for something and they send you to a private firm that will sort out the paperwork for you, which happens to be owned by their relatives».

Commencing with the individual, isolated transactions, corrupt persons begin to form organized and coordinated actions, uniting into criminal communities. Activity of such corrupt networks is evidenced by the formation of mutually beneficial relations and interdependence between officials positioned not only on same verticals of management, but also across various levels of management within different departments and institutional structures. Corrupt networks are closely connected with the organized crime. Structures of corrupt networks include: groups of government officials that ensure expected outcomes; commercial and financial structures that siphon received benefits, privileges and incomes; protection received from representatives of law enforcement agencies such as the Ministry of Internal Affairs, FSB, Offices of Public Prosecutor, tax auditors and judges.
As INDEM’s expert explains, before 2003 officials simply took a cut of businesses’ profits. After Yukos they started to take the businesses themselves. These days businesspersons pay bribes as much to be left alone as to get something done. They call it a «bribe of survival or legal extortion». For example, the Institute for Public Projects (INOP), with the participation of the Institute for Comparative Social Research (CESSI), conducted study «The Nature and Structure of Corruption in Russia», and interviewed 36 experts from those institutions. The INOP-CESSI study also produced a «price list» of bribes. According to the list, a place on a party list for a State Duma election cost $2 million–$5 million while getting legislation introduced in the Duma for consideration costs $250,000. For a large private company to win a goszakaz, or state purchase order, it must pay a third of the order’s total value; to participate in a national project, it must pay 30–40 percent of the project’s total value; to get a line item in the federal budget, it must pay three percent of the project’s total value. A large private company must pay $1 million–$5 million to get a license, prevent a license it has from getting revoked or get a competitor’s license revoked. For a small business to ensure that a transaction is carried out, it must pay a third of the transaction’s value and in order to get «help» from officials, a small business must pay 10 percent of its total profits. Getting customs duties reduced costs 30–50 percent of the sum on which the duties were assessed; getting tax arrears written off costs anywhere from 30 to 50 percent of the sum of the arrears. To acquire the Central Bank to begin examining documents costs a commercial bank $500,000, while winning the right to transfer federal budget funds costs a bank five percent of the sum of the transfer. To win a case in a civil court or an arbitration court costs 10 percent of the awarded damages. To win a grant costs a charitable foundation 20–30 percent of the value of the grant.

Therefore, corruption has become a factor of systemic crisis, which has struck the government of modern Russia. The problem in combating modern corruption lies in the fact that corruption is connected with abuse of the law or ethical and moral standards. However, quite often, corrupt officials perform duties, which are precisely ascribed to them by the law. It is not quite fair to suggest that such actions by these officials cannot be corrupt, in particular since avaricious motives of these actions are reinforced by the presence of clientele-type relations.

During the post-Soviet transitional period, there was a great delay in the enactment of acutely needed laws: «On fight against corruption in the public service system», Federal laws such as «On fight against corruption», «On counteraction of legalization (laundrying) of illegally received incomes», «On declaration of sources of incomes and expenditures by private individuals». In December 2008, the State Duma Deputies finally approved the presidential draft of law «On Counteracting Corruption». Many experts noticed that the adopted law, in the juridical sense, cannot be even considered a declaration, because it does not define the concept of corruption. The main anti-corruption measure, «a must property declaration by the official’s family members», will begin only in 2010. Thus, to corrupt individuals is given, as a minimum, a year long deferment to «fix» undeclared property. However, if additional amendments will be accepted, thank to legislative procedures, this period can be extended to an unspecified time. For example, Article 1 of the law «On Counteracting Corruption» lists the compositions of crimes, which were already envisaged by the criminal code in 1997 and 2002. These are the bribery, abuse of official authorities, commercial bribery, extortions and etc. Meanwhile some articles perceived more specific the counter-corruption measures. For example, Article 9 (State Duma Deputies did not approve its first version) required an official «to inform the employer, the attorney, or law enforcement agencies in writing about known facts of other state officials corrupt actions and/or abuse of their authority in pursue financial gains». In every day reality, if this article would have been approved, all type of corrupt networks and actions would stop very soon. However, Deputies excluded this part from the bill which was signed later by President Medvedev into law.

Now, the state officials are obligated to report to law enforcement agencies only about cases, when bribes were offered personally to him or her. However, since all corrupt networks have vertical and horizontal structural relationships, such regulation is clearly doomed to fail.

Another, Article 10, required submission of the property declaration by the state official’s family members. Although, Deputies adopted this article but with major modification: one should submit a report (on possessed land, houses, apartments and vehicles) only for spouse and children up to 18 years old. The deficiency of the counter-corruption bill is obvious. Property will be registered or reassigned to brothers, sisters and mothers-in-law, and after the maturity of their children, the property title will be transferred to them.

Such interpretation of these most important innovations would diminish the effectiveness of the anti-corruption bill, if not reduce it to zero. Other anti-corruption measures, also approved by Deputies, in comparison with those described above appeared inconsequential. For example, an official should not receive gifts of more expensive than three thousand rubles (about $100). However, there is no condition on how
of corruption

Corruption appeared in conjunction with the formation of Russian statehood and the emergence of super-
ior-subordinate relations. The tradition of presenting «reverences» and offering gifts as tokens of respect
to the official for performed work are the starting points in the origin of corrupt attitudes. Further on, these
«reverences» transform into bribery and extortion.

State employees perceive their official duties as commercial goods, which is the essence of corruption
that poses a real threat to the normal and lawful functioning of the government and its management per-
nel. Corruption became more of a norm, than an exception, also encompassing the political, authoritative and
economic elite. The situation is further complicated by the severe circumstances surrounding the state of cor-
ruption within law enforcement agencies.

Principal causes of corruption are the State weakness, a well-developed illicit economy, exploited
methods of privatization, political lobbying, and destruction of established social and legal control over ac-
tivities of state employees. Among factors that stimulate growth of corruption are: weak incentives for pro-
motion of state employees and a legal system that does not provide proper depiction of corruption within its
system of government.

Sustenance and development of corruption in the past 10–15 years allow us to stress on a number
tendencies of corruption: arising in the economic sphere, it rather quickly infiltrates the political sphere, de-
forming the government, legal system, economy and morality; corruption is interrelated with the under-
ground economy and amalgamation of corruption, the underground economy and organized crime causes the
state to lose its regulatory role and appropriation of traditional legal functions of the state; corruption and
organized crime become drivers for reorganization of a society; growth of crime and corruption serves as
evidence of changes within established social order. All this attests to the fact that emergence of crime under
such conditions, and in every form, becomes a vital element of economic life and is most profitable activity.

The extent of the modern system of state and government corruption and the manner in which it is dis-
played, intrinsically differs from all previous periods of Russian history. On the one hand, elimination of the
Soviet state controlling system created a void that supported the massive development of corruption, which
existed among state employees under the Soviet system. On the other hand, transition to a market system,
in its worst form, under Yeltsin regime, revealed new spheres of corruption. For example, illegal appropria-
tion of state-owned property, ample displays of lobbying by oligarchic and clan interests, support and financ-
ing of political structures in exchange for entrance of corrupt officials into authoritative structures, for pur-
poses of developing their own businesses.

Corruption acquired a socially institutionalized nature, becoming an element of the regulatory system,
which was interconnected with social, political and economic institutions. Institutionalization of corruption is
its transition from criminal acts by individual officials into a mass social phenomenon, which acquires a ha-
bital character within a country’s socio-economic structure. Among the specific causes that stimulated
expansion of corruption in the 1990s are: political instability; disintegration of the official system of control;
difficulties in overcoming a totalitarian regime; abrupt transition to a new socio-economic system which
lacked legal foundation and legal culture; and inexistence of private property during the Soviet period.

The cause for the persistent corruption is not that the Russian people are genetically programmed to pay
bribes, but that the state still sees them as its vassals rather than its masters. The job of Russian law enforce-
ers is to protect the interests of the state, personified by their particular boss, against the people. This psychology
is particularly developed among former (and not so former) KGB members who have gained huge political
and economic power in the country since Mr. Putin came to office. Indeed, the top ranks in the Federal Secu-
ritv Service (FSB) describe themselves as the country’s new nobility — a class of people personally loyal
to the monarch and entitled to an estate with people to serve them.

This new form of corruption is changing the structure of the Russian economy. Yeltsin-era corruption
ended in a privatization auction, even if it was a fake one. The new corruption, under Putin, ends in the na-
tionalization of business. Nationalization is not quite the right word, because sometimes state property is qui-
etly transferred into private bank accounts. Moreover, even where a business is formally controlled by the
state, the profits from share sales may never be collected.
Thus, specific features of corruption in modern Russia lie in its institutionalized nature, formation of corrupt networks and factual existence of a secondary (informal or shadow) authority. Such authority is based on corrupt relations that infiltrate all spheres of state institutions including social spheres (law enforcement, education, medicine, armed forces).

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