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Putin's Closed Government

By Boris Kagarlitsky

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There is a hard-and-fast rule on how new laws are passed in Russia: The most important legislation is usually approved with the least public discussion and debate.

Take, for example, the bill currently being considered in the State Duma that will allow public officials and businesspeople to conceal serious conflicts of interest, including their shareholdings in companies that have large dealings with the government.

Few outside of government and big business knew anything about the bill until information was recently leaked to the media. Nor did anyone know that the bill was heavily lobbied by the Russian Union of Industrialists and Entrepreneurs, or RSPP — unofficially known as "the union of oligarchs."

As oligarchs have increased their wealth over the past 15 or 20 years, another disturbing trend has emerged: Soon after high-ranking officials occupy their posts in government, their once-untalented relatives suddenly become ingenious, innovative and wealthy businesspeople — thanks in no small part to the fact that they have received generous government contracts.

The high concentration of capital in the hands of oligarchs and bureaucratic elite remains a distinguishing feature of Russia's still-chaotic form of capitalism that dooms it to pathological inefficiency. The bill proposed by the RSPP is just one more indication that the ruling elite are reinforcing their control over the economy.

The RSPP proposes that all criteria for determining shareholder affiliation be removed from the Civil Code. Lobbyists for big business also propose adding a "secondary liability of officers" to the code. In practice, this could mean that when a legal entity's property is insufficient to satisfy creditors' claims, some of the employees of that company would be forced to pay off those debts from their own pockets.

While in public statements government officials, lawmakers and big business agree that Russia should move toward greater transparency and stricter rules governing conflicts of interest, in practice — and behind closed doors — they are doing everything possible to achieve the direct opposite.

Even the Economic Development Ministry considered some of the proposals to be excessive. But more important, a schism has emerged between the RSPP oligarchs and the small and midsize business leaders, who have organized separate business associations and who clearly have different interests and concerns.

Over the past 12 years, Vladimir Putin and United Russia leaders have inundated us with flowery speeches and statements about the need to build a social welfare state. They claim to be committed to improving the lives of workers earning low salaries, modernizing the country and improving the transparency in government and state-controlled businesses. The overflowing concern for the common masses increased exponentially during the recent campaigns for the Duma and presidential elections.

But now that both elections are over, Putin and United Russia leaders can all go back to business as usual — that is, to defending the interests of those whom the authorities have always considered their primary constituency: rich and powerful politicians, bureaucrats and oligarchs.

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