

# Yakuninhof

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There have been several scandals over the palatial residences owned by Russia's most powerful elites. The first occurred in June 2009, when photos from a private airplane caught glimpse of "Millerhof," the residence built in the Moscow region and reportedly owned by the head of Gazprom that is a full-sized replica of the historic Konstantin Palace in St. Petersburg.

The second occurred in January 2010, when photos appeared on the Internet that reportedly was "Putin's palace" near Gelendzhik, not far from Sochi on the Black Sea. Photos showed a gigantic complex costing about \$1 billion that includes an amphitheater, winter theater, marina and an underground pathway to the beach.

The third scandal concerns the palace reportedly owned by Russian Railways head Vladimir Yakunin near Domodedovo, in the Moscow region, at which the bathhouse alone occupies 1,400 square meters. The limestone was reportedly brought in from Germany, the granite comes from Kazakhstan and the ponds were dug at a cost of 150 million rubles (nearly \$5 million).

A palace is not just a big house. In contrast to a house or apartment, a palace has several important features.

First, people don't just live in palaces; they run their fiefdoms from them. It is impossible to effectively run a competitive private business from a palace. The only entities that can be managed in this way are state-controlled companies, provinces or an estate.

Second, building and maintaining a palace requires nearly unlimited manpower. Either you use serfs, slaves, eunuchs or impoverished Chinese laborers whom you can pay subsistence wages, or else your finances are such that keeping up a palace is your primary expense, as it was for King Louis XIV. For that reason, not a single head of a market-oriented company can build a palace for himself. Not even Bill Gates can do it. But it turns out that Yakunin can.

Third, a palace requires courtiers. Its rooms and halls are specially built to accommodate numerous supplicants. Begging for privileges by sitting on one's backside in a palace is a fundamentally different form of communication and personal enrichment than earning money on the free market.

Fourth, in contrast to a house that receives regular visits by the mailman, or an office where clients come and go, only a chosen few are permitted to enter a palace. Most of the palaces of the world, including Sforza Castle in Milan and the Forbidden Palace in Beijing, are walled off from the outside world.

In the U.S., there are no palaces in the Russian sense of the word. Even the White House, which is essentially a palace in terms of its scope and function, is not owned by the president. True, he resides and rules there, but he must vacate the premises once his term in office ends.

Who had palaces in 18th-century England? Answer: Only the king and nobility — that is, only the people who obtained money through means other than labor. When Britain's Labour Party introduced heavy land and inheritance taxes, those palaces bankrupted their owners overnight.

Who owns palaces in 21st-century Russia? President Vladimir Putin and his inner circle. The very existence of "Millerhof" and "Yakuninhof" indicates that Gazprom and Russian Railways are not corporations in any free market sense of the word.

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