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## [Why Corruption Strengthens Putin's Kremlin](#)



The narrative that corruption and closed patronage networks is a threat to regime stability in Russia is widespread. From the earliest days following Vladimir Putin's presidency, Western analysts have claimed corruption would be a [threat to Russia's stability](#). The Kremlin also occasionally [pays lip service](#) to the idea corruption is a threat to modern Russia. As [dramatic exposés](#) and [systematic overviews](#) of corruption under Putin have been published with little-to-no impact on the regime, it is time to reconsider what corruption and the positions of the corrupt mean for regime stability in Russia.

The view that corruption has been a net negative for the Kremlin's authority and public support appears increasingly tenuous. In 1999, the last year of Boris Yeltsin's presidency, Transparency International ranked the country the [82nd least corrupt state](#), whereas the 2015 edition of the report saw Russia [rank 119<sup>th</sup> out of 168](#). To any neutral observer, it is clear that anti-corruption efforts have been superficial at best. Corruption remains a [major concern for foreign investors](#), is often cited as the major concern by domestic businesspeople, and is unacceptable to [much of the country's population](#). Yet there must be good reason for it to have flourished for 16 years despite these factors.

A key reason - if not the key reason - that corruption remains pervasive is that it has in fact boosted, rather than weakened, the Kremlin's hold on power. This is because it has allowed for the inter-generational transfer

of wealth and power, which in turn locks in support amongst elites, despite sanctions or the loss of foreign business and political partners. Although much analysis has been dedicated to the agreement reportedly reached between Putin's Kremlin and the oligarchic class who dominated Russia in the 1990's allowing oligarchs to retain their wealth if they [did not oppose the Kremlin](#), the evidence reveals the agreement extends beyond this to include protection of elites' children positions and the continuation of their parent's patronage networks.

The second-generation elite in today's Russia stretch across industries and politics but one finds a particular concentration amongst Putin's longtime friends and partners. Dmitry Patrushev, son of Security Council Secretary Nikolai Patrushev, serves as [Chairman of Rosselkhozbank](#) and was recently [nominated to join Gazprom's board of directors](#). Boris Kovalchuk, son of Yury Kovalchuk, the man behind the infamous elite-dominated [Bank Rossiya, sits on the board](#) of state electricity giant Inter RAO. Most infamously, Putin's son-in-law Kiril Shamalov, also the son of another Bank Rossiya co-owner Nikolai Shamalov, also [conveniently became Russia's youngest billionaire](#) over the past three years. Ivan Sechin was [awarded](#) the Order of the Merit of the Motherland for his services to the oil industry at the age of twenty five, despite having worked for the company where his father, Putin's former chief of staff Igor Sechin, serves as CEO for less than a year.

The argument that Putin maintains the loyalty of the security services by fashioning them into a 'new nobility' has been well documented [by Andrei Soldatov and Irina Borogan](#). If one accepts returning the security agencies' elites to power solidified their loyalty to the Kremlin, then the argument that securing the business and oligarchic classes' grips on wealth and power has also ensured their loyalty follows logically.

Andrey Andreyivch Guryev [succeeded](#) his father as CEO of fertilizer giant PhosAgro. The Kremlin undoubtedly approved of the move - less than a year later, Putin's former PhD advisor and campaign manager increased his stake in PhosAgro by 4.9% - [a stake bought off the Guryev's](#). Steel tycoon Vladimir Lisin's son Dmitry is likely another anointed heir, [sitting on the board](#) of a number of his father's companies. The son of Polyus Gold and investment magnate Suleiman Kerimov, Said, at the age of 21, [owns one in seven of Russia's movie theatres](#). These are but a few examples, and as Russia's elites age and their children grow, it is a trend that will accelerate in the coming years.

The Kremlin actively promotes the idea that the children of the elite will be protected. The daughter of St. Petersburg first mayor, Anatoly Sobchak, summarized the second-generation elites' main concern in a [quote provided to the New York Times in 2003](#), three years after her father's death while campaigning for his former aide, Vladimir Putin, "You live with the constant feeling that everything could be taken away tomorrow ... Fathers are rich today and in jail tomorrow". Today, Ksenia Sobchak is ostensibly a journalist, though one of means and who is one of the allowed to ask Putin [marginally sensitive questions](#). Sobchak, herself serves as a reminder to the Russian elite that their children can maintain their wealth and power, as she has, despite her earlier support for opposition protests. Some in the opposition see her as a Kremlin plant. There can be no doubt Sobchak is a representative of the elite system, with her reputation [as Russia's leading "it girl"](#) making good advertising for the fact Putin rewards allies' families.

Of course there are plenty examples of political and economic dynasties in the West, [in Russia's opposition](#), and the Russian elite's children are not completely protected, particularly when [public sentiment turns against them](#). Yet large inter-generational transfers of wealth and power have flourished for those that remain in the Kremlin's good graces. Those oligarchs and politicians who fall out of the Kremlin's favor, however, often see punishment extended to their families, as evidenced by former Moscow mayor Yury Luzhkov's sons after his 2010 fall from grace - one quickly [sold his advertising business](#) and the other [was fired](#) by a Gazprom subsidiary. As Professor Alena Ledeneva [notes](#), "owners of major enterprises are basically hostages. They can suggest their kids as hostages to take their place, but only Putin's system will decide whether to incorporate them or not". As Luzhkov demonstrates, this arrangement extends to members of the governments patronage networks as well.

Intergenerational transfers of power and influence were few and far between for decades before Putin's rise to power. Stalin's purges ensured that the children of the early Communists were barred from rising to the highest positions on the backs of their parents, as did de-Stalinization with regards to the descendants of Stalin's allies under Khrushchev. Although under Brezhnev there was [no comparable whole-scale purge of the previous elites](#), his rollback of Khrushchev's reforms and [promotion of his own patronage-networks](#) meant that

the children of the previous elite were blocked from significant positions of power. When Gorbachev came to power, elite turnover rates [doubled](#). Although a number of 'red directors' turned their late Soviet-era positions into positions of wealth and power for themselves and occasionally for their families under Yeltsin, there was no guarantee of such success, and the move of the [security services' elites to a more secondary role](#), with major consequences, has been extensively noted. Putin's attack on many Yeltsin-era heavyweights - Berezovsky, Khodorkovsky and Gushinsky to name a few - should not be downplayed, but by no means was this comparable with earlier Russian and Soviet purges, and was tied to their refusal to play by Putin's rules. Yet those who complied have been able to retain significant wealth and influence, as have their families. Nevertheless, the solidification of this will eventually face the same challenge outlined above, namely whether the intergenerational transfers can survive the death of Russia's titular leader.

For Putin to truly guarantee his hold on power, and the long-term loyalty of the elites, he will need to convince the oligarchs and power-brokers that their children and families' positions will be guaranteed even after he is gone. He must ensure the continuity of his system. For now, guaranteeing the position of second-generation elites creates the basis for the system to appear set for continuity. Any major anti-corruption drive would starkly challenge this security, whereas the continued hostility to genuine anti-corruption campaigners dampens concerns that there will be a base for de-oligarchization or the removal of political elites should there be a transfer of power. As a result, as long as Putin and his system remain, so too will corruption and the closed nature of patronage networks.

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