

The Business of Russia Is Corruption

By [Alexei Bayer](#)

September 19, 2010

The  **Moscow Times**

Not long after the smoke from the summer's fires had cleared away from Moscow streets, the city awoke to the amazing spectacle of multi-channel television attacks on Mayor Yury Luzhkov. The Russian bureaucracy has begun devouring its own kind, targeting one of the country's purportedly most corrupt officials.

Like everyone in Russia, I have my own opinion on what is happening. Prime Minister Vladimir Putin has worked hard since 2008 to shape President Dmitry Medvedev into his bona fide successor, which will allow Putin to retire into private life in 2012 and enjoy his reportedly vast fortune. Putin trusts Medvedev not to go after him when he relinquishes power, but Medvedev lacks authority to stand on his own two feet in the Byzantine corridors of the Kremlin.

How Medvedev handles the Luzhkov affair will test Medvedev's ability to take on a formidable opponent. Moreover, if Medvedev could dump Luzhkov and place his own loyalist as the new Moscow mayor, the country's most powerful post after prime minister and president, Medvedev would have a formidable power base of his own. But if Medvedev proves too weak

for the task and Luzhkov holds on to his seat, Putin could fire Medvedev and take back the presidency in 2012.

Whether my interpretation of the Kremlin intrigues — or anybody else's for that matter — is correct makes no difference. What matters is that knocking down Luzhkov presents a danger to the entire political and economic structure in Russia.

In summer 1990, I helped put together a documentary on a coal miner strike in the Donbass region. Two labor historians who taught at New York University had brought back priceless footage of spontaneous rallies, meetings with mining representatives and strike leaders and scenes at the mines. While we worked on the film, which was called "Perestroika From Below," the Soviet economy continued its sharp deterioration. Things only got worse in 1991, and after an abortive military coup in August 1991, the Soviet Union disintegrated.

It was then that I realized that those strikes might have caused the collapse of the Soviet economy and the state. The planned Communist economy was a rigid structure in which every enterprise got its input from a designated supplier and shipped its products to a predetermined customer. When a large enough link in the chain — such as the Donbass mines — stopped producing, its customers had no mechanisms to find other suppliers. The strikes caused insurmountable disruptions, which gradually paralyzed the entire economy.

Nothing I have read since then has provided a more convincing explanation for the sudden Soviet economic breakdown.

In the 1920s, U.S. President Calvin Coolidge famously said, "The business of the United States is business." To restate this expression to reflect Russia, "The business of Russia is government corruption." For the past decade, the Russia has been producing massive corruption, successfully turning top government officials and well-connected entrepreneurs into Forbes' A-list billionaires.

Russia's system of political corruption is rigid and tightly interlinked. Moreover, it is wedded to a highly inflexible and narrow political system. The system is diametrically opposed to democracy and a free market, which possess considerable flexibility to accommodate economic and political shocks. The real danger in the Luzhkov scandal is that if such an important, huge link in the corrupt chain as the city of Moscow is tinkered with, the entire state edifice might come tumbling down.

Alexei Bayer, a native Muscovite, is a New York-based economist.

The views expressed in opinion pieces do not necessarily reflect the position of The Moscow Times.

Original url: <https://www.themoscowtimes.com/2010/09/19/the-business-of-russia-is-corruption-a1545>