Double Standards as Modus Operandi: Mixing Business and Politics in Russia

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Abstract: Based on expert interviews (n=75) conducted between October 2018 and July 2019 in selected Russian regions, the authors identify several types of strategies used by businesses while dealing with the government. These include collusion, revolving-door affiliations, conflict of interest, 'voluntary' donations and other forms of support to the ruling party (and sometimes the opposition parties) in exchange for public contracts or preferential treatment. The study outcomes suggest that it is almost impossible to do business in Russia without using these types of strategies. The authors trace some of these forms back to the Soviet period and discuss possible remedies.

Keywords: Russia, Corruption, Informality, Collusion, Lobbying, Conflict of Interest, Elections

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1. Introduction

Many Russian CEOs are becoming more or less successful in mitigating or at least acknowledging corruption at the firm level (cf. reports of PriceWaterhouse, 2017, 2020; Shekshnia et al. 2013, 2014, 2017; HBR Russia 2017). The same Russian CEOs have completely different strategies when dealing with the government, however. The case that destroyed the Austrian government in 2019 − the video dating from 2017 showing the vice-chancellor of Austria offering a supposed Russian oligarch's niece public contracts in exchange for donations to his party (BBC 2019) – might be considered a well-planned operation by the intelligence community (Gyr & Gerny, 2019), but according to our empirical study conducted between 2018 and 2019, it seems to be business as usual in modern Russia: Russian CEOs very often provide significant financial donations to Russian political parties, especially during election campaigns, in exchange for public contracts and/or other preferential treatment. In our paper, we looked more deeply into the relations between businesses and the government with one main question in mind: why do Russian CEOs have double standards? Why do they fight against corruption within their companies, but practice corruption when dealing with the government?

The current debates in corruption studies go beyond both established approaches, such as the principal-agent model (Rose-Ackermann, 1978; Klitgaard, 1988) and the collective action model (see the recent discussions in Marquette & Pfeiffer, 2015), to focus rather on the failure of anti-corruption reforms and call for innovative approaches (Ledeneva *et al.* 2017). One of those approaches is the 'disaggregation' of corrupt practices (Heywood, 2017), which 'slices' the corruption 'elephant' into smaller pieces (Shekshnia *et. al.* 2017) in order to tackle it more efficiently. Indeed, academic literature suggests that corruption is acceptable if individuals believe that corruption is widespread around them and if they do not consider their activities to be corruption, but rather the way that things are (see the recent discussions in Ariely, 2010; Tavits, 2010; John *et al.* 2014; Corbacho *et al.* 2016; Denisova-Schmidt *et. al.* 2015, 2019; Zaloznaya *et al.*

2018; Denisova-Schmidt & Prytula, 2018). Double standards – 'denying, but also practising' (Ledeneva, 2018, p. 14) – are a modus operandi for many Russian CEOs; otherwise they would not survive in the system (Ledeneva, 2013, 2018a, 2018b). These double standards arise very often, especially in the paradigm of improper dependencies or 'institutional corruption' – situations where 'an institution with a presumptive purpose finds itself diverted by incentives that compromise its purpose' (Lessig, 2018, p. 188). With our paper, we aim to contribute to the growing literature on corruption and informality in Russia and beyond (Ledeneva, 2018a, 2018b) as well as to shed the light on the financing of election campaigns in Russia − a question that, like all aspects of elections in Russia, remains under-researched and difficult to analyse – not only in Russia, but globally.

Informality is an umbrella concept that refers to the social and cultural complexity associated with the non-transparency of social phenomena for outsiders: the unwritten rules, open secrets and hidden practices (cf. the previous works of Granovetter on weak ties (1982), the concept of informal institutions suggested by Helmke & Levitsky (2004) and the importance of ethnographic research for management studies highlighted recently in Torcello &Venard (2016)). The term 'informality' is often used to describe unplanned settlements as well as shadow, second and covert economies. Ordinally, informality is linked to poverty, underdevelopment, oppressive regimes, socialism and communism (cf. selected works by Gel'man (2004), Polese (2005), Aliyev (2015), Morris (2019), among others), but in fact informal practices are central for the functioning of every society (Ledeneva, 2018a, 2018b)[1].

The remainder of this paper is organized as follows: Section 2 describes the empirical design, stressing the role of the researcher and her personality in getting access to such sensitive data, while also discussing regional differences. Section 3 presents the results with regard to the key argument

[1] The 'old boys networks' (United Kingdom), *Vetterliwirtschaft/Copinage* (Switzerland), *Seilschaften (Germany),* pulling strings (UK/USA) and paid favours (UK) are just a few examples of the various techniques and the geography of informality. The first two volumes of the Global Encyclopedia of Informality published in 2018 by UCL included more than 200 entries from all five continents (Ledeneva, 2018a, 2018b).

of double standards in opposition to Transparency International's classification of practices that are well known to CEOs. Section 4 discusses possible remedies. Section 5 concludes.

2. Empirical Design

Our data set consists of 75 expert interviews − political strategists, CEOs and government representatives − conducted between October 2018 and July 2019. The majority of our respondents were male (37% were women) and the average age was 46. Almost all of the interviews were conducted in person, audiotaped and transcribed; only two interviews were conducted via Skype. The duration of interviews ranged between 45 to 150 minutes, with Russian, the native language of all participants, as the only language. Since the topic is very sensitive[2], we used only personal contacts and personal recommendations to recruit our respondents (the snowball technique). All interviews were conducted on the strong condition of anonymity by a very experienced researcher who has been working on these delicate topics for many decades and who has a high reputation as a person who has never broken an agreement on anonymity while conducting empirical research. This was extremely crucial when approaching potential respondents. Moreover, the researcher is a frequent guest on various Russian TV shows and a well-known expert who often provides comments on current issues in the national print media; her recognized visibility and personal charm was an additional credit in establishing a positive atmosphere of trust with interlocutors. The researcher applied various techniques depending on the respective interview partners:

1) The 'naïve citizen' approach

[2] In 2008, the European University at St. Petersburg (EUSP) – one of the leading universities in Russia − was closed, officially due to fire safety violations. The real problem, however, was 'a grant, given to one of the EUSP professors by the European Union for studying electoral behavior in Russia … the crisis was successfully resolved once the EUSP declined the grant' (Dubrovsky, 2017).

The role of the ‘naïve citizen’ who believes in real political competition during election campaigns worked very well with political strategists. This provoked the interlocutor’s desire to ‘open her eyes to reality’ and to explain how things really are. Considering that almost all political strategists were male, a kind of macho attitude towards female foolishness brought fruitful results, forcing political strategists to formulate their positions more sharply and cynically. It was an act of communication in the format of ‘an intelligent political strategist dispelling the illusions of a naive sociologist’. In this role, political strategists put on the appearance of being sincere, reporting numbers and surnames that in no way should have been made public.

2) The ‘equal partner’ approach

A completely different technique was applied with CEOs. The role of a ‘naïve citizen’ would irritate them and the interviews would be useless or even impossible. Moreover, CEOs often have a very busy agenda and when agreeing to give interviews, they always stress that they can offer only a short slot for a talk. At the beginning of the interview the researcher made it clear that she is very well aware of how elections are held and stressed that many interviews had already been conducted with political strategists who outlined the mechanics of the elections. After that, CEOs were ready to talk with a researcher that they considered an equal and competent partner. As a result, the discussion was very productive and the duration of the interview almost always exceeded the previously agreed scope.

3) The ‘ideological enemy’ approach

As for government representatives, almost all interviews began ‘on-script’ with their tedious monologue on strict adherence to the law, norms of democracy and equal opportunities for all candidates. Here the researcher used the provocation technique: she announced the use of an administrative resource (*administrativnyi resurs*) during the election, providing several examples from other (!) regions in order not to break communication with direct accusations. After this, the officials began to suspect the researcher of being a ‘advocate of democracy’, a kind of ideological enemy. The communicative framework was built on the tension of different views. Officials

stopped using their 'on-script' clichés and began (sometimes quite aggressively) to prove the correctness of the 'state approach' in terms of elections, self-exculpating their activities not for personal use, but for a country that must be protected from the 'liberals'. Going beyond the officials' slogans was associated with an imitation of the dispute, which forced officials to more clearly and explicitly express their positions.

These three types of approaches were used with different intensity and, when combined with the personality of the researcher, proved to be crucial in securing valuable study outcomes.

The study was done in four different regions in Russia: Moscow and St. Petersburg − two capitals with a significant business presence – as well as Kemerovo and Ulyanovsk. Kemerovo is the largest mining region in Siberia and Ulyanovsk is one of the largest industrial centres in the central part of Russia. In choosing these regions, we considered their loyalty to the local governments and the Kremlin in terms of voter turnout and expected results as well as their protest potential. Moscow and St. Petersburg are two cities with a substantial potential for protests, including non-system opposition[3] to the government, while Ulyanovsk and Kemerovo are rather resistant. At the same time, the Kemerovo region used to be home to strong protest movements in the 1990s. With varying degrees of intensity, mining incidents and other ecological challenges still occur in the region to this day, creating the potential for political instability.

Our study outcomes suggest that regional peculiarities are more visible with regard to big businesses. Businesses are very interested in controlling local development and therefore many municipal authorities are representatives of big businesses. The decision to get into politics is not often a candidate's personal desire, but rather a corporate decision (cf. Orttung 2004; Byshkova & Gel'man 2010). Our respondents, particularly the political strategists working on elections in

[3] There are two types of opposition in Russia: non-systemic (based on a bottom-up social movement and having almost no seats in parliament) and systemic (based on a top-down, more or less loyal relationship to the government, represented in the government; cf. Ross 2015). Gel'man (2015) suggests an even narrower definition: Systemic opposition are those who are fellows and 'junior partners of authoritarian regimes', while non-systemic opposition are those who are 'explicit rivals to the regime' (Gel'man, 2015, p. 178).

different regions, stress the regional landscape – 'there are no two identical elections' – but at the same time they generalize: 'everywhere is the same, we live in one country'. The main difference is the intent to use either administrative resources, financial resources or both. We also found regional differences in terms of sincerity of the respondents, especially in terms of 'commuters' versus 'locals'. Political strategists almost always work in regions where they do not permanently reside; as 'commuters', they are not dependent on local authorities and were more open in providing sensitive data compared to CEOs and local officials, who were in many cases 'locals'.

3. Results

Public procurement is a very problematic area in terms of corruption in many countries around the world. Within the framework of the DIGIWHIST[4] project, the data on tenders in public procurement were systematically collected and analyzed in 35 jurisdictions across Europe (the 28 EU member states at that time, plus the European Commission, Armenia, Georgia, Iceland, Norway, Serbia and Switzerland). The researchers looked more closely on conflicts of interest, income and asset disclosures, access to information and other possible miscounting The results are very well documented and recommend greater transparency and accountability in public procurement as well as tools for reporting corruption (Fazekas & Tóth, 2018; Fazekas & Kocsis, 2020). At the firm level, the purchasing department is also one of the problematic areas in terms of corruption in many countries. Bribery, collusion, conflicts of interest and other forms of misconduct are the concerns that many Russian CEOs have when dealing with procurement (Mironov & Zhuravskaya, 2016; HBR, 2017). Our data suggest, however, that these are the very forms of corruption many businesses use for dealing with the government. Corruption is often understood as 'the abuse of entrusted power for private gain' (Transparency International). This definition could

[4] DIGIWHIST (The Digital Whistleblower. Fiscal Transparency, Risk Assessment and Impact of Good Governance Policies Assessed) – Horizon 2020 project run from 1 March 2015 to 28 February 2018.

be criticised for many good reasons (cf. Heywood, 2017), but it is often used among firms in Russia. Our study outcomes indicate several common strategies for dealing with the government that can be labelled as 'collusion', 'revolving-door affiliations' and 'conflicts of interest' in terms of Transparency International, but apparently not by the stakeholders involved. For them, these practices are labelled as '*pobory'*, '*kormushka'* and '*svoi liudi vo vlasti*' (see Table 1). How does this work?

Table 1 about here

3.1 Collusion vs *'pobory'*

The local government (very often one of the deputies of the governor or someone who is very close to the governor) suggests a meeting with businesses and asks for a donation for an upcoming election campaign. The position of the person who is in charge does not matter. When asked about the separation between party obligations and official duties, one of the government representatives on our survey argues: 'How is it separate? Legally separate, but in reality, everything is merged. Everyone understands this. Business understands, and so do people'. He (often it is a he) suggests the precise amount of the donation and the way the donation should be made: a bank transfer to an election account of a particular party or a candidate, or to the party account, or to a company named by the government, or even a payment made in cash. There are other schemes in existence, but these are not as common. For instance, a company affiliated with the government sends bills to businesses, so the latter are expected to pay for bogus services. The businesses are perplexed − they did not order any of those services, such as a workshop on oratorical skills, for example. But then a person from the government comes in and explains that the businesses have to pay, because 'it is necessary' for the elections. Businesses thus pay for bogus services, and afterwards these funds are used during a particular campaign. Sometimes a company might suggest a donation in a non-

monetary form, for example, by providing goods and services needed for an election, such as 'volunteers' or transportation for agitators visiting potential voters in the regions (cf. Frye *et. al.,* 2014).

The value of a 'voluntary' donation depends on the size and successfulness of the business, as well as on its previous forms of cooperation with the government. If, for example, a company actively financed some government project in the recent past (e.g. carrying out sports tournaments, a city day, etc.), i.e. it had already sponsored government initiatives, then it can be left alone during elections.

The collected money is used to cover expenses on voters: presents[5], rigged lottery tickets and other incentives to attract voters to polling places), buying *kompromat*[6] (compromising materials on a competitor) from an intelligence agency, paying for 'blocks' in the media (preventing *chernyi piar* (Engl.: 'black PR'; Ledeneva, 2006) or, on the other hand, practicing it in order to create a positive image about a supported candidate and/or to discredit a competitor), bribes, hidden messages in the media or financing the printing of materials exceeding the declared quantity. According to our experts, a campaign's 'shadow' budget can exceed its official budget by several times and in some cases might reach up to 90% of the entire election budget (Barsukova & Zvyagintsev, 2006). Here and in what follows, we are analysing only the shadow budget. The legal budget exists, however, and includes publishing and distributing propaganda materials (fliers, newspapers), placing outdoor advertisements, creating and placing content for mass media as well as sociological research, salaries for agitators and an honorarium for political strategists. The legal budget is not flexible, however: there are some restrictions on donations from an individual and/or an organisation, and under certain circumstances, some businesses might not want to advertise their sponsorship and/or

[5] Presents might vary, from pens and pencils or other nice souvenirs to expensive gift certificates or even a new car or a new apartment.

[6] *Kompromat* – 'compromising materials used to control or exert power over others' (cf. Ledeneva 2018; Mesquita, 2018).

some officials might not be interested in disclosure[7]. Moreover, the official campaign might start only three months before the election, which means that the legal accounts may not be opened early and the money cannot be collected before that date. According to our experts, at least six months are necessary for a successful election campaign. In addition, there are significant regional differences in terms of legal budget: for example, in the gubernatorial election of 2015, candidates were allowed to spent R10 million (~155,000$) in Krasnodar and R200 million (~3.1 million $) in Rostov, or R2.5 (~0.04 $) per citizen in Krasnodar and R102 (~ 2$) in Kamchatka (Golos, 2015).

It is interesting to note that, in our interviews, the forced sponsorship of election campaigns was never called 'corruption' or 'collusion'; almost all of our interview partners refer to it as political *'obrok'* (tribute) or political *'pobory''* (requisitions). As one CEO explains:

> These are a kind of taxes. We must pay for what they call political stability, because we do business under them. It is logical, however, because as soon as the governor changes, a new redistribution of property begins. This is a tribute, a part of these game rules. You have to pay for being able to do business; otherwise someone else will take your place. No, I do not want to take this risk.

One of the main reasons behind these schemes is to stay in power and to manage all of the political parties in the country. This money is used to cover personnel costs such as salaries for agitators and political strategists, sociological research analysing the willingness to vote and preferences among the population, as well as other significant expenditures such as campaign materials and street posters. It is also used to organize various cultural events involving everyone from national stars to groups of children from local schools. These events have a complimenting effect: all potential spaces and halls that might be used by the non-systemic opposition for their events would be unavailable. Moreover, in order to increase the loyalty of the ruling party's electorate, the money is

[7] In Ulyanovsk, for example, many citizens were against the building of a hotel in a central park. The construction company responsible for the project was associated with the governor: apparently, this company was the main sponsor of the governor's election campaign. Neither party was interested in making this information public.

used to repair children's playgrounds, plant trees and other good activities that will be visible to the public in order to increase the positive image of the ruling parties. It should be stressed that this money is collected not only for the United Russia[8], but also for the other political oppositional parties that are loyal to the Kremlin (i.e., the systemic opposition) in order to imitate a multi-party system in the country.

One of the main reasons that businesses participate in these activities is to stay in operation and to be successful. In this way, businesses are buying security and preferential treatment. They do it because they understand the rules of the game, even if they do not play this game entirely voluntarily and with great enthusiasm. If businesses decide not to play this game, it will lead to a conflict with the administration of the district, city, region and country at large. 'United Russia' can force a business into such cooperation through the apparatus of executive power. Perhaps that is why there is no mandatory membership fee in 'United Russia': these contributions are all voluntary, so the party simply does not need them. The necessary finances are collected rather smoothly from businesses.

Businesses are very interested in having loyal relations with government, since their dependency on the government involves three main areas:

1) *Government as a customer.*

Formally, government agencies carry out tenders, but these formal competitions only legalize informal agreements that have been reached between business and government officials. Last but not least, the government may simply appoint the winners of the largest government contracts and bypass tender competition[9].

[8] United Russia (established in 2001) is the largest political party in Russia. The seventh State Duma – since 2016 till 2021 (the lower house of Russian Parliament) has four parties: in addition to the 'United Russia' (341 seats), 'Communist Party' (established in 1993, 43 seats), 'Liberal Democratic Party' (established in 1992, 40 seats), and 'A Just Russia' (established in 2003, 23 seats) (State Duma, 2019).

[9] The Russian media often calls such winners 'kings of government orders' (*koroli goszakazov*). They exist at both the federal and regional levels. Regular and impressive 'victories' are paid for through unconditional loyalty and

2) *Government as a regulator*

Loyal relations with the authorities can accelerate and facilitate the receipt of permits for various activities such as licenses for mining mineral deposits or for the production of alcoholic beverages, for example and sometimes represent an indispensable condition for obtaining them.

3) *Government as a supplier*

A business can benefit significantly if, for example, a regional parliament approves a budget for construction of roads or other infrastructure projects in an area where its projects are to be developed. In this case, businesses benefit significantly from governmental support.

As one government representative explains:

> Business owes us everything. There are the most favourable conditions for attracting investment in our region. And who created these conditions for them? Who passed these laws? Our parliament did, the majority of which belongs to the "United Russia." Our governor does so much for business! We are considered to be the most investment-active region across the whole country. Business owes us everything, it will never say "no".

Businesses finance elections to legitimize existing informal agreements. The improper dependencies between businesses and the government are very high. One political strategist, who conducted an election campaign in a Siberian region, argues:

> They paid me my salary later, in Moscow, when I returned. […] I will not name the company. Well, this is one of the major oil companies. I was told which office to turn to, and when I came, they pulled a lump of money from a lockbox for me. They did not deceive me; everything was as agreed with a client from Siberia […] This oil company in Moscow had no interest and no business in the region as far as I know and it is not intended for that region.

It might to seem weird that a company with no presence and no plans to expand into this region would pay for the campaign, but the political strategist did not find it weird as he explained:

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willingness to participate in any government projects, from the construction of the Crimean bridge to the Olympic facilities, including payment for election campaigns (Barsukova, 2019).

> They paid me for the victory of the ruling party as a whole, in a country in which they have a significant business interest. And where exactly this victory took place does not matter − these are all particulars. I am telling you, this is a very large company. It is important for this company to maintain the status quo as well as its agreements with political authorities. And if this power is threatened by a certain situation in any given region, including the North Pole for that matter, the company will pay as much as necessary and wherever necessary. So, I don't see anything strange. What matters for them is to keep the overall political situation in their favour.

Our data suggests, however, that businesses do not just take passive roles and expect the government to tell them what to do; instead, they often take the initiative themselves. The strategies they often use are revolving-door affiliations and conflicts of interest, both of which are again corruption in terms of Transparency International.

3.2. Revolving-door affiliations vs *kormushka*

Representatives of business might run for a mayoral position (or sometimes an even higher office) or just try to get a mandate for a deputy at one of the various levels of legislative power. They do this in order to spend some time in the government and to create benefits for their businesses. It should be noted that not everyone can just apply for a seat in the local government:

> Government is fenced off by a high wall. It is impossible to enter through a gate and say that you are such a great fellow, you have your own business, and you can share. Of course, they will take your money, but you will not receive a deputy's mandate. You have to negotiate with the government. You need to climb over a wall, and not go through a gate. "Climbing" means creating a situation in which government will itself call you and offer to join its ranks.

There are several steps before the nomination. Businesses are often advised to support various social activities and work on their positive public image beforehand. All of these activities should

be important for specific social groups or society at large, visible and – what is very crucial − apolitical. Then they can be elected and spend some time in the government creating good conditions for their businesses and return to the business sector later on:

> We have been working with one entrepreneur for a year and a half, and only now has she been approved and put on electoral lists. She became nervous after some time of waiting, and I told her: "calm down, they themselves must call you." Just paying will not work. They also face the need to renew the party, to get new faces in the elections. They are also searching; they need active people. We created for her a kind of service – the free legal advice for retirees. We sent law students there, who acted as volunteers. She paid them salaries for a year and a half. And it paid back: somebody above called her, invited her to meet with a vice-governor, and asked her to consider an opportunity to enter the City Council. Soon we will conduct her election campaign.

Some businesses might be so successful in tuning their image that the parties might even compete over them; as one CEO explains:

> I am not the last person in the city, and I immediately got an offer from two parties. But I didn't want to get in touch with the Communists, and [candidates] from the Just-Russians in our region would definitely not get any votes. Therefore, I decided to stand as an independent candidate. Although from the financial point of view, maybe it would be even cheaper for me to run with the Communists. During the pension reform, their mandates simply fell from the sky, and they had no normal people.

In general, there are two options to run: as an independent candidate or as a representative of party. The first option seems to be more common among businesspeople (Scott *et al.*, 2010). As for the popularity of official posts among businesspeople, the data from the Northwestern Federal District shows that, in 2011, 40% to 57% of the regional parliamentarians were businesspeople, with the most representatives in the Vologda region (62%) and less in the Nenets Autonomous Okrug (25%).

No other social group can compete with businesspeople on representation in the regional legislative branch (Sakaeva, 2019).

3.3 Conflict of Interest vs *'svoi liudi vo vlasti'*

Businesses pick candidates without formal obligations to those businesses, sponsor their campaigns and, upon successful election, expect the elected officials to pay them back in the form of favours for their businesses or other preferences. The chosen candidate might be, for example, a very popular sportsman or a very respected person in the region (such as a teacher or a doctor). This technique might be risky to some extent. An elected person might forget his or her obligations or might even receive more interesting offers from other businesses.

For example, the main 'investor' in the victory of General Alexander Lebed in the 1999 gubernatorial election in the Krasnoyarsk region was the Siberian businessman Anatoly Bykov, who owned the blocking stake in the largest aluminium factory in Siberia (Krasnoyarsk Aluminum Smelter). His criminal past ruled out the possibility of his own nomination for the post of governor, since the Kremlin would never have agreed to such an option at that time. This Siberian businessman made a bet on the general and led him to the victory. However, pretty soon Moscow-based financial and industrial groups (RUSAL) began to claim the assets of his factory. The case ended with the newly appointed governor taking the side of the Moscow groups. He allowed the initiation of the criminal case against Bykov, who was kept under arrest until his part of the shares became meagre during the additional emission of currency and securities (from 28% at the time of his arrest to 2% upon his release from custody). Afterwards, he was released and all charges against him were dropped as unproved (Volkov, 2005, p. 331).

Thus, the political ambitions of business require significant financial expenses at a preparatory stage, before the start of an election campaign itself. Businesses must cover the costs of:

- party sponsorship as a fee for getting onto the lists of candidates nominated by the party;
- salaries for collecting the signatures of the population for ‘self-nominees’;
- organization of socially significant activities to form a positive image for a candidate.

Finally, if everything is calculated correctly, an entrepreneur becomes an official candidate for an election and a campaign, which requires substantial financial investment, begins. It is important that only a small fraction of the costs is paid from a candidate’s official election fund. As a rule, the following articles of the budget, easily controlled from the outside, are paid for officially: circulation of campaign products, payment for placing materials in the media, outdoor advertising and the like. All other expenses are usually paid from an illegal electoral fund, including, for example, bribes to editors of the mass media to block materials defaming a candidate or paying ‘protest brigades’ that go to protest actions for money and imitate social discontent with activities of a competitor. Such expenses are quite numerous. According to one political strategist, more than half of the money spent during election campaigns is paid from unaccounted, uncontrolled sources. Campaign financing is like an iceberg, the tip of which represents what is reported to controlling bodies, but immeasurably more remains under the water.

4. What can be done against these improper dependencies?

4.1 Internal factors

Some governors might start playing against the rules, as in the case of Alexander Khoroshavin, the Governor of Sakhalin (2007−2015). Khoroshavin was accused of corruption; apparently, he demanded and received bribes from local businesses. He was found guilty and was sentenced to 13 years of strict imprisonment and 500 million rubles (~ 7,952,500$) of fines: the harshest sentence in the history of repercussions against senior officials in post-Soviet Russia. Meanwhile, the head of

the governor's office, Anatoly Makarov, escaped to Georgia. Fearing extradition to Russia, he wrote about his innocence on his Facebook account confirming that this money was only collected from businesses for election purposes: 'What the security forces call a criminal group is the election campaign headquarters of "United Russia." And what security officials call a bribe is the election fund of the same party'. One of our respondents, a political strategist, confirms this:

> The money that was collected from businesses in Sakhalin should have ensured the victory of "United Russia." A standard request came from the centre − to provide "United Russia" with at least 62% of the votes in the region. Makarov personally collected money from businessmen. Nobody was particularly afraid, because everyone works according to this scheme. There are no other options. I conducted more than a dozen campaigns, and business is always interrogated in search of money. And why then it turned into a "corruption case" we will never know. It means that somewhere the governor intervened and spoiled relations with someone.

4.2 External factors

One of the remedies might involve external factors that make it difficult to manage the voters, such as what happened with the pension reform of 2018, which raised the retirement age significantly (by five years for both genders: women from 55 to 60 and men from 60 to 65) and in a very hurried fashion. This had a direct impact on more than two million Russians who were planning to retire in 2018−19 and who were planning to keep their jobs and consider their upcoming pension as additional income[10]. The retirement age is still low compared to many western European countries, but Russia is a large country with a significant differentiation among its regions in terms of climate and standards of living. In some regions of the Russian Federation, the average life expectancy for

[10] The average old-age pension is one-third of an average salary in Russia; it is not enough to live on.

men does not exceed the new retirement age[11]. The pension reform sharply complicated the task of ensuring the victory of 'United Russia' in the elections of September 2018 (in 22 regions there were elections for governors, in five cities – mayors, in 16 regions – deputies to regional parliaments). This created a difficult situation for the local governments and for many political strategists. One of the successful tools was to create spoilers: that is, to support small parties in order to prevent the victory of the Communist Party[12]:

> Then suddenly the pension reform took place… People simply rebelled. We needed fundamentally different amounts of money to win in this situation. It was necessary to send a

[11] In 2017, the average life expectancy of Russians was 72.7 years: 67.5 years for men and 77.6 for women. At the same time, life expectancy for men in the Siberian and Far Eastern federal districts is less than 65 years (Regions of Russia, 2018). That is to say, the average man in Siberia and the Far East will not live to receive a pension.

[12] Sociological polls showed the concentration of protest potential around the CPRF (the Communist Party of the Russian Federation), the large parliamentary party led by Gennady Zyuganov. To prevent the protests, the list of parties admitted to the elections in different regions included the so-called 'spoilers' – small parties that were supposed to 'take away' votes from the Communist Party. In the Ulyanovsk region, for example, the 'Communists of Russia' party acted as a 'spoiler'. It was obvious that some voters would simply confuse the names and vote for this small party, which would weaken the position of the Communist Party. It is interesting that the election campaign of the 'Communists of Russia' was led by the same political strategist who was responsible for the victory of 'United Russia'. The political strategists of the 'party of power' per se developed and implemented the election campaign of the 'Communists of Russia' in order to ensure the victory of 'United Russia' by taking away votes from the 'Communist Party of the Russian Federation'. It is interesting to note that the entire campaign of the spoiler party (the political program, slogans, content for the media, etc.) was thought out and organized at the headquarters of 'United Russia'. In the Ulyanovsk region in the fall of 2018, the slogan 'Mackerel is the fish of the future' was invented on behalf of the 'Communists of Russia' for those who appreciate humour and who go to elections 'just for fun'. The party leader was given a written speech, which he read to reporters, that sharply criticized 'United Russia' and said that if things kept going this way, the mackerel (a cheap fish) would eventually become a delicacy. The absurdity of the situation was that the 'Communists of Russia' received 6% of the votes and a deputy's mandate in the regional parliament, which was a complete surprise for this party. The 'Communists of Russia' did not count on this victory, but were just fulfilling the role of a spoiler (Barsukova, 2018).

> dozen parties to the elections – the "Women of Russia" and whatnot, the "Green Party," and the party of disabled people for that matter. It was necessary to put out the fire, to share the protest among a dozen parties ... And for that, all these parties needed to be pumped up with money so that they could somehow stand out and attract voters.

4.3 Rationale

Official donations are also possible, but only from profits remaining after taxation. This is very 'expensive' money for businesses; who therefore seek to form party tranches as well as transfer money to election funds using pre-taxation income. Business shading (the concealment of turnovers and tax evasion) is meant to compensate for the burden associated with financing political processes. The government understands this very well. Businesses will not survive through double taxation – neither economically nor 'politically'. Therefore, the government 'turns a blind eye' to the shadow economy of its sponsors, while sharply enforcing the repression of those who invest in politics outside the agreed scenario.

Moreover, this type of relationship between businesses and the government is not new (cf. Frye, 2002). It used to be nearly as common in the Soviet era. The only differences are most likely the fact that some of these businesses might be private, so it is not only the state companies that are participating in this game, and in the USSR, there existed only one party – the CPSU (Communist Party of the Soviet Union). In the Russian Federation, on the other hand, a number of parties is necessary in order to maintain the democratic facade and the imitation of competitive elections. Shadow lobbying for an appointment to a post was practiced by the shadow business in Soviet times. After *Perestroika*, for example, the materials of the closed Plenum of the Azerbaijan Communist Party were published. At this Plenum (1970), the situation with the 'purchase' of posts in the republic was discussed. The prices were so incompatible with the official earnings of the Soviet people it was obvious that large investments in a shadow business were taking place. The

position of the first secretary of the district committee of the Communist Party (*raikom*) was 'available' for R200,000 (180,000$), while the average monthly salary in the country was only R257 (231$) (Bondarenko, 2002, pp. 94−95).

It actually seems to be a win-win situation for both businesses and the government in a short-term perspective: development and success as well as personal protection against arrest or business seizure by security services for the former and regulated elections with expected results for the latter. In a long-term perspective, however, the political agenda in the country will hardly be changed: Moreover, some businesses might use their connections to the government to eliminate competitors. Last but not least, the money collected for the elections is not transparent and controlled, making the chance for misuse for private gain real and significant. One government representative commented on the loss of a governor in a region he serves:

> How does anyone know how much real money has been raised? Because the contractors in this whole story never know how much they took from another. Even with the direct question of how much you passed, no one is interested in giving the real amount. Everyone here is talking about five billion rubles [~76 million $] that were collected by the governor for the election. What has he done with these five billion? There were only several billboards throughout the city. Or maybe he looked around and realized that he couldn't earn so much in his position as a governor in his entire life? Purely *popilili*[13] and departed, this is also an option.

5. Conclusion

[13] '*Popolit*', from '*raspi',* 'refers to a range of practices such as fraud and theft of taxpayers' money through the state purchase of hugely over-priced goods and services; schemes used by commercial, banking and investment companies based on trading at negotiated rather than market prices' (Ledeneva, 2013, p. 276).

Russian CEOs have double standards: they 'disaggregate' corrupt practices to those who might damage their businesses (within their companies) and to those who can benefit their businesses (when dealing with the government), and they are more or less successful on both fronts. This is not a symptom of a mental disease; it is a modus operandi in the current Russia. Mixing business and politics is a global challenge.[14] Political Action Committees (PACs) that raise unregulated money to be used on behalf of candidates and groups making those donations voluntarily in an effort to elect or sway a politician in the United States (Lessig, 2018) or the aggressive lobbying and outsized influence of selected businesses on politics in Germany (Elsässer *et al.*, 2017; Heiny, 2019) are just a few examples of improper dependencies between business and politics around the world. The Russian 'shakedown' system, where government officials blatantly request money to be donated to their pet projects, 'PACs' or unregulated lobbying, is unique in terms of the additional functions it aims to serve: to manage the largest and one of the most resource-rich countries in the world – or, in the words of one CEO, 'to keep the political stability'.

[14] Nor is mixing business and politics a new challenge: consider the case of French president Jules Grévy (in office 1879–87), who resigned due to several corruption scandals, including political opportunism) (cf. Barsukova, et. al. 2018).

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Table 1: TI classification vs classification as known to practitioners

Definition	**TI term**	**Practitioners term**
'A secret agreement between parties, in the public and/or private sector, to conspire to commit actions aimed to deceive or to commit fraud with the objective of illicit financial gain' (Anti-Corruption Glossary, 2019)	'collusion'	*'pobory'* (Engl.: requisitions, tribute)
'An individual who moves back and forth between public office and private companies, exploiting his/her period of government service for the benefit of the companies they used to regulate' (Anti-Corruption Glossary, 2019).	'revolving-door affiliations'	*'kormushka'* (Engl.: sinecure)
'A situation where an individual or the entity for which they work, whether a government, business, media outlet or civil society organisation, is confronted with choosing between the duties and demands of their position and their own private interests' (Anti-Corruption Glossary, 2019).	'conflict of interest'	*'svoi liudi vo vlasti'* (Engl.: 'own people in the power')