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A world of privilege at stake for Putin loyalists

By Kathy Lally

The demonstrators who have turned out in the tens of thousands to protest Vladimir Putin's rule are confronting a deeply entrenched power structure that winds through government and industry, extracting great profit and heavily invested in the status quo.

Those relationships give a network of bureaucrats, businessmen and corrupt hangers-on a vital stake in the March 4 presidential election. A Putin victory would protect their privileges. For Putin, simply winning is not enough. A first-round mandate would remind those who might doubt it that he has all the strength needed to defend reliable followers.

The top echelons of government and industry are filled with Putin loyalists - many of whom served with him in the former KGB - and government jobs throughout the country come with opportunities to make far more than an official salary.

The most successful have expensive property, investments and big bank accounts abroad. They send their children to study at the world's prestigious universities. They live in fancy houses, all while earning relatively small government salaries. Friends of Putin built him a billion-dollar palace, according to a whistleblower's account published in The Washington Post and strenuously denied by Putin's spokesman.

Putin and a circle of his friends control 15 percent of the gross domestic product, according to a study by Russian journalists and economists published in the New Times magazine. Russians routinely call their country corrupt, but Andrei Illarionov, a former Putin economic adviser, said few understand the size and depth of the corruption.

State-controlled [Gazprom](#), the world's largest gas company, offers an example of how the system works. [Gazprom](#) represents about 10 percent of Russia's GDP, which the World Bank put at \$1.47 trillion in 2010. It not only produces extraordinary wealth but also owns a host of subsidiaries, including TV stations that reliably reflect official tastes and messages.

As Putin was tightening his command over Russia after becoming president in 2000, [Gazprom](#) was a priority. In 2001, he made Alexei Miller, an old friend from St. Petersburg, the chief executive. The next year, another St. Petersburg stalwart became chairman of the board. That was Dmitry Medvedev, who went on to become Russia's president in 2008, when Putin had to step aside because of term limits and became prime minister.

In September, Medvedev said he would give up the presidency for Putin to take it back. That swap helped set off the protests that began in December with a demand for honest elections.

"Putin controls [Gazprom](#)," said Illarionov, who worked for Putin from 2000 to 2005, when he criticized the stifling of democracy and resigned. "Certainly he doesn't own it legally, but if he issues an order to Mr. Miller, it will be fulfilled."

In Putin's Russia, the political power, government structure and a substantial chunk of economic resources are controlled by a network - what Illarionov called a corporation - of "siloviki." The word comes from the Russian for strength and refers to officials from the police, military and secret services.

"They own the political system and the whole country," said Illarionov, now a fellow at the libertarian [Cato Institute](#) in Washington. "It's a huge chunk of national property and a huge chunk of financial flows - billions of dollars."

The siloviki, who were feared and respected in earlier times as the guarantors of Soviet power, lost their bearings after the Soviet Union collapsed in 1991. The temporarily free press battered them with derogatory accounts of the heavy KGB hand. They felt abandoned and humiliated by the state that had recruited them.

When Putin took over, the siloviki were ready to take their share, said Kirill Kabanov, a former KGB officer who now runs an anti-corruption organization and serves as chairman of the Presidential Council on Civil Society and Human Rights.

"That was the mentality," he said. "Take care of each other."

The nascent democracy of the 1990s got in their way as they built their state corporation. "When have you ever seen democracy in a corporation?" Kabanov asked. "Their goals are not to serve the people. They serve the corporation."

A vertical of power

Moscow's New Times magazine recently published a 16½-by-29½-inch chart diagramming the positions and relationships of 104 influential people in government and industry. Among those holding 22 posts closest to Putin, at the top of the power structure, 14 are former KGB associates and the others are either trusted colleagues from his home town of St. Petersburg or close friends.

Former KGB colleagues fill the posts of vice prime ministers, and ministers of interior, migration services, mass communications, transportation and customs agencies and the secretary of the security council. Others fill top jobs in banking and finance, gas and oil, railways and airlines, construction and other industries.

Bureaucrats far from Putin benefit from the system he created - what he calls a vertical of power, giving him authority from the very top to the very bottom of governance.

Olga Kryshtanovskaya, a sociologist who heads the Center for the Study of the Elite at the Russian Academy of Sciences and has spent years examining the power structure, said corruption is based on high-level officials allowing the lower levels to keep whatever they can collect - as long as they remain loyal.

But the rules are unwritten and can be changed without notice. A whiff of disloyalty and prosecutors are investigating just how a big country house was acquired. The courts and police are part of the system, so there's no rule of law to sort through right and wrong.

"How do you fight against it?" Kryshtanovskaya asked. "Put the whole country in jail?"

Putin himself seemed to echo her words in an article he recently published in the Kommersant newspaper, in which he promised to make the country more democratic.

Putin, a history buff, pointed out that corruption has a long tradition here and recalled Czar Nicholas I declaring a war on corruption in the 19th century. "Do you think there will be anyone left around you?" his chief of secret police demanded.

In the 1990s, Putin said, teenagers dreamed of becoming wealthy oligarchs. Now they aspire to government jobs. "Many view public service as a source of fast and easy cash," he wrote.

He blamed the corruption on the system he created, without acknowledging it was his.

"To get the upper hand in the fight against systemic corruption," he wrote, "we need to divide not just power and property but executive power and the system of checks over it."

If he actually created a balance to executive power, Putin would be dismantling the very system he built. Opposition leaders doubt he intends to do so and suggest his words are campaign talk that will be forgotten after the March 4 election.

Putin began his first term as president in 2000, and soon began striving for unchecked power, promising stability in return. He used a terrorist attack on a school in Beslan in 2004 to justify making the country's governors appointed instead of elected. He installed those he trusted most - fellow officers from his first career in the KGB and colleagues from his second career in St. Petersburg's city hall - in high-level jobs.

The result, said Marina Litvinovich, a journalist and blogger, is a web of about 50 families that make the country's political and economic decisions.

Clinging to authority In a February 2010 State Department cable later published by WikiLeaks, the U.S. ambassador to Russia described the Moscow city government as infused with corruption involving almost everyone at every level. There was even talk of officials reportedly entering the Kremlin with money-stuffed suitcases.

So far, Putin has offered protesters little satisfaction beyond ordering the purchase of webcams to monitor polling places for the March 4 presidential election and promising that direct elections of governors would be restored.

It will not be the demonstrators who eventually undermine Putin, said Nikolai Petrov, a scholar at the Carnegie Moscow Center, but the privileged, who some day will decide they need a new, more relevant sponsor.

"It will be the political elite who bring change," he says. "If they are not capable of changing the leader, the leader will take the system to disaster and be replaced by a different system."

The elite have shown no signs they are willing to cede authority or privilege.

"To give up all this?" Illarionov said. "Their business assets and residences? Their palaces and country houses? Their bank accounts and control over financial flows? Their power and influence within Russia and abroad? And why? Because 100,000 people gathered in Moscow streets?"

"They will be trying to stay in power for a long, long time. Forever."

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