

Abuse of Power: Corruption in the office of the president

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Corruption is systematic – nobody in power is remotely clean

In 1999 and 2000 a trusted member of the Ukrainian President's security detail started bugging the President's office to capture conversations. The participants, and the subject of the conversations are a Who's Who of Ukrainian politics since its independence. The crudity of the language and the schemes used by the politician/businessman involved to steal public money and to frustrate one another are appalling. Not one character in the entire book comes out untainted.

The book appears only in English so far. It is not especially well edited, but it does appear to be thoroughly researched, authentic. Though it is about Ukraine, I start with a discussion of corruption in the United States and elsewhere, looking for a comparison.

It is not a shock anywhere that politicians are corrupt. Every politician in every country gives in to temptation. All depend on money for election, and the vast majority of them go into politics as a way to acquire power, money, and the things that go with them. The difference is that some cultures instill behavioral curbs on politicians' self-serving interests. The citizens of Utah, for instance, will not put up with the same kind of misbehavior as the citizens of Chicago. Louisiana governor Edwin Edwards observed in 1983 that "The only way I can lose this election is if I'm caught in bed with either a dead girl or a live boy." If the electorate doesn't hold politicians responsible, they generally are not. Edwards was later convicted of racketeering.

The new politician arriving in Washington, where I lived for 30 years, finds that in order to be effective he has to join coalitions. You scratch my back and I scratch yours. Even in the cleanest of systems, representatives trade votes. But of course, there are no clean systems. A new politician's introduction to Washington includes introductions to the powers that be among the party hierarchy, the lobbyists, the political action committees and the donors. Even taking money out of the equation, a politician needs friends in order to get things done and get reelected. Therefore one sees blocks of vested interests such as the New York senators strongly supporting banking interests.

How, then, is Ukraine so much more corrupt than the United States? There is an absence of consequences. When American politicians go overboard, as Richard Nixon did in Watergate, Clinton did in the Monica Lewinsky scandal, Governor Spitzer did with prostitutes and Congressman Weiner did in promiscuously sexting

random women, some part of the public gets angry enough to demand action, and other politicians, seeing which way the wind is blowing, dismiss them from office. The same happens in Western Europe. Dominique Strauss Kahn was brought down by a sex scandal.

The difference in Ukraine seems to be that no scandal can be damaging enough to bring down a presidency. These tapes were created in the first place with the hope of discrediting President Kuchma enough to flush him out of office. It simply did not work. Nobody has seriously denied the authenticity of the tapes. It was enough simply to rule that they were obtained illegally, and therefore not admissible as evidence in legal proceedings. Revelation of the activities documented in the tapes did not cause enough embarrassment to force anybody to resign. The politicians captured on these tapes straightforwardly deny even the most obvious transgressions. They change their stories often, flat contradicting what they may have said earlier with no embarrassment or shame. The tortuous journey of these tapes themselves, from the President's office to final publication, was monumentally complex. The interested parties, the chain of possession, the deals and double-crosses are so mind-boggling as to create a plot that a fiction writer would be embarrassed to compose.

Why is there no embarrassment? The low level of political awareness on the part of the public is one problem. It is compounded by problems in the press. Just about every media outlet is controlled by some oligarch or another. A lot of news is simply never reported. Other news is reported in such a contradictory fashion by the various news outlets that even people who care despair of ever figuring out the truth. This book does a good job of describing how a fog of doubt was created surrounding even the most blatant misdeeds. It is worth adding that American spin doctors and lawyers, such as Alan Dershowitz and Washington law firm Akin, Gump and Strauss, are not above collecting rich fees for preventing oligarchs from being accountable for their actions.

The book covers the roughly 20 year period from Ukraine's independence up to the present. Some things have improved. A bloody war was fought during the mid-90s between rival mafias in Ukraine, Tatar on one side and Jewish on the other, mainly in Donetsk. The Jewish leaders were almost entirely wiped out, and the Tartars sustained grave damage. Some of today's leading oligarchs are among the survivors. The current president earned his spurs supporting the mafias and associated politicians, and secured his power using the crude, heavy-handed but effective techniques perfected in the Donetsk oblast cradle of power.

The level of mendacity and doublecrossing is appalling. No politician seems to have been able to trust anybody else. If there is a single instance documented here of

two people remaining loyal to each other over the long run, I didn't see it. This absolute lack of integrity in dealing with one another would seem to make it extremely hard to run a government, or to stay in power. It seems to be a legacy of traditional Russian management. In the seven centuries since the time of the Mongols, power has been concentrated to the extent possible in a single set of hands. Underlings are simply not trusted, and because they are not trusted, they are given a minimum of information and authority. It is a cultural trait that will probably take a long time to disappear.

One upshot is that there is not much difference between business and government. A businessman has to be in government to protect his interests. Being in government also confers immunity from prosecution, which is a strong inducement for many people to seek office. A person can be elected to Parliament (the Rada) on a party ticket, which means that the oligarchs can pretty much control who is elected. This book documents that it is quite easy to induce people to change parties with the right combination of threats and enticements. The party in power is able to persecute enemies through the tax authorities and courts. This is well documented in [How Russia Really Works: The Informal Practices That Shaped Post-Soviet Politics and Business \(Culture and Society after Socialism\)](#) and [Cultures and Organizations: Software of the Mind, Third Edition](#) which I also review.

Ukraine has matured over its 20 years of independence. Today's generation of oligarchs got rich by stealing the most obvious plunder from the remains of the Soviet empire. There is not enough booty left to spawn a new generation of similar oligarchs. Today's game is to steal it from one another via the corrupt system of courts. Diverting money from the public coffers, and the proceeds of foreign loans, are also ways to line one's pockets. It is not as lucrative as in the past because the Ukrainian people are already under a seemingly maximal tax load, and foreign lenders are getting wary. Quite a few wealthy people in modern Ukraine have earned their money more or less honestly: creating businesses that satisfy genuine customer needs. Some sectors of the economy are even quite competitive. Retail business, agriculture, and software are relatively clean.

It is perversely satisfying to note the respect shown for human life even among those who would take it. Rather than simply being murdered, journalists are beaten up, imprisoned, or forced to emigrate. The few who get murdered are the hard cases who don't take the hint. In contrast to African countries where political murder is a daily fact of life, Ukraine looks rather civilized.

The first generation of oligarchs were crude men, often from village backgrounds. Many came to power in brutal, physical confrontations. Many are uneducated, and not very articulate. The generation coming after them are better educated, more

worldly, and more articulate. It includes the sons of these pioneers, and strivers who rise through the ranks. They may not be any more moral, but they are more polished and probably less inclined toward violence.

The top echelons of oligarchs, whether they got their money through outright theft or by actually providing some economic value to customers, are inclined to use professional managers. American law firms and accounting firms are prominent in the capital. The companies that the oligarchs own are increasingly publicly held, traded on Western exchanges such as London, Frankfurt or Warsaw. Management has a strong interest in getting unqualified opinions by respected Western auditors. Like it or not, they are being led into Western modes of financial reporting, and becoming accustomed to coverage by the financial press. If they want favorable treatment, they have to act somewhat like gentlemen.

While there may not be much promise of a broad-based democracy emerging in Ukraine, the rise of this new cadre of professional managers would seem to foreshadow an improvement of the business climate. Just as in Communist China and Vietnam, the politicians will find it increasingly in their interest to allow businesses to succeed. Just as in those countries, the path to free competition, transparent reporting, and an end to bribery and favoritism will at least be long, and maybe unending. However, it seems reasonable to expect that the types of crude shenanigans documented in this book will seem embarrassingly out of place within a generation. Democratic or not, one might hope that stability alone will enable the country to realize a higher fraction of its economic potential.