



# A Governor Who Loves to Spend

By Artem Ivolgin

*Translated by Arch Tait*

February 2017

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<sup>1</sup> The best way to bankrupt a region: the example of Samara and Mordovia.

Governor Nikolai Merkushkin has been head of Samara Province for four years now, and for 17 years before that he was in charge of neighbouring Mordovia. This is a bureaucrat who famously said, 'If you bring in 97 per cent of the vote, you have the right to ask for, and even demand, what you need from the authorities.' He also suggested the place to seek funds to pay arrears of wages and salaries was the US Embassy. This is a politician with a magic touch for ensuring that regions entrusted to his care rapidly become poorer, and turn from being net contributors to the federal budget to areas in need of subsidy, that they sink down the standard of living rankings, but vote more lavishly for the party in power, in some cases even overshooting the 100% mark.

In the past, when I visited Samara it was a pleasure to see the city coming to life, changing from the grey, dismal, hungry, impoverished Kuibyshev of Soviet times into prosperous Samara. But then its progress seemed to stall. Building continued, of course: numerous grandiose churches appeared, expensive mansions were inserted, like false teeth, into the old quarters of the city centre, business centres and elite high-rise buildings with poetic names sprouted. But development relevant to the lives of everybody, rather than just the local elite, ground to a standstill.

Driving along the roads of Samara now is like riding a bucking bronco at a rodeo: the roadway is pitted not just with potholes, but trenches, subsidence and craters, as if the war ended not over seventy years but perhaps just seven months ago. Vehicles get stuck in them so regularly that the local news programmes often begin, 'Another car has fallen through the asphalt ...' With the 2018 FIFA World Cup imminent, there is currently a drive to do something about the state of the roads. Some of the football matches are to be played in Samara, so a certain amount of touching up and cosmetic repair are bound to happen. According to critically inclined local observers, however, road construction and maintenance has become a smoothly run, large-scale project for embezzlement of funds. In some instances, one and the same stretch of highway has work projected and contracts awarded twice over and, if the documentation is to be believed, some aspects of the work are shown as having been carried out three times. There is smoke and mirrors over the acceptance and payment of work by one and the same contractor, at one and the same time, for precisely the same stretch of road, only at different prices. The cost of materials is inflated, the amount of work carried out is overstated, and there is the traditional nice little earner of 'shrinkage' and 'compacting' of road width. Thus, while the documentation tells us the width of the Moscow Highway is 24 metres, in reality it is 23.6 metres, which the local Communist Party branch calculates, allows at least 8.9 million rubles' worth of road to 'evaporate' in favour of the contractor. The local Communists also estimate that fraud in the course of reinstating the Moscow Highway alone has lined someone's pockets to the tune of 64 million rubles.

The poor state of the roads and pavements in Samara is visible, however, only during the hours of daylight. At night it is safely concealed by an almost complete lack of street lighting. This at least helps to mask the scandalous amount of mud in pedestrian areas and on the roadway. It is as if public services in this provincial capital have been abolished. In winter, snowdrifts on the pavements reach heights that would tax the skills of an ice climber.

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<sup>1</sup> This paper was written for the Russian Service of Radio Free Europe / Radio Liberty. It can be accessed at, Ivogin, A. 'Den'gi kaman gubernatora ne tyanut', *svoboda.org*, 23 October 2016, available at: <http://www.svoboda.org/a/28067548.html>

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Samara's famous historic centre still exists, although it is neither intact nor in a good way. Pre-1917 buildings, whole districts of privately owned single and two-storey houses of sometimes quite unique architecture, still delight the eye. Many, however, bear signs of fire damage, and others have been reduced to a pile of ashes. This is not the result of carelessness involving primus stoves or heating: it is commonly the work of hired arsonists working for very specific developers. The houses are in the city centre, the land is valuable, and all these *izbushki* are just an obstacle to profitable redevelopment. Their occupants have lived here for many years, for generation after generation, in some cases, since the nineteenth century. Their houses may be old but they are right in the city centre, their 'plumbing' may be out in the yard but they have their own flower beds, vegetable gardens and garages. The residents have no wish at all to move to a faceless high-rise apartment on the outskirts of town. So the 'specialists' are called in and soon, on the funeral pyre of gems of wooden architecture, unlovely skyscrapers rise. The saga of arson in the historic centre is not a recent phenomenon – it was not unknown when Konstantin Titov was governor [between 1991 and 2007 – Ed.] – but unexplained blazes have become far more common in the past few years. 'When,' as Mikhail Saltykov-Shchedrin wrote in the nineteenth century, 'was there ever a bureaucrat who did not consider Russia a pie from which he could cut himself a slice?'

### **The late Allen Dulles versus Nikolai Merkuskin**

Recently, for the umpteenth time, there has been a rumour circulating of the impending retirement of Nikolai Merkuskin, governor of Samara. It is even claimed that Vladimir Putin has signed the decree to remove him but, as the succession has yet to be agreed, no action has been taken. Merkuskin's possible disgrace has been linked with discontent on the part of Ella Pamfilova, Chairwoman of the Central Electoral Commission, said to be intending to complain to Putin about the governor of Samara's excessively gross abuse of the state's administrative resources in the recent election campaign. At the same time, Natalia Baranova, a member of Local Electoral Commission No. 2902 of Samara's Lenin ward, presented herself at the regional prosecutor's office to admit that the 18 September 2016 elections in Samara province had been rigged from start to finish. Indeed, nobody had even bothered to count the ballot papers: the members of the local commission had merely signed blank forms announcing the election results, and these had subsequently had the requisite numbers written in.

If we take a look at the past form of Governor Merkuskin and his team, this seems entirely probable. A pamphlet published before the election by his administration ('Listen, Hear and Support Each Other. The Governor's Team', Samara, 2016), complains that in Samara province 'over the past 15 years there has been a low turnout for elections and a low percentage of the vote "FOR" the party of government and the leaders of Russia.' Kuibyshev, 'the most active city during the Soviet period,' the authors recall nostalgically, 'in terms of election turnout in the 2000s has performed worst of all the cities [in the Russian Federation] with a population exceeding one million.' As a result, 'the vote for the leading political force, the party of government, and national leaders, has for the last 15-20 years in the city of Samara been among the lowest in the province and the country.' In contrast, 'our neighbours actively supported the country, delivering a high turnout and a high percentage of the vote "FOR" the party of government. They thereby gained an appropriate attitude towards themselves and ensured they received support.' In other words, they were duly rewarded. 'Among other things, these election results have enabled Tatarstan to attract to their region, over the past six years alone, 2.26 trillion rubles of investments. The greater part of this was from the federal budget.'

Is this not disarming frankness? In one of his pre-election addresses, Governor Merkukskin summed up his philosophy in a single phrase. 'If you have 97 per cent of the vote,' he said, referring to votes for United Russia, 'you have the right to ask for, and even demand, what you need from the authorities.'

In the run-up to the election, the governor of Samara issued another pamphlet, which is even more outspoken than his campaign exhortations. He denounced the machinations of the US, both against him personally and against the province entrusted to his tireless stewardship. Western intelligence agencies, he claimed, had launched a powerful cyberattack targeted at the province's administration, 'primarily because Samara province has begun actively to emerge from the chaos into which these forces are trying to drag the whole of Russia.' 'Now that the region is becoming one of Russia's political mainstays, they are doing everything they can to disrupt the process.'

According to Merkukskin, 'in order to destabilize the situation, text messages are scattered everywhere, rumours are spread that the governor has died, hundreds of provocative sites have been set up and, using money from Western puppet-masters, flyers are put up and newspapers distributed.' All this is happening because 'our opponents, as followers of the ideas of Allen Dulles, do not want a strong Samara province, because a strong, united and monolithic Samara increases our country's strength and is a crucially important mainstay of Russia and a mainstay of the president.'

The governor really took to the idea that all the troubles of Samara province were the fault of the United States. When he was delivering a speech in August to residents of Avtozavodsky district in Togliatti, one of those present asked him when the authorities would be paying the arrears of their wages, as they had now been promising for over a year. The righteous anger of the region's overlord knew no limits: 'Well, what I have to say to you,' he responded, 'is that if you are going to talk to me in that tone of voice - never!' He advised the questioner to seek payment of her wages from the US ambassador, who had visited Samara province in April this year. 'Those who are inciting you, ask them,' Merkukskin exploded, 'When, including the American ambassador, he came precisely to incite just these people, and for the next month they were shown to the whole world. To the whole world! People without their wages.'

The governor has suddenly started vigorously using the name of opposition leader Alexey Navalny to scare the people of Samara, insisting that he is 'a nephew of Uncle Sam,' and that it is through him that dark forces are implementing 'the Dulles Plan' in Russia. Navalny's rejoinder was a video titled 'One Flew Over the Cuckoo Governor's Nest'.

### **The August Privatizer of All Mordovia**

According to his official hagiography, Merkukskin was born to 'a large peasant family.' In fact, his biography is a classic for members of the Soviet elite. His father was the chairman of a collective farm, his father's brother, our hero's uncle, was a top official in Mordovia: first, the Minister of Education of the Mordovian ASSR, then Deputy Chairman of its Council of Ministers and, ultimately, at the pinnacle of his career, Secretary of the Mordovian Committee of the CPSU [Communist Party of the Soviet Union - Ed.]. He was a deputy of the Supreme Soviet of the USSR and a delegate to the Twenty-Third Congress of the CPSU. After retiring from the exhausting business of Party work, he became Rector of the Mordovian State University.

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It was at this university that his nephew received his higher education, graduating with a first class degree in Electronic Technology Engineering. He did not, however, work even a single day in this profession because, evidently taking a leaf out of his successful uncle's book, he first became the sabbatical Secretary of the university's Komsomol Committee and then, in succession, Secretary, Second Secretary, and First Secretary of the Mordovian Committee of the Komsomol. When he was too old to remain a Young Communist, he continued his career in the Communist Party and, by the time the sun set on the CPSU, he was Second Secretary of the Mordovian Republican Party Committee.

Recognizing in a timely manner the need to abandon the sinking ship of the CPSU, Merkuskin stood in 1990 for the chairmanship of the Supreme Soviet of the Mordovian ASSR. He failed to be elected. A year later he ran for President of Mordovia, and lost again. But, as the saying goes, every cloud has a silver lining. After securing the chairmanship of the Property Fund of the Republic as a consolation prize, Merkuskin took full advantage of the chairmanship, the fund and the republic's property. This was the era of 'primitive accumulation of capital' for Clan Merkuskin.

Mindful of the fact that, in Russia, money without serious political power is highly ephemeral, Merkuskin did not abandon his aspirations to high public office. Underwritten by his primitively accumulated capital, he hit the jackpot, in more senses than one. In January 1995, he became Chairman of the National Assembly of the Republic of Mordovia, and in September of the same year, the Constitutional Assembly of Mordovia elected him Head of the Republic.

The privatization of 'sunny Mordovia' by Clan Merkuskin gained new impetus, and from then on everything proceeded as in Charles Perrault's *Puss in Boots*: 'Who is the master of these woods and fields and that castle on the hill?' 'The Marquis, the Marquis, the Marquis of Carabas!' During his 17 years of 'service' to Mordovia, Merkuskin and his kin effectively turned the republic into their private property.

The elder brother of the Governor of Samara, Alexander Merkuskin, owns: OJSC Saranskstroyzakazchik, JSC Mordovtsement, JSC Mordovgrazhdanproekt, JSC Mordovspirt, LLC Vita-Med, LLC Energolin, LLC Saranskstroyinvest, JSC Zhelezobeton, LLC Saranskspetsstroy, and is co-owner of JSCB Aktiv Bank.

His younger brother, Ivan Merkuskin, and their cousin, Nikolai Merkuskin, own JSC Mordovnefteprodukt and Volgovyatskselstroy, and control all rural and energy construction projects.

His elder son, Alexander Nikolaevich Merkuskin, is CEO of OAO Mordovskoye agroob"edinenie, which in turn owns almost all the agriculture in Mordovia, OOO Masloprodukt, JSC Konservny Zavod Saransk, and LLC MAPO.

His younger son, Alexey Merkuskin, owns OOO Sarmich (cheese), Kompaniya Lamzur (confectionery), LLC Advertis, LLC Invest-Alians, LLC GUK Delovaya nedvizhimost (commercial property), LLC Toplivanaya kompaniya (fuel). LLC Smak, controls the entertainment business of Saransk. He is currently also a Deputy Prime Minister of Mordovia/ Minister for Republican Grant Programmes, and controls the most lucrative parts of the construction of the stadium for the World Cup.

During Merkushkin's reign, Mordovia moved to top of the league in the All-Russian Cup for claiming most votes for the 'party of government', sometimes even beating Chechnya. It was doubtless from his experience in Mordovia that he brought Samara to the 97% threshold, above which you could expect the federal regime to answer your prayers. But why stop at 97! In the 2007 Duma elections, at some polling stations in Mordovia, United Russia had won 104-107 per cent of the vote!

It seems reasonable to infer a link between Clan Merkushkin's achievements in the privatization of the republic and the republic's achievements in votes delivered to United Russia. Accordingly, after 17 years of stellar leadership of Mordovia, Nikolai Merkushkin was sent north up Mother Volga to the no less key region of Samara.

Merkushkin's leadership of Mordovia was, admittedly, stellar only for himself and his numerous family members. For the republic itself it was, to put it mildly, less than stellar.

It was during Merkushkin's reign that the budget of Mordovia went into the red, and the republic itself changed from being a net donor to the national budget to a region requiring subvention. In 2012, Mordovia's budget deficit amounted officially to 4.461 billion rubles, but it has been calculated that the actual deficit was closer to 10 billion, and that in a republic with a total budget of 30 billion rubles. If we look at the chart of the growth of public debt in Mordovia in the final years of Merkushkin's leadership, we find that on 1 January 2010 the national debt of the republic was 5.628 billion rubles; as of 1 January 2011 it was 12.213 billion, and as of 1 January 2012 it had risen to 24.248 billion rubles.

### **How a creative team took over Samara**

In spring this year [2016 - Ed.], there was a scandal around the construction of the stadium in Samara for the 2018 FIFA World Cup. Building work was on the verge of collapse, and an ex-minister of sport and now candidate for election as vice-premier, Vitaliy Mutko, even warned that all work was about to come to a standstill as a result of overspending of the agreed budget. Subsequently, however, the budget was increased by 5.766 billion rubles, raising it from the initial 13.16 billion to almost 19 billion. Like it or not, the stadium needed to be built, and in time for the World Cup.

The estimates had not swollen because of the stadium, and it is impossible to believe that Moscow does not know that almost half the 'FIFA' costs, 42 per cent to be precise, have nothing to do with football. Out of the budget, a huge trade centre is being built next to the stadium. It is being built with funds from the budget, but is the property of private citizens.

It is not yet known for sure who will own the trade centre, but what is known is who has made a hefty profit on constructing it. According to Mikhail Matveev, a deputy of the Samara Provincial Duma, a change was made to the specification for the stadium in order to provide additional orders to Mordovtsement, which is why the stadium in Samara covers a greater area than the Luzhniki Olympic stadium in Moscow. Just the pouring of concrete for a vast cushion, the need for which is not obvious to construction specialists, cost the federal budget almost one billion rubles.

It might seem puzzling that Mordovtsement was appointed the monopoly supplier despite the fact that cement is produced in Samara province, and delivering it to the construction site from Zhigulevsk, which is much closer, would have been a lot cheaper than bringing it 500 kilometres from Mordovia. The answer is, however, straightforward: see the above list of companies owned by the elder brother of the governor. Incidentally, in addition to his older brother, the shareholders and owners of Mordovtsement include Merkushkin's wife's sister, Raisa Tuturkina, and his nephew, Sergey. (Evidently Merkushkin's branding of Navalny as a 'nephew' of Uncle Sam was a Freudian slip: he, Nikolai Merkushkin, has poured more money over his nephews than 'Uncle Sam' ever did.)

During the years of Merkushkin's leadership, the economic situation in Samara province has deteriorated before our eyes. According to RBC's ['RosBusinessConsulting' - Ed.] rating, it has slipped from 19th to 60th place in the ranking of the standard of living in Russia's regions. The only regions now below it are Ulianovsk province and ... Mordovia.

Under Merkushkin, construction of residential housing has fallen by 10.9%, although he himself reported to Putin that it had grown by 26%. Key indicators of the provincial budget for 2016, compared with 2015, have declined in terms of revenue by 11.1 billion rubles, and expenditure has fallen by 14.5 billion. In spite of this, the budget deficit against the plan will still be 5.6 billion rubles. That, however, is against the plan, and what it will be in reality will become known only later: in 2015 the province's budget deficit was officially given as 9 billion rubles, but was in reality 14.5 billion. Let us remind ourselves that, before the advent of Merkushkin, the province's budget was in surplus, revenues exceeding expenses. Beginning in 2013, this 'contributor' province was turned into one requiring subsidy, which remains the situation to this day.

Over the four years Merkushkin has been in power, the public debt of Samara province has more than doubled, from 33.8 billion rubles (as of 1 January 2012) to 68.3 billion rubles. In absolute terms, the public debt of the province has risen to a remarkable seventh place in the Russian Federation. The increase has been particularly rapid this year: if on 1 July 2016 it was 64.2 billion, in a single month it grew by over four billion rubles!

And so Samara province, formerly, like Mordovia, a net contributor to the national budget has, during the four years of Merkushkin's reign, gone the same way as Mordovia. It used to be a contributor, but has sailed off down the Volga and is now a debtor province.

It would, however, be mistaken to say that Governor Merkushkin's clan can only do bankruptcy. They are emphatically also a 'creative team'. Not far from Moscow, on the Rublevskoye Highway, Russia's millionaire's row, Merkushkin's team have built an entire village of multi-million dollar estates, settled exclusively by Mr Merkushkin's relatives and other members of his team. To admire the beauty he has created, we again refer the reader to Alexey Navalny's video [at <https://ok.ru/narodprotiv/topic/65907043967120>] He, together with his Foundation and RBC, was the first to track down Mr Merkushkin's creative endeavours on the Rublevskoye Highway.



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The Henry Jackson Society  
Millbank Tower  
21-24 Millbank, London, SW1P 4QP  
Tel: 020 7340 4520

[www.henryjacksonsociety.org](http://www.henryjacksonsociety.org)  
Charity Registration No. 1140489

