

Social inequality in Russia reaches record levels

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This year's Global Wealth Report by Swiss bank Crédit Suisse records that 22 years after the collapse of the Soviet Union, the gulf between the broad mass of the population and the super-rich in Russia is greater than in any other major country in the world. Thirty-five percent of the country's total wealth is in the hands of 0.00008 percent of the population, or 110 out of a total population of 143 million.

The study states: "Russia has the highest level of wealth inequality in the world, apart from small Caribbean nations with resident billionaires. Worldwide, there is one billionaire for every USD 170 billion in household wealth; Russia has one for every USD 11 billion. Worldwide, billionaires collectively account for 1%–2% of total household wealth; in Russia today 110 billionaires own 35% of all wealth."

At the same time, 94 percent of the adult population own less than \$10,000. The richest one percent of the population, or about 1.43 million people, control 71 percent of all wealth.

Even at the top of the wealth pyramid, Russian wealth is distributed very unequally. According to Crédit Suisse, 5.6 percent of the population possesses between \$10,000 and \$100,000, 0.6 percent between \$100,000 and \$1 million, and 0.1 percent more than \$1 million. The bank estimates that the number of millionaires will increase from the current total of 84,000 to 133,000 in five years.

One of the study's authors, Anthony Shorrocks, said of the situation in Russia: "There are no parallels. If you look at how the Russians came to their money and political connections which are necessary to keep it, then there are very few places where the situation is similar."

Even these monstrous figures underestimate the real situation, however. Credit Suisse based its calculations

on the list of billionaires published annually by *Forbes Magazine*. The results of these calculations are flawed for two reasons. First, a large proportion of the assets of the rich in Russia—especially real estate—remain undisclosed. The shadow economy in Russia amounts to about 50 percent of gross domestic product.

Secondly, the Forbes list does not include all the super-rich individuals in the country. Those with key positions in government—like President Vladimir Putin, whose personal fortune is estimated at \$40 to 70 billion—are excluded.

The Russian president is one of the richest people in the world. His collection of watches alone has an estimated value of over \$ 250,000. In addition, he possesses several palaces, yachts and aircraft.

The well-connected British journalist Ben Judah wrote in his book *Fragile Empire* (Yale University Press, 2013): "The best way to map the Russian elite is to look at the oligarchs on the *Forbes* rich list of Russia's wealthiest, then superimpose a list of ministers, senior officials and directors of state corporations, then mind-map out a list of Putin's personal friends, before visualizing a spider-diagram spreading off to include family members and network of all of the above." (p. 124)

This concentration of social wealth created by the working class in the hands of a few oligarchs, whose fortune is based on criminal activities and the destruction of the Soviet economy, is a damning indictment of the restoration of capitalism in Russia.

The number of billionaires has grown at a staggering rate since 2000. According to the *Forbes* list, there were no dollar billionaires in Russia in 2000. By 2003 there were already 17, and by 2008 this figure had risen to 87. After the crisis of 2008, another 23 billionaires had joined the list. In its report, Credit Suisse stated

that the “survival chances” of billionaires in Russia are higher than in any other BRIC or G7 country, and the super-rich in Russia apparently enjoy an especially high level of protection from the state.

Thanks to economic growth fueled by rising oil prices, a small but significant upper middle class has also emerged. As in the United States, over half the national income went to the richest 20 percent in Russia in 2011, while the bottom 20 percent of the population received between 3 to 5 percent.

The broad mass of the population lives in varying degrees of poverty. Even the sugarcoated official figures are alarming: in 2010, 12.6 percent of the population (almost 18 million people) officially lived in extreme poverty. According to an article by Russian political scientist Irapil Sampiev, the proportion of those who “had little” was 40.2 percent in the countryside and 59.7 percent in the cities.

Social polarization has intensified since the crisis of 2008-2009. As in other countries, the elites in Russia have exploited the crisis to intensify attacks on the working class and the redistribution of social wealth from the bottom to the top. According to Crédit Suisse, the share of assets held by billionaires increased from 30 to 35 percent in 2012 alone.

At the same time, the average wealth of the broad majority of the population has declined significantly since 2007, including changes in exchange rates. In 2007 an average adult in Russia had assets of \$14,000; by 2013, this sum had declined to \$11,900.

The enormous levels of social inequality confirms the perspective of the International Committee of the Fourth International, which was the only political tendency to warn that perestroika was the political mechanism by which the bureaucracy sought the re-introduction of capitalism. The destruction of the forms of social ownership created by the October Revolution has led to inequality levels and a social disaster of historic proportions.

The figures on wealth and income give only a rough idea of the social disaster caused by the destruction of the Soviet state. The health and education systems were almost completely ruined. There is an acute shortage of professionals in all areas, and infrastructure is in an advanced state of decay. Fires and accidents claim tens of thousands of deaths annually. Natural disasters regularly cause hundreds of deaths and the financial

ruin of tens of thousands of people.

This process is shown most clearly in the dramatic population decline.

According to the UN, the Russian population will decline from the current level of 143.5 million to 121-133 million by 2025. Since 1991 it has already shrunk by almost 5 million people, of which nearly 1 million died by suicide. The suicide rate among teenagers in Russia is among the highest in the world, overtaken only by Kazakhstan and Belarus. According to UN figures, 22 of 100,000 Russian youth commit suicide. This compares with an average of just 7 worldwide.



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