

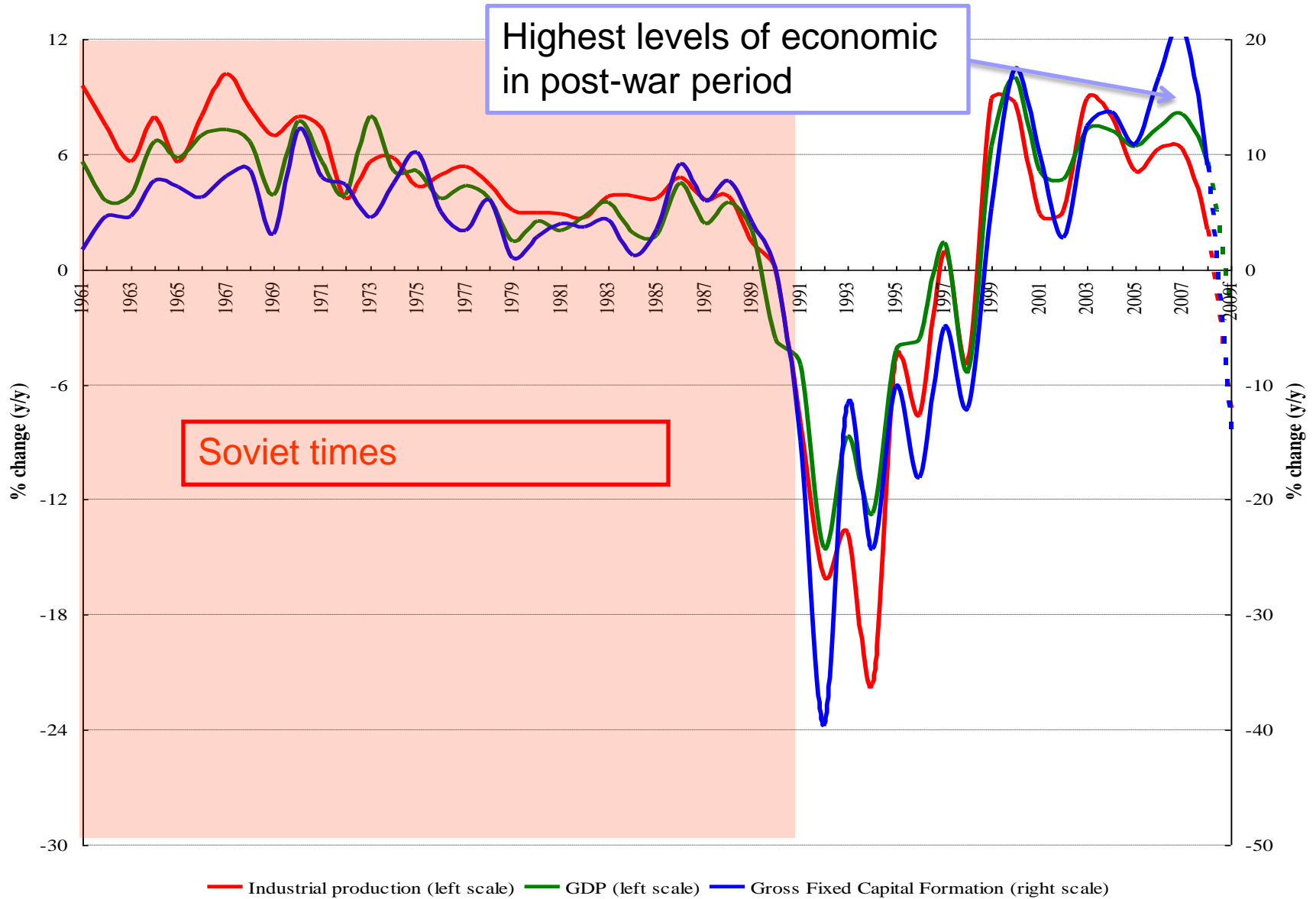


Russian Middle Class – Election situation 2012

Carlton university, Ottawa, March 2, 2012

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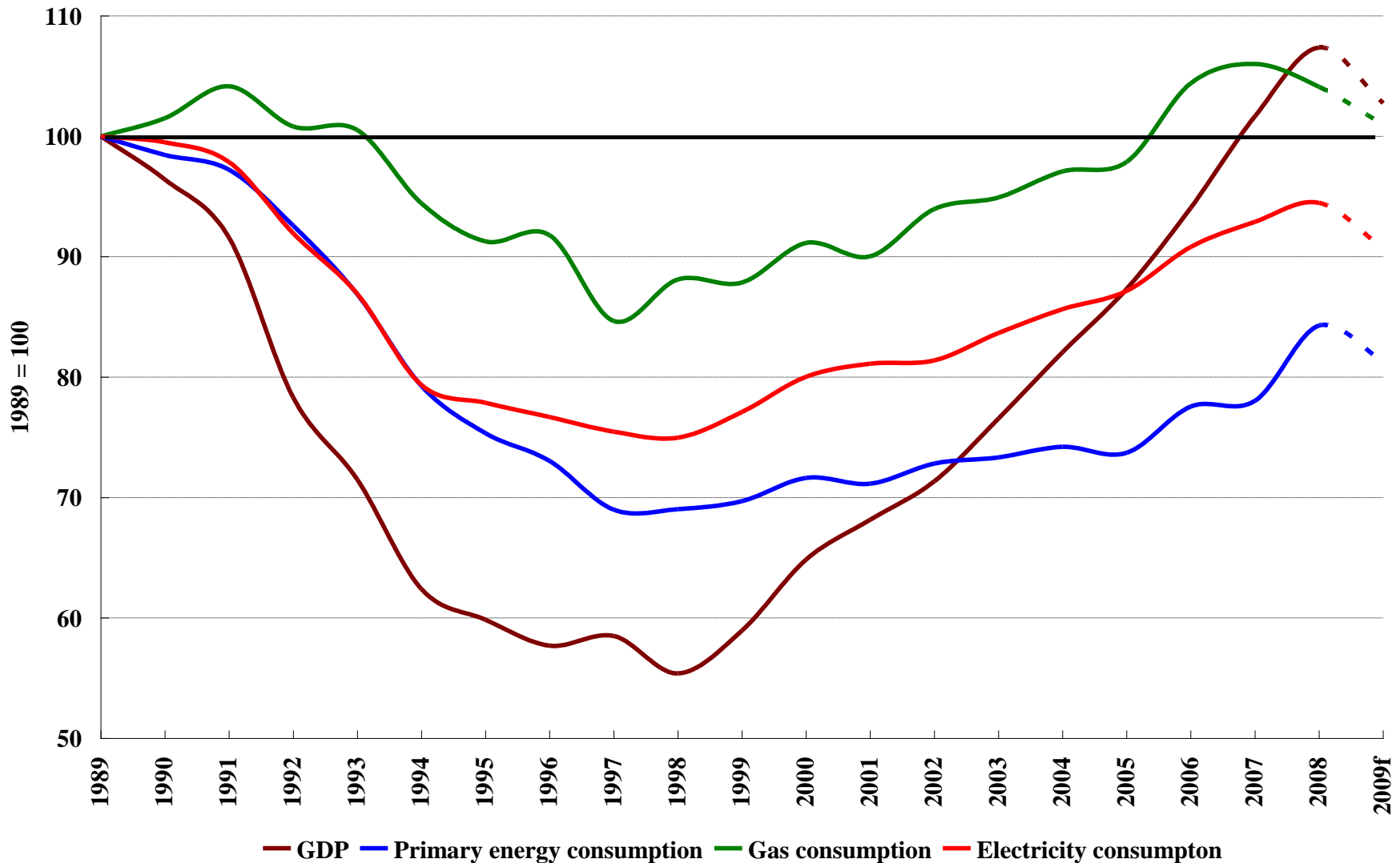
Long term trends, 1961-2009f, % change (y/y)



Russian Transition and Social structure

- Three transformations:
 - ❖ Soviets – Democracy
 - ❖ Plan – Market and Private ownership
 - ❖ USSR – Russia
- Crisis of 43% GDP 1989-1999 – too long
- Emigration of “old” Middle Class from poverty
- New financial elite out of Privatization V state corps
- No mass shareholding, weak SME
- Latin American Inequality after Egalitarian surface

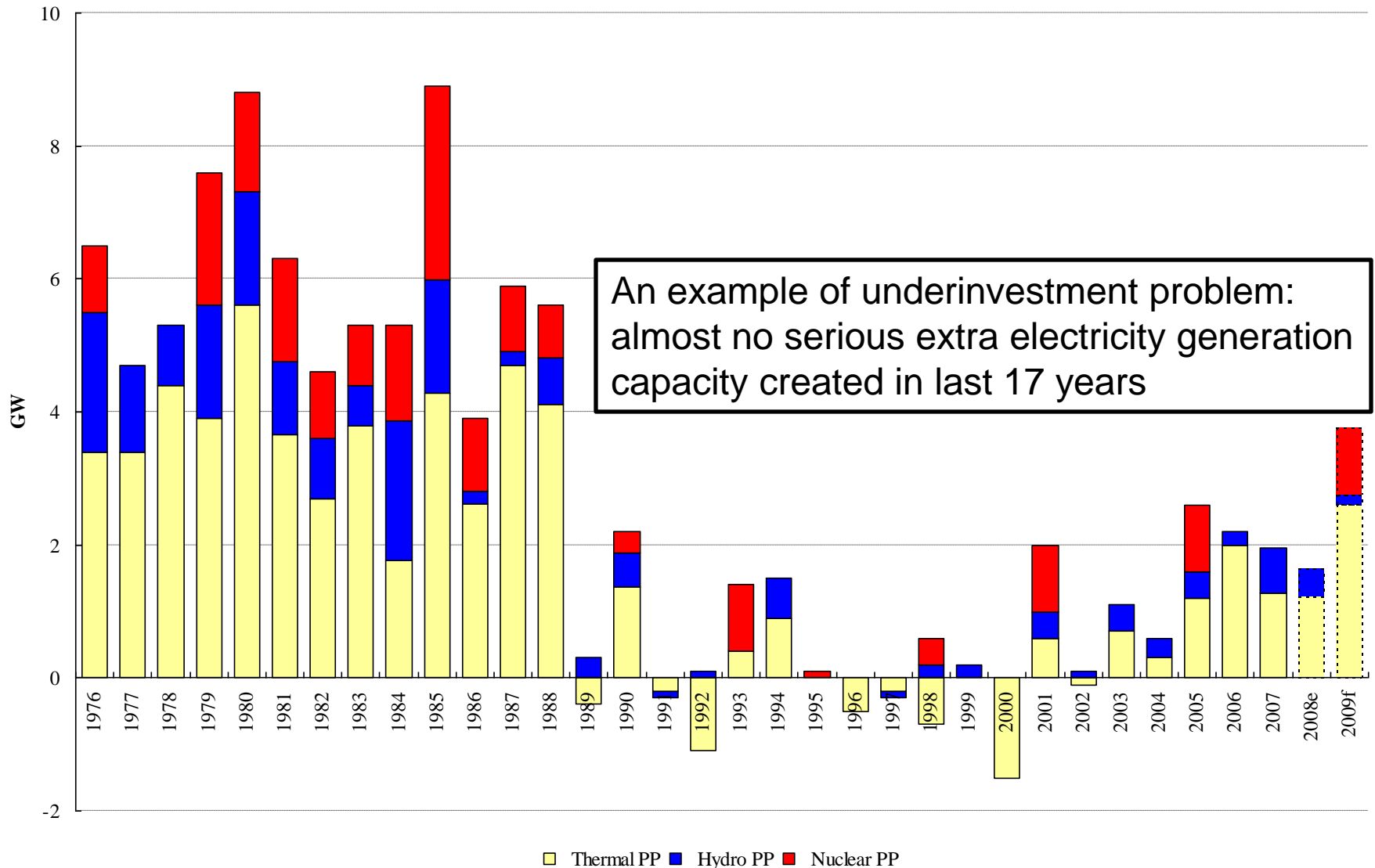
Russia: GDP and Energy consumption, 1989-2009f, 1989 = 100



Economics of Transition

- GDP decline in 1989-1999 = minus 43%
- Some industries disappeared
- Transition rules were anti intelligentsia
- High taxation of intellectual labor
- Privatization w/out mass shareholding
- Drastic reduction of intellectual jobs
- Emigration of two million middle class
- Army and Navy were close to disappearance
- Shock of 1990-s is still important factor for 2012
- Failures of 1990-s are working against Middle Class now

Example of “disinvestment in transition: Power industry – net input of generating capacity, GW, 1981-2009



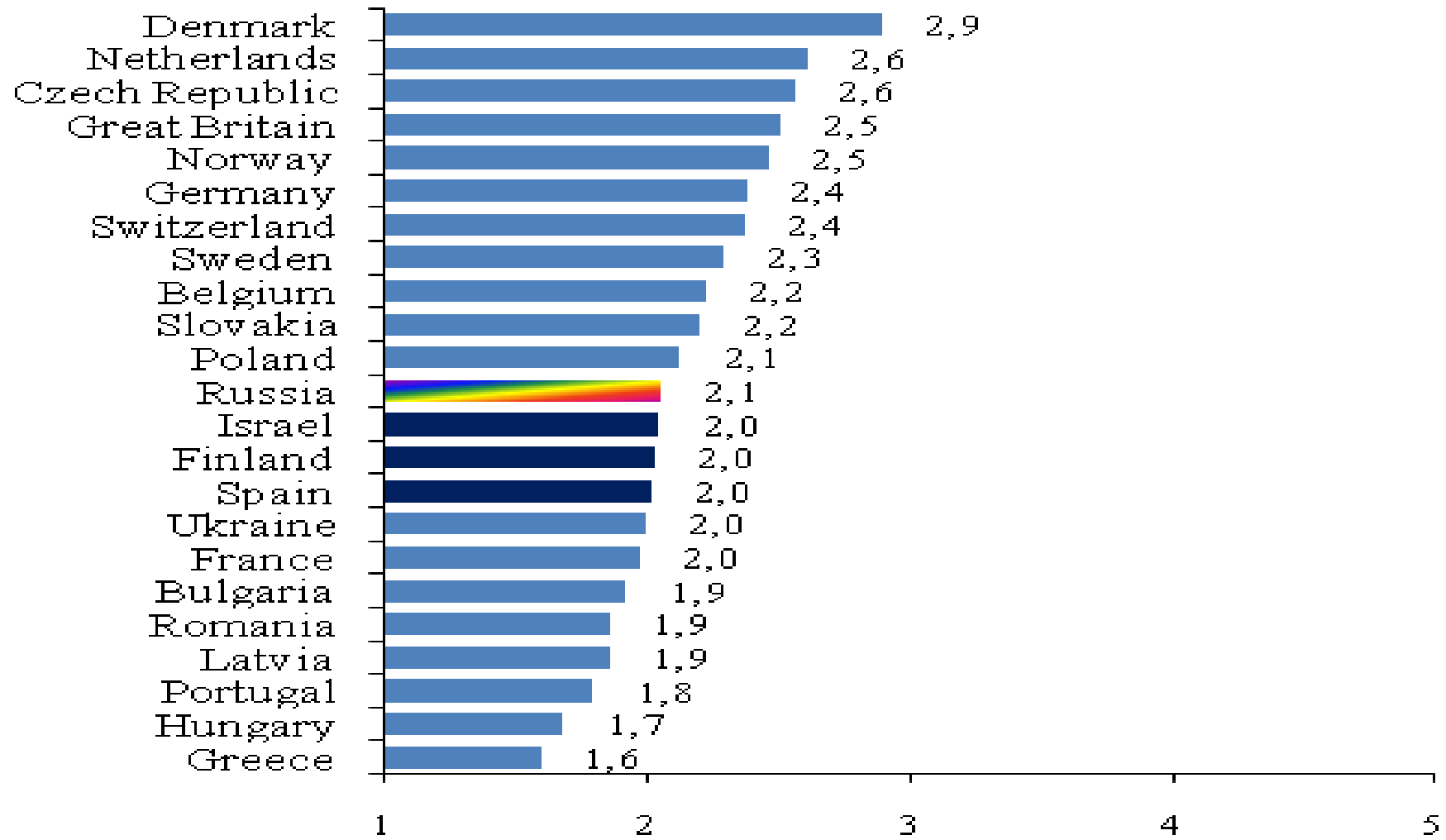
Russia after transition

- Russia has made the detour from European income distribution to Latin American one. We recorded it in 2000 – now it's the stable result of transition.
- GINI coefficient for Russia is similar to Anglo – Saxon, but Russia lacks the vertical mobility by entrepreneurship.
- Financially sustainable middle class share is within 25-30% of households, little has changed since 2000 - 2008.
- Wealth distribution in Russia – judging by the income share of top 10% of population – is quite Latin American.
- The state budget has some high degree of “independence” from tax-payers due to high oil-rent.
- Society is still struggling with transition – issues of property, governance, democracy and political system.

Income Inequality – International Comparison

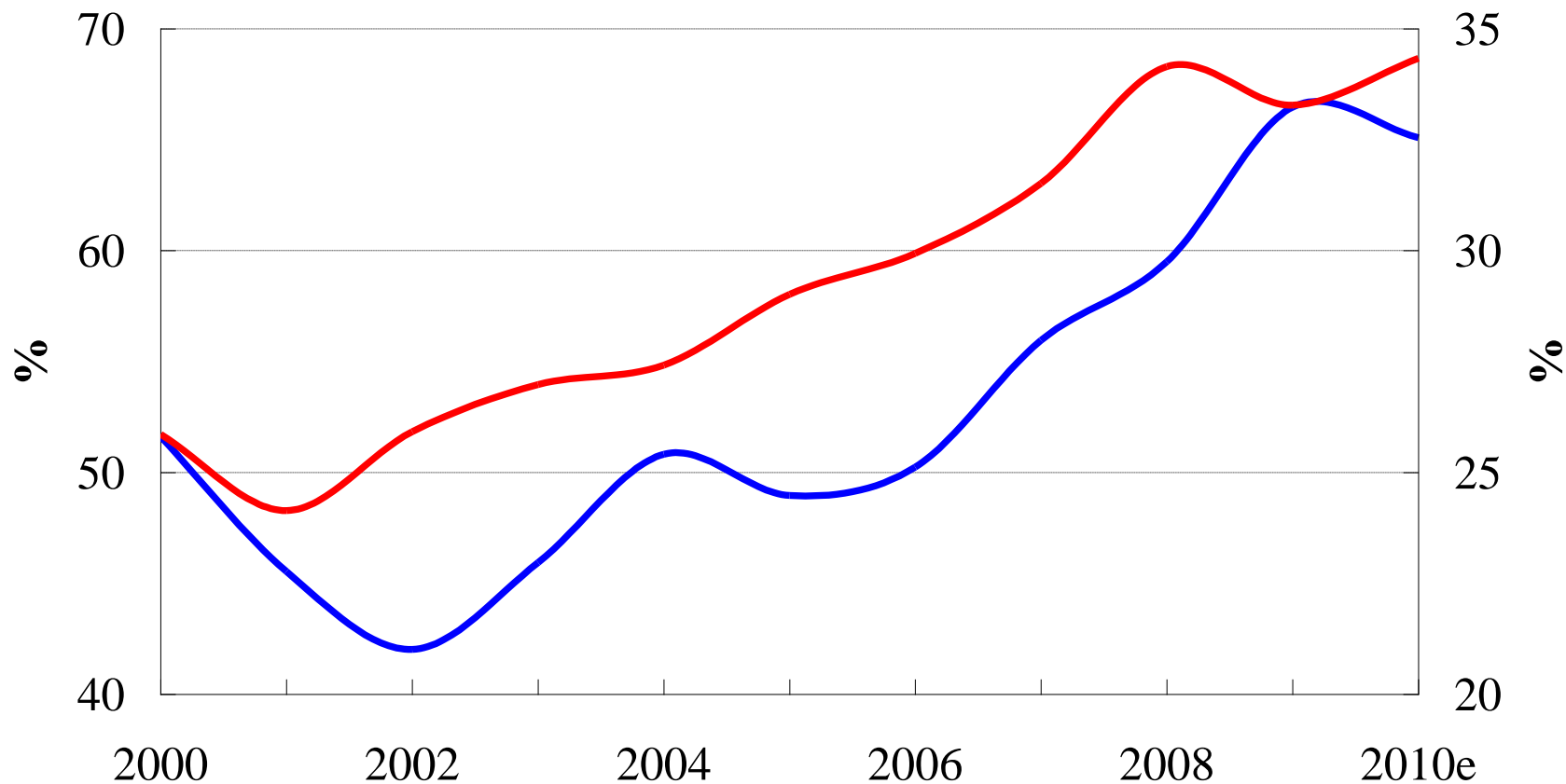
Country	GDP per capita (PPP), 2005, U.S. \$	GINI index, %*	Income share held by						
			lowest 10%*	lowest 20%*	second 20%*	third 20%*	fourth 20%*	highest 20%*	highest 10%*
Russia	11.9	42	2	5	10	15	22	48	34
Latin America	10.8	52	1	4	7	12	20	57	40
Mexico	11.3	46	2	4	8	13	20	55	35
Brazil	8.6	57	1	3	6	11	19	61	45
Argentina	11.1	49	1	4	8	13	22	53	36
Chile	12.3	55	1	4	7	11	18	60	45
Anglo-Saxon and Israel	32.4	39	2	6	11	16	23	45	29
United Kingdom	31.6	36	2	6	11	16	23	44	29
United States	41.7	41	2	5	11	16	22	46	30
Israel	23.8	39	2	6	11	16	23	45	29
South&East Europe	18.6	34	3	8	12	17	23	41	26
Italy	27.8	36	2	7	12	17	23	42	27
Spain	27.3	35	3	7	12	16	23	42	27
Greece	25.5	34	3	7	12	17	23	42	26
Hungary	17	30	4	9	13	17	23	39	24
Poland	13.6	35	3	8	12	16	22	42	27
Latvia	13.2	38	3	7	11	16	22	45	27
Ukraine	5.6	27	4	9	14	17	22	37	23
Central&North Europe	29.4	28	3	9	14	18	23	38	23
France	29.6	33	3	7	13	17	23	40	25
Germany	30.5	28	3	9	14	18	23	37	22
Netherlands	34.7	31	3	8	13	17	23	39	23
Sweden	32	25	4	9	14	18	23	37	22
Czech Republic	20.3	25	4	10	15	18	22	36	23

The degree of agreement of respondents with the statement "Government should reduce differences in income levels" - country average (ESS)*



* 1 - "strongly agree", 5 - "strongly disagree"

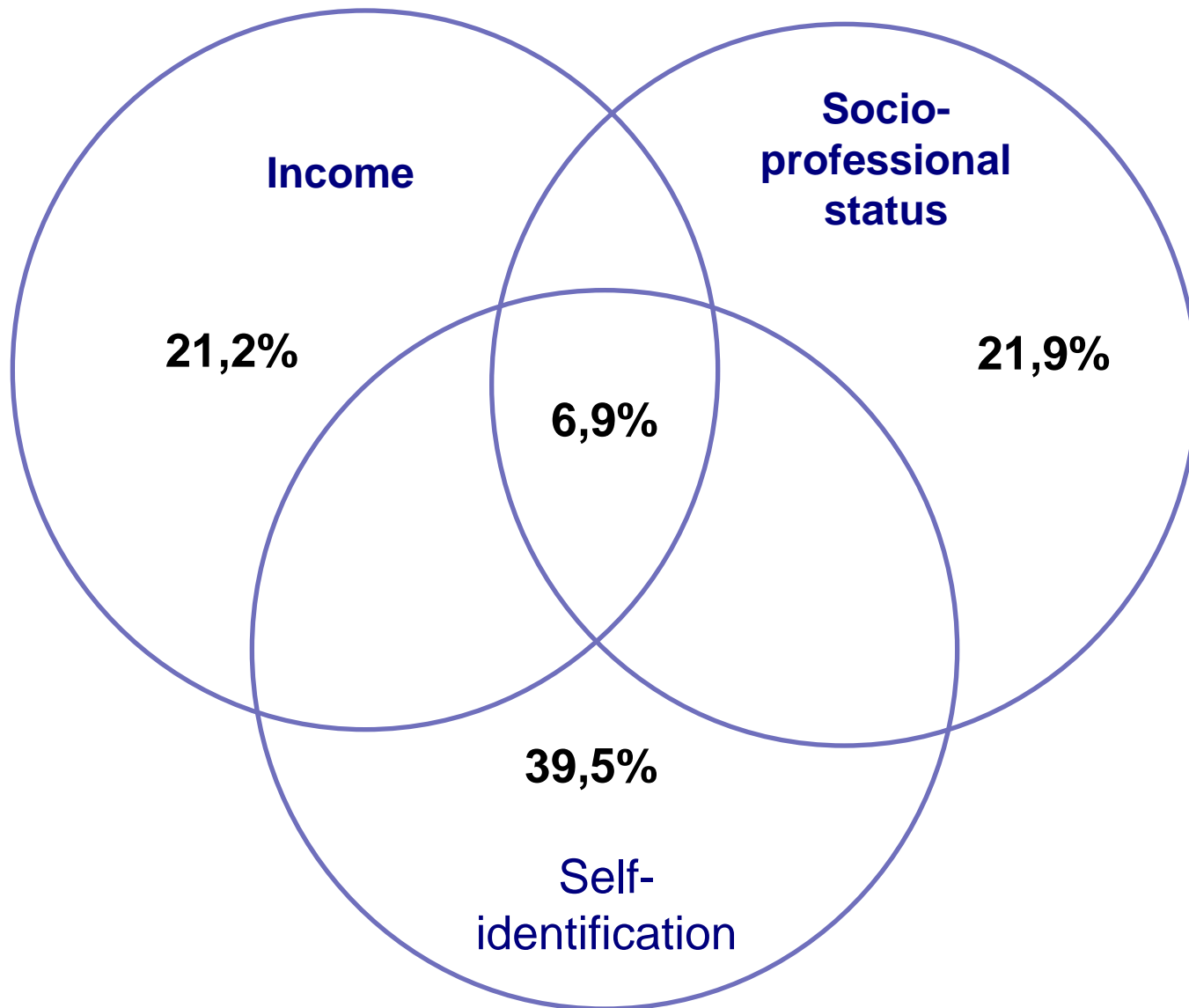
Ratio of wages by sectors of Russian economy, %, 2000-2010 – high disparity



— R&D/Financial activity (left scale) — Manufacturing/Oil and gas industry (right scale)

Source: Federal State Statistics Service

Russia: Middle class structure in 2000s (T.Maleva)



Main (5) groups of Middle Class

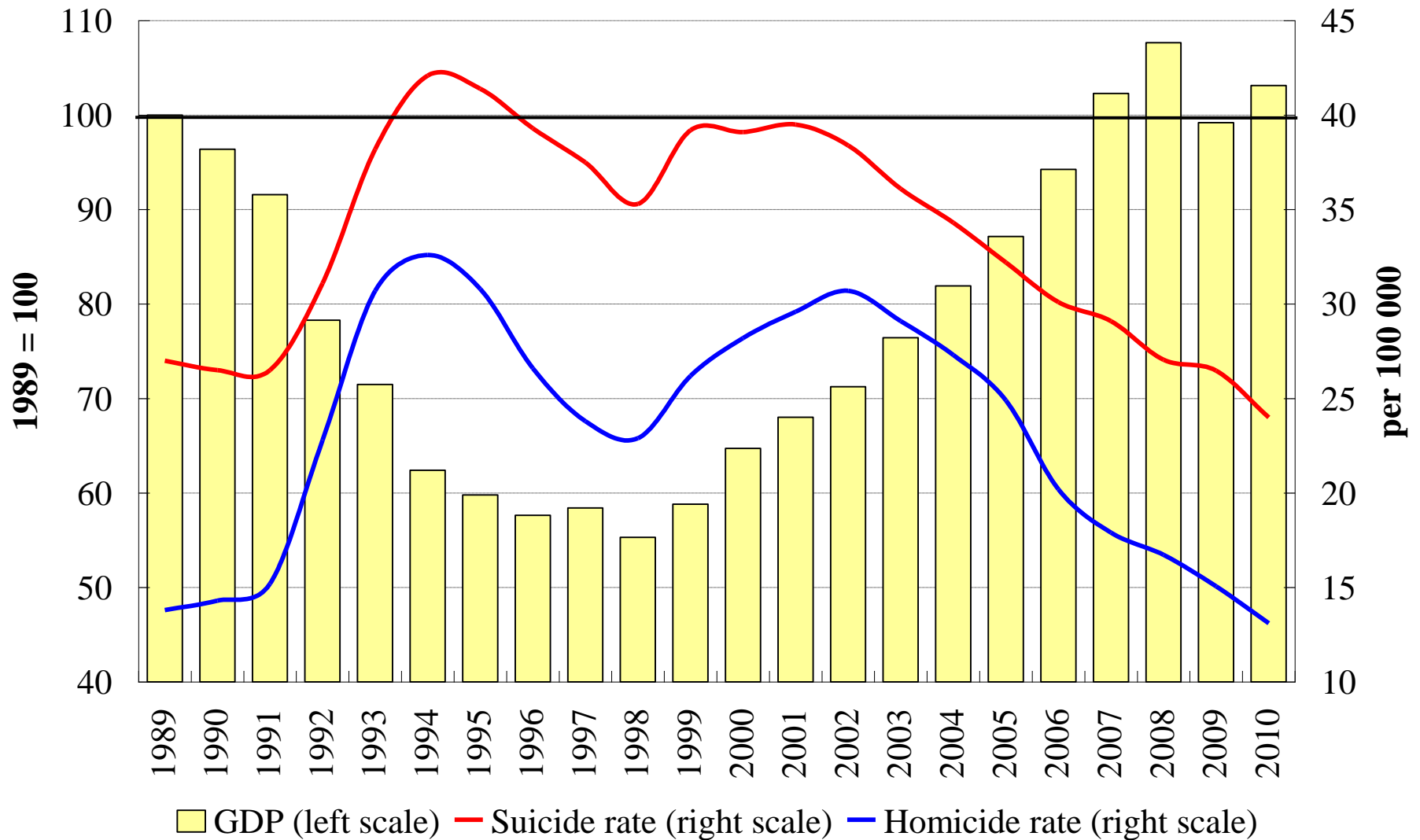
- *Upper Middle – 5-7% - interception*
- 1. Bureaucracy: from poverty of 90-s to domination
- 2. MSE 1 – retail trade - immigration
- 3. MSE 2 – industry & consulting - emigration
- 4. Finance, Energy, Metals – Upper Middle oasis
- 5. Mass intellectuals – Middle Middle or abroad
- T. Maleva «Middle Classes» 2003 (t.120): *state employed – 57%; non state employment – 43%*
- *Financially weak 30-70% in the center of society*
- *So, 3 levels by 5 groups = 15 subgroups for analysis*

Social inequality by quintals, 2005, %

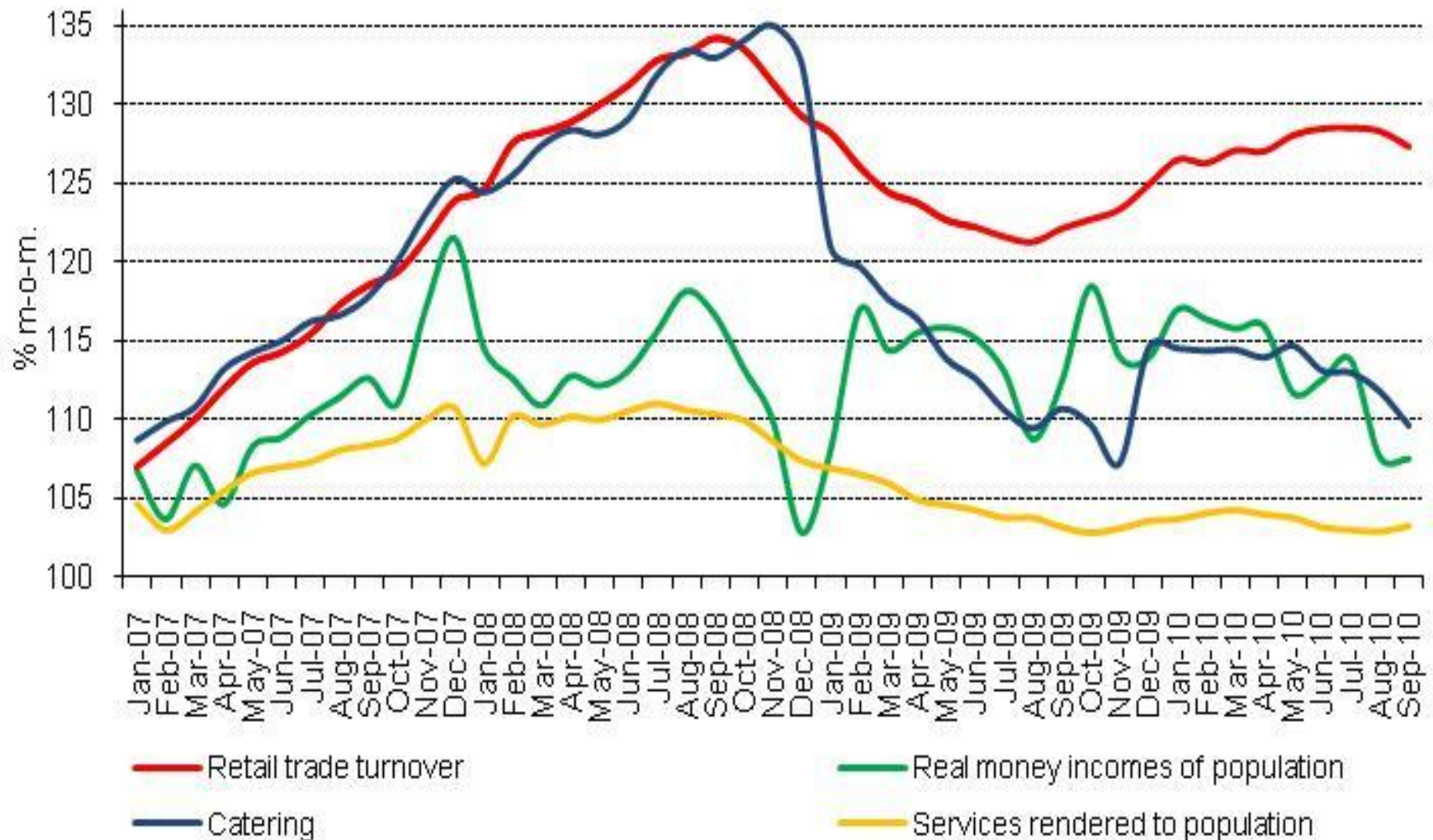
	Russia (1990)	Russia (2005)	USA	Germany	Poland	Brazil
GDP (PPP) per capita, 1000 US\$...	12,1	43,4	31,1	14,9	9,1
First (lowest incomes)	9,8	5,5	5,4	8,5	7,5	2,6
Second	14,9	10,2	10,7	11,4	13,7	11,9
Fifth (highest incomes)	32,7	46,4	45,8	36,9	42,2	62,1
Gini coefficient	...	0,405	0,408	0,283	0,345	0,580

Source: National Statistic Committees

Russia: GDP level, Suicide and Homicide rates, 1989-2010



Incomes and consumption of the Russian population during the crisis



Economy before and with V. Putin

- 1990 – 1999 – crisis of magnitude = minus 43% GDP
- V.V.Putin came to the office in 2001
- 2001-2007 = annual growth of the real retail sales = 11%
- For pensioners etc. 2001 -2011 – stability
- During crisis of 2008-2009 – serious support for regions and companies. No bank bankruptcies
- Deposit insurance increased from \$7 to \$22 th. in 2008
- Naturally Oil Rent paid for everything
- Recovery goes in 2010-2012 at 4% GDP

Outcome of Duma elections, 2011 - numbers

Party	Votes-2011, mln	Votes-2011, %	Seats: 2007- 2011	Abs. diff of voting, percentage points
United Russia	32,4	49,32 %	315 - 238	▼ 14,98
Communists	12,6	19,19 %	57 - 92	▲ 7,62
Fair Russia	8,7	13,24 %	40 - 64	▲ 5,50
LDPR	7,7	11,67 %	38 - 56	▲ 3,53
Yabloko	2,3	3,43 %	0 - 0	▲ 1,84

Reaction to Duma elections, 2011

- Series of street meetings – mostly in Moscow and SPB
- Presidential Council on Human Rights voted “DISTRUST” for Head of Electoral board
- Pres. Medvedev meets leaders of Non-Duma opposition
- This week Duma unanimously passed Law reducing required number of party members for party registration from 40 th. to 5 hundred...= 80 times...
- 60 thousand web-cameras installed to ballot stations
- Regional Governors to be elected again...
- Hurdle for Duma entry for parties is back to 5% from 7%

Protest and Middle class: Dec. 2011- now

- High regional concentration of Middle class, esp. Upper Middle in Moscow and Saint Petersburg
- High voting for Yabloko, Yavlinskii – are back
- Mironov appears replacing “old rights” of Chubais
- Relatively low voting for Unity in capitals & country sides
- High of “suspicion” of electoral fraud – Two cities
- Street protest = 4 columns: non affiliated + Yabloko; nationalists; communists, liberals
- Little to do with uprising of poor at “Arab Spring”
- Middle class for fairness, democracy and better Govt.

Leaders and their social bases

- V.Zirinovski – disillusioned poor, nationalistic flavor
- G.Zuganov – pensioners etc. with some rose color
- S.Mironov – disillusioned low&middle middle
- V.Putin – traditional – stability voters
- M.Prohorov – substitute for liberals, Yabloko etc.
- *G. Yavlinski – not registered liberal – strong in capitals*
- “Pravoe Delo” (historically Chubais) – 0,6% in Dec. 2011
- Business so far keeps silence
- Intellectual elite is very critical

V.V.Putin shows vitality

- His standing is by order above Unity of Russia
- He goes open to discussions and meetings himself
- His message – country's integrity was barely saved
- Key: “Times are difficult – Russia needs to be strong”
- His rating improved along these months
- He publishes seven program articles: fairness, anti corruption, prosperity, modernization...
- Other candidates look like in some apathy
- As a President he will have enough power to deal with key problems – of his choice...

Electoral Ratings, late February 2012

	WCIOM, 19.02.2012 (publ. 24.02.2012)		Levada, 17 - 20.02.2012 (publ. 24.02.2012)		FOM, 25 - 26.02.2012 (publ. 27.02.2012)	
	% of total surveyed	% of decided voters	% of total surveyed	% of decided voters	% of total surveyed	% of decided voters
Putin V	53.5	64.4	45	63.4	50.7	68.3
Zyuganov G	10.8	13.0	11	15.5	9.3	12.5
Zhirinovskiy V	8.9	10.7	7	9.9	6.3	8.5
Prokhorov M	5.6	6.7	4	5.6	4.3	5.8
Mironov S	4.3	5.2	3	4.2	2.4	3.2
Spoil ballot	-	-	1	1.4	1.2	1.6
Decided voters total	83.1	100.0	71	100.0	74.3	100.0
Do not plan to vote	7.8	-	12	-	8.3	-
Undecided	8	-	17	-	17.4	-

Source: WCIOM, Levada, FOM

Expected country voting as on March 2

- Consensus – Putin wins on March 4
- Attendance rate (if 60+%) – better for Putin
- Not clear about voting results in two cities...
- Vladimir Putin – 55 – 60+%
- Gennadii Zuganov – around 15%
- Vladimir Zirinovski – 9%
- Mikhail Prohorov – 8,5%
- Sergei Mironov – 7%

Final Results of March 4

- Results of Elections – attendance = 65%
- Russia - %, Russia - millions, Moscow - %
- V.Putin – 63,8% - 45 - 47,4%
- G.Zuganov - 17,2% - 12 - 20,1%
- M.Prohorov - 7,8% - 5,4 - 19,1%
- V.Zirinovski - 6,2% - 4,3 - 6,4%
- S.Mironov - 3,8% - 2,7 - 5%



Who could bring democracy?

“To carry out major initiatives and perpetuate their holds on power, elites need non-elite support.”

John Higley & Michael Burton

“Elite Foundations of Liberal Democracy”, 2006, page 27.

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Middle Class is pressing on Elites, at last

Publications

- Grigoriev L., Salmina A. “Inequality in Russia during transformation: to Europe or Latin America?”// IPSA-ECPR Joint Conference, University of Sao Paulo, 2011.
<http://www.saopaulo2011.ipso.org/paper/inequality-russia-during-transformation-europe-or-latin-america>
- L.Grigoryev “Elites – choice for modernization” // In: Russia: the Challenges of Transformation. New York, 2011.
- L.Grigoryev “Elites and Middle Class” // SPERO, #13, 2010.
- L.Grigoryev, A,Salmina “Middle class in Russia: agenda for the structured analysis” // SPERO, №12, 2010