Russia Inequality Report
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October 2019

Executive Summary

Data
Three datasets on wealth and status distribution in Russia were analyzed: 2015 World Bank quintile and decile estimates of income, and income by occupation statistics gathered by the Russia’s Federal State Statistics Service for years 2005 and 2016.

Results
Russia’s population was found to be risk acceptant across all three datasets that were analyzed. Even though Russia suffers from both internal and external threats as well as a large income gap, its Arrow-Pratt score is higher than the median for all countries.

Significance for Risk Taking and Stability
Russia suffers from internal instability, high amounts of corruption, a large wage gap, and right-wing violence from nationalistic or white-supremacy organizations (Walker, 2017; Due Enstad, 2017). The threat of terrorism emanating from returning Islamic State fighters adds to Russian national security concerns as well (Berman, 2017). These factors combined with the risk acceptance of Russia’s population, create the potential for future, increased instability.

Implications for US Interests
The US and Russia have some overlapping interests, such as maintaining a stable world economy and counter terrorism (Smith & Twardowski, 2017). However, Russia’s aggressive, expansionist and revisionist policies toward the US and the Western worldview, is a major source of conflict (Graham & Blackwill, 2011). The relative lack of an economic relationship and the confrontational political past between Russia and the US weakens US economic interests. Russia’s risk acceptant population gives the US an opportunity to advance its interest of seeing Russian President Vladimir Putin and Russia’s central government undermined from within.

Implications for China’s Interests
China’s relationship with Russia is that of a cooperative partner (Dobbins, Shatz, & Wyne, 2019). Over the last decade China and Russia have accelerated their relationship to include increased economic cooperation, joint military exercises, and the backing of anti-US allies in regional conflicts. The risk acceptant nature of Russia’s populace poses an indirect threat to China and its interests, as a large civil upheaval would likely weaken its largest global political ally. However, it is unlikely that any new regime in Russia would be pro-US as 74% of the Russian population has an unfavorable view of the US (Poushter, 2018).

Implications for Russia’s Interests
Russia’s interests revolve around revising the global geopolitical landscape, earning Russia the international respect of a great power, and fostering unity among its population (Gurganus, 2018). Its population suffers from high wealth inequality, which exacerbates racial and ethnic fissures that often turn
violent (Novokmet, Piketty; Zucman, 2017). The violence that Russia suffers from right-wing nationalistic groups is a constant threat to national security. Russian President Vladimir Putin follows his predecessors’ views of aggressive Russian advancement and nationalistic policies as the best way to protect both Russia's sovereign borders and its national interests¹ (Gurganus, 2018).

¹ President Putin mostly follows Russian leader’s aggressive expansionistic initiatives prior to the breakup of the Soviet Union in the 1990s.
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Introduction

This is a summary report on inequality in Russia compiled as part of the Aggrieved Populations project conducted in support of the 2019 Strategic Multilayer Assessment (SMA) Future of Great Power Competition and Conflict project conducted for the JS-J39.

This report provides background on why the country was chosen, relevant historical background, literature review concerning inequality in the country, synopses of empirical data sources and analyses, and a concluding section that summarizes the findings. It is not intended to provide a comprehensive analysis of inequality and grievance in the country, but to place the empirical analyses conducted on this country in their social and political context and to highlight interesting cases of inequality pertinent to risk acceptance and great power competition. The analyses focus on the measurement of population risk sensitivity as a function of measured inequality using the Arrow-Pratt measure of risk aversion, whose positive values indicate risk aversion and negative values indicate risk acceptance. Studies have shown that risk acceptance is associated with social unrest, terrorism, and other forms of social disruption (Kuznar 2007; 2019). The full explanation of the underlying method and theory is presented in the summary report, *Inequality, Risk Sensitivity and Grievance in Context: Summary of Aggrieved Populations Country Reports*, submitted as part of this SMA project. This report is intended to be supporting material to that report and presumes familiarity with it.

In order to create an inclusive and more representative set of countries, an effort was made to analyze countries from each major region of the world (Africa, Central Asia, East Asia, Europe, Latin America, the Middle East, North America, South Asia).

Why Russia?

Russia was chosen because it is a key US adversary.

Great Power Interests in Russia

The United States is in competition with Russia over ideology and its desired geopolitical world structure. Since the collapse of the Soviet Union Russia's role in the world economy has diminished significantly (Graham & Blackwill, 2011). Russia's petroleum-based economy further decreases the US' incentives to pursue large bilateral trade with Moscow directly since the US is in competition as a major oil producer. The US is also more economically crucial to Russia as it is Russia's 11th largest trade partner and Russia is only its 24th largest trade partner. Russia and the US also compete for international influence. In 2018, 12 Russian military intelligence officers were charged by the United States government for their roles in interfering with the 2016 presidential election. Russia is also seeking to encroach on the US’ sphere of influence by interacting with Latin American countries through tools including media engagement, arms deals, and financial loans (Gurganus, 2018). Gurganus goes on to state that Russia is taking an aggressive approach to its interactions in Latin America as a counter offensive due to the US and NATO's involvement in former Soviet republics and the Balkans. Russian President Vladimir Putin has also made a habit of backing anti-US regimes, such as Maduro in Venezuela, Assad in Syria, and Rouhani in Iran.

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While there was significant confrontation between Russia and the US prior to Putin’s re-election in 2012, it appeared as if Russia and the US were working toward a rapprochement. However, after President Putin’s reinstatement, Russia began to take a more revisionist approach to its relationship with the US (Smith & Twardowski, 2017). The two countries still possess shared interests in combating global terrorism and upholding the legitimacy of the global economy upon which both rely. The US’ interests in Russia’s sovereign territory are weak as Russia’s petroleum-based economy became second to the US in global output in 2018 (Singh, 2019). The US’ interests in Russia instead manifest in Russia’s outward charm offensive and revisionist policies aimed at not just bringing down the current global system, but reconstructing it (Gurganus, 2018).

China's political and economic interests in Russia are expanding as the two countries work toward improving their own geopolitical standings at the cost of the US and its allies. In 2001, China and Russia signed a treaty of friendship and good neighborliness in order to stop the flow of Western ideals into Eurasia, build military capability and grow economic prosperity between the two countries (Cohen, 2001). Since the deal has been signed, China and Russia have continued to pursue increased economic trade and support of each other’s regional economic initiatives including China’s Belt and Road initiative (BRI) and Russia's Eurasian Economic Union (Rolland, 2019). While China and Russia have an alliance, it is still a relationship fostered out of convenience rather than deep historical commitment to each other. The main reasons accredited for the China-Russian relationship are common objectives and values, perceived Russian and Chinese vulnerabilities in the face of the US, and opportunities to expand their influence at the US’s expense (Sutter, 2018).

Russia and China have been growing economically and militarily closer over the last decade with trade between the two countries increasing at a rapid pace from 69.6 billion USD in 2016, to more than 100 billion USD in 2018 (Dobbins, Shatz, & Wyne, 2019). China, which needs an increasing amount of energy to fuel its growing economy, has become more reliant on Russian fuel as Russia has become China’s largest supplier of oil. Russia and China have also increased their cooperative military abilities by conducting joint naval operations in the Baltic Sea and carrying out several arms transactions, including Russia selling China a S-400 air defense system and 24 SU-35 fighter aircraft. China also joined Russia in the annual Vostock Military Exercises for the first time in 2018. President Xi Jinping has also placed political relations with Russia as a high interest for China; he has visited Moscow more than any other nation’s capital city (Dobbins, Shatz, & Wyne, 2019).

While Russia has been pursuing a more aggressive outward strategy to affect the multilinear global power structure, it is still very concerned with interests in its sovereign borders (Oliker, 2016). Russia’s national defense strategy broadly states that its main goals and objectives are to increase its political prestige and economic GDP. Oliker points out in his article that Moscow lists certain states such as India and China as pivotal allies and highlights the need to advance a strategic partnership with them. It also mentions that cooperation with the US and EU is crucial, however these actors will need to give Russia the appropriate amount of political respect before the full potential of a cooperative relationship can be reached. President Putin also speaks of nationalistic and idealistic ideals such as upholding “traditional Russian spiritual-and moral values” as the Kremlin appears to be strongly concerned with achieving a stronger national unity. Russia’s Eurasian Economic Union (EAEU), which was founded to increase economic involvement between Russia and the Balkan states, has struggled to gain members and carry out its purpose of integrating economic efforts throughout the region (Putz, 2018). Despite its economy continuing to struggle, Russia has been able to make strong improvements since 2012, when it was especially weak (CSIS, 2019).
Other than wanting to expand GDP, increase national prestige, and bring together the Russian people in a show of unity, Russia has more specific interests which include spreading its influence in former Soviet republics, resolving its opioid epidemic, and defeating global terrorism; all of which could cause significant instability for Russia. Russia is concerned with maintaining its vast border security and sovereign control over former Soviet republics (Graham & Moran, 2016). Graham and Moran point out that this drive comes from two areas of Russian concern; a historic reliance on expansionism to protect its massive borders, and a sense of national loss following the Soviet Union's collapse. Russia and the US have ongoing and comparable opioid epidemics (Kazatchkine, 2014); however, the mentality by the population and medical field of the two countries is vastly different. A substance abuse problem in Russia is considered a moral weakness making the support structure for Russian citizens in need weaker than that of the US. As Kazatchkine points out the Russian opioid epidemic has a negative impact on Russian society including a loss of productivity among its working class citizens who are the most likely to take opioids.

Russia’s national security interests have shifted since the rise of the Islamic State (IS). Russia has become the largest contributing out-of-state contributor to the Islamic State’s forces (Berman, 2017). The former Soviet republics (e.g., Kyrgyzstan and Azerbaijan), have been the home states of many IS fighters. The amount of returning former IS fighters provides Russia with a national security issue where Moscow wants to see the defeat of the IS, but also needs to deal with returning radicalized fighters as they leave the battlefield. Russia is also heavily preoccupied with the trafficking of opiates and other illegal substances, which finance the Taliban and flow out of Afghanistan into the Russian Federation and Eurasia (Carpentier, 2018).

**Literature Review on Inequality in Russia**

Russia has undergone extreme changes in its economic and socioeconomic structural makeup since the breakup of the Soviet Union in 1990. It has experienced loss of territory, a remodeling of its political structure, and redevelopment of its economic system. The Russian system has made strong improvements since the early 1990’s by decreasing extreme inflation and effecting a strong shift to the privatization of the private sector (Novokmet, Piketty & Zucman, 2017). However, Russia still suffers from high amounts of economic inequality. Part of the widening economic inequality between individuals in Russia is the shift from socialism to a more capitalistic state because of the emphasis from public wealth to the privatization of business. The bottom 50% of earners have experienced little or negative growth since the 1990s while the top 50% have seen very strong growth, with the top 10% experiencing the largest increase in economic prosperity. Russia’s top 10% owns 87% of the wealth (Walker, 2017).

Russia's transformation from the 1990s gave rise to extreme right-wing in response to loss of economic status, the influx of immigrants, and exacerbated by a projected decline in Russian population in the future that will reduce ethnic Russian representation demographically (Due Enstad, 2017). Russian hate crimes and violent right-wing attacks occur at a higher rate than in both the US and Western Europe. More than 400 deadly attacks have occurred since 1990 with more than 75% of attacks targeting "racial enemies" (i.e., non-whites). Right Wing violence in Russia mostly manifests itself in hate against non-white non-Russian Orthodox Christian immigrants (Dobbins, Shatz & Wyne, 2019). Dobbins states that number of attacks on the homeless in Russia has increased as well making it the second most targeted group in Russian society mostly due to societal prejudices against failure. According to Dobbins' article the majority of the right-wing violence occurs in the Western part of the country.
Country-Level Measures of Inequality in Russia

Russia was initially assessed with a collection of country-level metrics. These metrics provide measures of the country’s inequality compared to other nations, inequality within the country, social conditions that may be consequences of that inequality, and the prognosis for stability in the future (Error! Reference source not found.).

Russia is poor in comparison to most European countries, the US, and Canada, with a GDP per capita of $10,956. Russia has a high Gini Coefficient (50.4%, 19th out of 184 countries) indicating a high degree of inequality. Russia also one of the higher informal employment rates compared to OECD nations. Russia’s state stability is also week with a high measurable impact of terrorism and a high fragile state index score. While Russia’s Arrow-Pratt score is negative, showing risk acceptance, it is higher than the median score in this study, indicating that overall the Russian population is not as risk acceptant than most.

Table 1. Russia: Basic Statistics on Inequality

<table>
<thead>
<tr>
<th>Measure</th>
<th>Value</th>
<th>Rank</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inequality Compared to Other Nations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Per Capita GDP 2018</td>
<td>$10,956</td>
<td>62 of 187</td>
<td>WB</td>
</tr>
<tr>
<td>Country Measures of Inequality</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inequality-adjusted Human Development Index (IHDI) 2018</td>
<td>0.738</td>
<td>40 of 151</td>
<td>UN</td>
</tr>
<tr>
<td>Gini Coefficient 2015</td>
<td>50.4%</td>
<td>19 of 184</td>
<td>WB</td>
</tr>
<tr>
<td>Informal Employment as % of Total Employment 2016</td>
<td>35.9%</td>
<td>71 of 112</td>
<td>ILO</td>
</tr>
<tr>
<td>Measures of State Instability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fragile States Index 2018</td>
<td>77.2</td>
<td>68 of 175</td>
<td>FFP</td>
</tr>
<tr>
<td>Terrorism Index 2018</td>
<td>5.230</td>
<td>34 of 160</td>
<td>IEP</td>
</tr>
<tr>
<td>Probability of Mass Killing 2018</td>
<td>0.021</td>
<td>36 of 161</td>
<td>EWP</td>
</tr>
<tr>
<td>Risk Sensitivity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Arrow-Pratt Measure 2015</td>
<td>-4.24</td>
<td>69 of 158</td>
<td>This Study</td>
</tr>
</tbody>
</table>


The Inequality-adjusted Human Development Index (IHDI) is a UN measure of well-being and is a scale based on per capita GDP, life expectancy and education levels of the population.

- The Fragile States Index is based on twelve conflict risk that include security apparatus, factionalized elites, group grievance, economy, economic inequality, human flight and brain drain, public services, state legitimacy, human rights and rule of law, demographic pressure, refugees and IDPs, and external interventions. The potential range of the index is zero (no fragility to 120 total fragility).
- The Terrorism Index scores each country on a scale from 0 to 10; where 0 represents no impact from terrorism and 10 represents the highest measurable impact of terrorism.

Prognosis for Change to 2029

Russia’s economy has the possibility for continued growth (Novokmet, Piketty, & Zucman, 2017). However, the growth will only benefit a small portion of Russian society as Russia is one of the most unequal countries among developed nations (Walker, 2017). Under Vladimir Putin, Russia’s aggressive outward looking national defense policy will likely continue as it looks to expand its influence in the former Soviet republics as well as states close to the United States in Latin America. Russia’s right-wing prejudices and violence against minorities will not dissipate if the migration patterns into Europe continue to increase
Russia’s risk acceptant population and societal factors, such as its high rates of violence and drastic income inequality, should continue to spur civil movements that oppose President Putin, lash out at non-Russians, the homeless, and the LGTBQ community (ODR, 2016).

**Empirical Data on Inequality in Russia**

*Dataset 1: 2016 Russia World Bank Quintile Data*

The World Bank provides data on lowest and highest decile, and quintiles of percentage of income or consumption. These data are used to calculate their Gini coefficients. While not exactly measuring the actual income, the percentage of overall income provides an approximation. The Russian data were gathered in 2016. *Error! Reference source not found.* presents the original data and the fitted distribution curve from which the Arrow-Pratt risk sensitivity measures will be derived, as well as the Arrow-Pratt measures of risk sensitivity.

![Figure 1: Distribution of Income, World Bank Quintiles Russia 2016 and associated Risk Sensitivity](http://wdi.worldbank.org/table/1.3)

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3 Data drawn from: http://wdi.worldbank.org/table/1.3
Summary Dataset 1: 2016 Russia World Bank Quintile Data
The data provided by the World Bank shows a Russian population that is largely risk acceptant, where the mean Arrow-Pratt score is -4.24. While Russians that comprise the lowest income bracket are risk acceptant with an Arrow-Pratt score of -4, those in Russia that earn the highest incomes are the most risk acceptant with a score lower than -8.

Dataset 2: Russia Income by Occupation data 2016

Data taken from Russia’s Federal State Statistics service provides data that shows the occupational breakdown of Russia, how many people are employed in each occupation and their average wage.

Figure 2. Russia Income by Occupation data 2016 and associated Risk Sensitivity

Summary Dataset 2: Russia Income by Occupation data 2016 and associated Risk Sensitivity
Data collected from Russia’s Bureau of Statistics shows a Russian population that is very accepting of risk. The mean Arrow-Pratt score is -3.45 with the most acceptant occupations being found at the 55th to 75th percentiles of data. The occupations that are most risk averse are wholesale retail and health industries and can be found around the 40th percentile of data. Occupations do not become risk acceptant until after the second quintile of data, eventually reaching their highest levels of risk acceptance between the 55th and 75th percentiles.
Dataset 3: Russia Income by Occupation data 2005

The third data set is also from the Federal State Statistics Service of Russia, however it was compiled in 2005 instead of 2016. This provides the study with two separate pictures of Russian risk acceptance based on occupational data that uses the same methodology.

![Graphs showing Russia Income by Occupation data 2005 and associated Risk Sensitivity](image)

Summary Dataset 3: Russia Income by Occupation data 2005 and associated Risk Sensitivity

The mean Arrow-Pratt score for Russia according to its 2005 data is -3.56. This again shows a risk acceptant population. However, when compared to the 2016 data it indicates that over the 11 years between 2005 and 2016, there was a .11 change favoring risk aversion. This is a small shift and may not be meaningful however, and the data indicate that Russian risk sensitivity has remained fairly constant over a decade. According to the data the most risk acceptant jobs can be found in the 90th to 100th percentile and include public administration, transportation, communications, mining, and finance. The most risk averse occupations are community service and manufacturing.
Findings on Inequality in Russia

Russia suffers from high economic inequality which may have contributed to the reignition of long standing ethnic and racial biases that have given rise to right-wing extremism and violence (Novokmet, Piketty, & Zucman, 2017). The economic transition from a socialist economic system in the 1990s to a capitalist system with an emphasis on the privatization has helped Russia's top 10% control 87% of its wealth (Walker, 2017). The racial and ethnic inequality experienced by non-white citizens, which is partly due to the low socioeconomic standing of its citizens who are looking for a scapegoat, has made Russia the most dangerous country in which to be a racial minority (Novokmet, Piketty, & Zucman, 2017).

Relevance to Instability and Social Cleavages
The extreme violence faced by racial minorities, in addition to income inequality endemic across Russia, has aggravated social fissures and contributed to protests in major cities around the country (ODR, 2016). A high amount of corruption in Russia's political system and business sector has only irritated social issues as the lower 50% of Russia's socioeconomic class has experienced little or even negative growth in wealth attainment since 1990 (Novokmet, Piketty, & Zucman, 2017).

Opportunities and Pitfalls for the US and Adversaries
The US views Russia as one of its main geopolitical enemies in the world. It views Russia's aggressive advancement into the Balkans, the Middle East, and Latin America as a direct threat to its own global interests (Gurganus, 2018). The US is concerned with preventing further Russian involvement in its elections and seeing Russian backed anti-US regimes fall. However, Russia's own internal issues and its population’s risk accepting behavior presents an opportunity for the US to apply political pressure on Russian President Vladimir Putin from within, as half of Russia’s population has seen little or no increase in quality of life over the last decade (Novokmet, Piketty, & Zucman, 2017).

China
Russia’s risk accepting population is a potential pitfall for China as both countries have become increasingly close over the last decade. Russia and China first entered a formal alliance of convenience in the face of the encroachment of western ideals in 2001 (Cohen, 2001). Since the treaty was signed, China and Russia have backed many of the same anti-US regimes including, Assad in Syria and Maduro in Venezuela, conducted joint military exercises, and increasingly strengthened their economic relationship (which has strongly accelerated in recent years) (Dobbins, Shatz, & Wyne, 2019). If Russia’s civil issues threatened President Putin’s regime, it would potentially threaten China’s strongest world ally.

Russia
Russia’s risk acceptant population represents a potential threat to its stability and hindrance to its interests both nationally and domestically. The large income gap combined with the frequency of violent right-wing extremism has led to protests in many cities and minor civil unrest (Due Enstad, 2017). Social issues and Russia’s geographical relationship to the Middle East have also turned it into the Islamic States' largest contributor of out-of-state fighters (Berman, 2017). These social factors mixed with the Russian population’s acceptance of risk creates the potential for greater future threats to Russian control.
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