

Beating Poverty Through Equal Op

By Oleg Deripaska

Russia's economic growth in recent years is no illusion, but it has not been achieved through any qualitative changes in the economy. It is the favorable situation on the international markets that has provided us with a breathing space and enabled us to stop "muddling through" economically as we have done for most of the past 15 years. It would be a mistake not to take advantage of this opportunity to begin the process of economic modernization.

However, this cannot be done without stability and the modernization of Russian society. It is most unfortunate that poverty in this country has persisted for a number of years now and seriously undermines stability.

The problem of poverty has become a key issue in public debates of late. However, it is incorrect to consider this problem in general terms without looking at its causes. It is also harmful, as it provokes unrealistic expectations in some sections of society and leads to instability. The problem of poverty is often reduced to the issue of how many poor people there are in Russia and how the statistics on poverty can be improved. This, the argument goes, can be achieved either by giving more money to the poor or, as some people would seem to prefer, by depriving the rich of all their money — based on the logic that if there are no rich people, there will be no poor.

As far as the statistics are concerned, one has to realize that the notion of "poverty," and, in particular, the boundaries of this social phenomenon are very unclear. Indeed, this allows bureaucrats to adopt an arbitrary approach in their actions and, in many cases, to assess at their own discretion the results of the measures they have undertaken.

An offensive against successful people, whose energy, creativity, entrepreneurship and knowledge have assisted in protecting at least part of the economic potential of the Soviet era against the destructive elements of "wild capitalism," could have hugely negative consequences. Russia's successful development depends upon consistently building up the number of enterprising people both in the economy and in the arts, science, sports and other areas.

I do not believe that the privatization which took place in the early 1990s was unfair. It is important to understand that both privatization and nationalization always lead to an infringement of somebody's interests. The issue is how to make the results of privatization work for the benefit of the country and every member of society, rather than just for the benefit of those who acquired property during privatization. The two most acute questions are: first, what to do with the problem of state property that was significantly undervalued when sold, and which since its transfer to private hands has grown many times in value? And, second, how to make private capital in general work more efficiently in the best interests of society?

Rather than bullying those who gained from

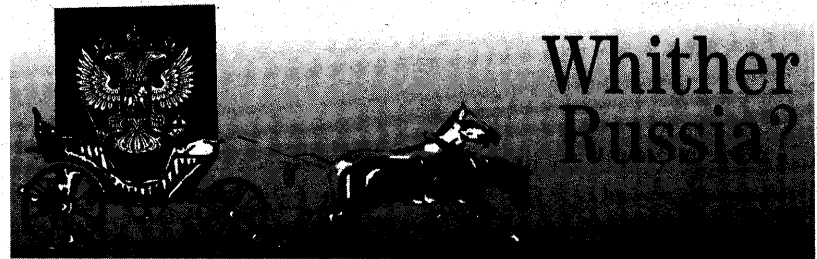
the undervaluation of property during privatization, they should be asked to pay a very high tax, in the order of 75 percent or even 80 percent of the amount they gained as a result of underpaying for the assets they acquired. Alternatively, they could be asked to invest an equivalent amount, long-term, in the "real economy," with the capitalized results of such investments not being taxed for a second time. I believe this would be both of use to society and fair. Bullying, on the other hand, will lead to no good. At best, it will lead to a fall in business activity and to entrepreneurs changing their business development strategies.

As for the second question, I have a whole set of proposals concerning uniting the efforts of private capital and the state for the purpose of resolving economic problems, in particular in the area of infrastructure development. However, in this article I only dwell on the issue of the private capital's role in resolving social problems related

Paradoxically, Russia's working poor — primarily highly-skilled manpower, such as teachers, doctors and certain other categories of employees paid from the state budget — make up almost half of all those classified as "poor." Such a dire situation cannot be found in any civilized country in the world. What sort of future can a country with destitute teachers have? Bismarck is thought to have said that Germany won two wars thanks to its rural teachers rather than its generals. I don't know whether he really said this, but I am absolutely certain that this assertion is correct.

In addition, more than 40 percent of young families in Russia fall below the poverty line when they have children. This means that almost every second young family has children who are poor from birth, and unless a society of equal opportunities can be created, those children are virtually doomed to remain in poverty for the rest of their lives.

What factors specifically give rise to poverty



to the modernization of society.

With the collapse of the Soviet Union, we discarded a political system that had proved to be useless, but we also discarded quite a few achievements in the social sphere. Although not always completely fair, equal opportunities in education, health care, etc. did exist in the Soviet Union. Moreover, one should not forget about such aspects of living standards as decent environmental conditions, the possibility to relocate and access to housing which are supposed to be guaranteed to all citizens these days, but in practice are only available to the few. That is why modernization of society is so important, and in order to achieve this people must enjoy equal opportunities.

Usually, standards of living are assessed in terms of monetary income per capita. Such an approach is justified when the majority of the population has a sufficiently high income and a market economy is well developed throughout the country. However, neither of these applies to Russia.

Looking more closely at the problem of poverty in Russia and at its roots, it is important to understand who gets classified as "poor" and what the key factors are giving rise to social inequality in the country.

First and foremost, the problem lies in the absence of equal opportunities.

in this country? A high rate of unemployment, a significant number of jobs which do not provide a living wage, the erosion of services provided free by the state, etc. This is all true, unfortunately. However, many of the above could have been avoided if our citizens enjoyed equal opportunities to resolve the problems they face — primarily equal opportunities for personal development and growth.

To reiterate, I would like to stress that fighting poverty should not be a charitable endeavor, in essence it should be a fight against prevailing social inequality. The only way to do this is to foster a society of equal opportunities.

Unless we put an end to the practice of addressing short-term problems and achieving short-term goals, instead focusing on strategic problems of socioeconomic development, we will probably miss our last chance to set the country on course for sustainable, long-term development based on economic and social modernization.

The following vital issues should be on the agenda:

- overcoming inequality and enabling our fellow citizens to exercise their constitutional rights;
- the restoration of a common economic area on the territory of the former Soviet Union;
- infrastructure development through the combined efforts of the state and the private sector (construction of roads, railways, ports, air-

opportunities

ports, bridges, power stations, electricity lines, etc.);

- solving Russia's demographic problems;
- raising living standards (including attention to ecological issues);
- eliminating unevenness in levels of regional development;
- harmonization of inter-ethnic relations in the country and the creation of normal living conditions for Russian populations living outside of Russia;
- national security and the preservation of territorial integrity;
- citizens' security;
- the systematic evaluation of the state bureaucracy's work (monthly, quarterly, yearly), with the results being publicly debated in the State Duma and discussed by the public at large.

All these issues are closely interlinked and should be treated as parts of one all-encompassing action plan. Hence, once we know what we are, where we are and where we want to be in 15 to 20 years time, we need to develop a complex strategy that would allow us to meet our long-term targets.

In conclusion, I will formulate some questions to mull over, as well as some proposals regarding the modernization of society.

How did it come to pass that a country with such prodigious human capital, abundant natural resources, and great successes in science and technology squandered all its social achievements? Who pushed our country toward "wild capitalism"? And should these people be entitled to continue to lead the country and pursue their liberal policies, based on the premise that market forces will sort everything out, when in reality the well-being of citizens and the prosperity of the country will depend on the situation on the world raw materials and energy markets.

This situation must be changed dramatically. A long-term strategy of social modernization should be drafted, long-term objectives should be set and comprehensive measures for achieving them determined.

It is crucial to listen to as broad a range of people as possible, rather than listening exclusively to those in charge of the government's economic wing and those at the Central Bank, who repeatedly recite their senseless slogans and calls, just as Ilf and Petrov's character, Ostap Bender, famously did when he exclaimed: "Don't you worry, foreigners are going to get us out of this mess."

We all have to help each other. The future of Russia depends on our efforts and the accomplishments of those new leaders, engineers, scientists and successful people who will emerge through measures aimed at building a society based on equal opportunities.

Oleg Deripaska, chairman of the board of Basic Element, contributed this comment to The Moscow Times. A longer version of this article can be found at: www.basel.ru