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Creating a Culture of Giving

By Simon Saradzhyan

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It is a truism that rapid accumulation of wealth by a privileged minority is bound to generate lasting resentment by the majority. It is the latter that presidential candidate Vladimir Putin decided to use as a campaign issue when he announced last week that Russia's business tycoons should pay a fee to win public acceptance of privatization deals they benefited from in the 1990s.

Whether Putin will follow through with this campaign promise is an open question. After all, most of Russia's surviving "robber barons" have been recently both more law-abiding and loyal to him. Not only do they dutifully pay taxes, but they also invest where the government asks them to. And some of these moguls even agree to play the role of opposition to create the impression of a competitive democratic process.

Therefore, while chastising the oligarchs for publicly spending millions on private consumption, Putin's government is unlikely to shake them down much more than it is already doing. But even if Putin does "forget" his campaign promise upon re-election, the strong feeling of injustice that Russians harbor toward what they view as criminal

privatizations of the 1990s will not fade away. Of the questionable privatization schemes, it is loans-for-shares, which was implemented when President Boris Yeltsin sought oligarchs' help to get re-elected, that continues to generate greatest resentment. In that scheme in 1996, the oligarchs loaned $780 million to the government, receiving collateral in the form of state-owned assets that were worth more than $2 billion at that time, according to leading Russia scholar Daniel Treisman. The government never paid the loans back, so the oligarchs ended up pocketing the assets that formed the backbones of their business empires.

It is no wonder, then, that national polls show that 75 percent of Russians favor revision of the privatizations. Moreover, the number of those who want a redistribution of the ill-gotten gains may actually be growing as the gains by the Communists and A Just Russia parties in the past parliamentary elections demonstrated.

Russia's wealthy also realize that legitimization of their wealth is yet to occur. A 2007 national poll showed that more than 70 percent of business owners and top managers of large companies in Russia favor a revision of the privatization results, according to Vedomosti.

Hoping that the specter of deprivatization will soon dissipate on its own is naive. I would argue that one way for Russian moguls to achieve recognition of the privatization results by the nation is to follow the example set by such original U.S. robber barons as Andrew Carnegie. This ruthless capitalist ended up donating most of his wealth for philanthropic projects that continue to this day, benefiting not only Americans, but also citizens of other countries, including Russia. More recently, Bill and Melinda Gates, who are by no means robber barons, have spent more than $27 billion on philanthropy. Together with investment guru Warren Buffet and Facebook CEO Mark Zuckerberg, the Gates have promised in writing to eventually donate at least half of their wealth to philanthropic projects.

Being a realist, I don't expect Russian moguls to donate half of their wealth to philanthropy, even though they have made fortunes in a country where more than 20 million people live below the poverty line. Nor am I saying Russia's wealthy are not already spending on philanthropy. But clearly what they spend is not enough to sway public opinion toward legitimization of their wealth in a country where the Gini coefficient hovers around 42.

At the very least, the oligarchs — with the obvious exception of former Yukos owners — could monetize the gains that they made in the most questionable privatization deals, such as loans-for-shares, and spend them on social projects and sustainable development. Russia had 101 billionaires that collectively owned $432 billion as of 2011, according to Forbes. If each of them donates even one-tenth of their fortune, their combined philanthropic contribution will be six times greater than what the government allocated for health and social development in 2011.

Unfortunately, Russia has many serious ills, ranging from poverty to drug abuse, and the authorities have failed to effectively treat many of them. Fortunately, these ills could be cured, or at least mitigated, by philanthropic projects, especially if they are generously financed and implemented by the country's savviest moguls who know how to implement effective projects.

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The views expressed in opinion pieces do not necessarily reflect the position of The Moscow Times.