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Income Inequality and Oligarchs in Russian Regions: A Note

Jarko Fidrmuc, Lidwina Gundacker



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Income Inequality and Oligarchs in Russian Regions: A Note[★]Jarko Fidrmuc^{a*}, Lidwina Gundacker^b

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Abstract

We trace the rise of the so called oligarchs in post-Soviet Russia and examine their relationship to income distribution in Russia. When Russia moved to a market economy in the 1990s a new business elite evolved. Russia's distinctive path towards market economy, among other factors, gave rise to the oligarchs who now control large parts of the economy and have a strong standing within politics and society. Using a unique regional data set on the locations of oligarchs' businesses across the Russian regions, we test Acemoglu's (2008) proposition that oligarchic societies experience extreme income inequality. Our results show significantly higher levels of income inequality in regions with a higher presence of oligarchs.

JEL-Codes: L22, D43, P25, P31.

Keywords: Russia, oligarchs, entrepreneurship, privatization, inequality.

1. Introduction

When the Soviet Union collapsed in 1990/91, the new political leaders faced a stagnating economy, skyrocketing expenses, petrified political institutions and dismal living standards. When the Yeltsin administration took over power in 1991 they initiated an unprecedented turn to market economy. The immediate and enthusiastic commitment to the performance of such radical change as well as the lack of experience gave rise to a business elite that controls large parts of the Russian economy until today (see e.g. Desai, 2005; Åslund, 1991; Guriev and Rachinsky, 2005). The so called 'oligarchs' not only took a dominant position in the Russian economy but soon established ties with political authorities, gaining access to the political

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