

# Muscovites Live Well On Income From Rent

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Thanks to income from their assets, Muscovites have more free time for vacations, hobbies and public protests, according to a new study, which also found that loyalty to the authorities grows as incomes rise, but in Moscow higher earnings correspond to higher dissatisfaction with the state.

The Center for Strategic Research and the government's Academy of National Economy conducted a study to determine what differentiates Muscovites from others in Russia.

The findings were a surprise even to the researchers, who found that Moscow is the only region where residents take an interest in defending their rights, said Mikhail Dmitriyev, president of the Center for Strategic Research.

He was speaking at the Gaidar Readings, a series of discussions on economic policy in honor of the late acting Prime Minister Yegor Gaidar.

The petrodollars that flooded onto the Moscow real estate market during the pre-crisis boom years have created a new class of landlords — rentiers who live off their property income and want institutions capable of defending their property rights.

Moscow's real estate market has become a secondary level of redistribution of wealth initially earned from raw materials, creating a new class of property owners. About 20 percent of Russians — those with per capita income of at least 25,000 rubles (\$800) — can afford to take out a mortgage to buy an apartment, while in Moscow the figure is 35 percent, or those with at least 70,000 rubles per month.

In addition, about 10 percent of Russians with lower incomes own a second apartment or room.

Housing is the primary asset and criterion to join the middle class, said Svetlana Misikhina, director of the academy's social policy institute. In Moscow, unlike in the rest of the country, the middle class is "nearly an electoral majority" of 45 percent, Dmitriyev said.

From 2002 to 2009, housing prices in the capital grew 50 percent faster than the average for the rest of the country. Salaries, meanwhile, grew only half as fast in Moscow.

Over the same period, income from property at the peak of the raw materials boom accounted for 25 percent of Muscovites' earnings, compared with 10 percent nationally, while salaries or wages provided 30 percent of their earnings, versus 40 percent nationally.

"Considering that revenue from property is under-reported and from salaries is over-reported, you can say property has become Muscovites' largest source of income," Dmitriyev said.

Before the economic crisis hit, the share of social payments as a part of Muscovites' income was halved to as little as 6 percent, compared with 12 percent for the rest of Russia.

As a result, Muscovites are less dependent on the government and their employers, and owning assets has sharply increased their demand for an effective legal system as the main line of defense for their property.

The poor legal system, undemocratic administration, and the inability to settle disputes in court have forced residents of the capital to turn to other means of influencing the authorities, namely by using their personal connections.

Moscow media outlets, federal television channels and the Internet are also effective and are dominated by representatives of the city's middle class, who broadcast their values to the rest of the country, Dmitriyev said.

The difference is because of a "gender anomaly" among men, who the researchers said are more integrated in the business community. Middle-class Muscovites are skeptical about the authorities' modernization rhetoric, comparing it with Soviet leader Nikita Khrushchev's campaign to promote corn.

Having property like real estate as a main source of income does little to improve human capital, since collecting rent does not require a higher education or professional advancement.

In this regard, the researchers said, Moscow is more like the United Arab Emirates than Europe.

But the crisis set Moscow back a decade. Muscovites' earnings from property holdings were nearly halved. But as rents gradually become less significant for Moscow's middle class, they will become closer to their European peers, Dmitriyev said.

"The motivation will change. More will be invested in human capital than in real estate," he said.

"It all depends on the direction the modernization takes, whether it's a turn toward a post-industrial society," said Tatyana Maleva, director of the Independent Institute of Social Policy. As long as people can collect rents, there will be no stimulus, she said.

Moscow, the Moscow region, St. Petersburg and the Tyumen region account for 32 percent of all Russians' incomes, said Igor Polyakov, an analyst at the Center for Macroeconomic Analysis and Short-Term Forecasting.

But Moscow stands out for its structure. In the crisis, St. Petersburg residents depended on salaries for 60 percent of their earnings while 9.4 percent came from pensions, while Moscow was at 50 percent for salaries and 16 percent for income from assets, he said.

Decentralization and leveling of the quality of life in the regions is needed, rather than the current "pyramid with the Kremlin on top," said Olga Kryshtanovskaya, director of the Institute of Applied Politics.

Income is the first step in forming a middle class, while quality of life is the second, she said. People need infrastructure, education and services.

"So far, all well-off people from the regions are trying to get to Moscow, while all well-off Muscovites are trying to live abroad," Kryshtanovskaya said.

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