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How the Lottery Jackpot Is Destroying Russia

By Alexei Bayer

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In the 1990s, Russia was a poor country struggling to make ends meet and to find its place in the post-Soviet world. Then came a sudden rise in global commodity prices, notably oil and gas.

To be sure, other factors also came into play, too. In the 1990s, the Russian economy was restructured and made more flexible. The wasteful Soviet economic system was eliminated, freeing more natural resources for export. Still, the economy would have remained in the doldrums had oil prices not risen 15-fold in a decade. In 2011, despite a global economic slowdown, Russia earned a record $300 billion from oil and gas exports. After hitting a gigantic jackpot, Russia can now be viewed in terms of a lottery-winner economy.

There have been numerous psychological, sociological and general interest studies about those who win huge sums in the lottery. In the United States, state and national lotteries have become very popular, especially among the poor. The poor spend a substantial portion of their

income hoping to win one of those multimillion-dollar jackpots, and some inevitably do. How their winnings change their lives makes for fascinating reading and also provides insight into Russia's economy.

Generally, winning a lottery improves people's lives. Money may not buy happiness, but it definitely makes life easier. Typically, however, winners of smaller jackpots tend to do better than those who pick up a windfall of $100 million or more. It also helps for winners not to change their lifestyles too radically but to stick to their work, family and community.

Still, winning can create considerable problems. Lottery winners find it psychologically hard to accept that their winning is a completely random event. They tend to see it as their "achievement," the result of them being special or chosen by providence. Remarkably, this is also the case with Russia, where the government ascribes the country's relative economic prosperity not to the inflow of petrodollars — and the luck from an extended period of high global oil prices — but to its supposedly wise, prudent economic policies. Ordinary Russians similarly see the wealth that is flowing into their country as somehow the result of their hard work, not circumstances beyond their control.

Lottery winners often see their long-standing friendships disintegrate when friends feel that the winners should share their money more readily. Meanwhile, winners, when they do help their friends, tend to impose demands and conditions that friends resent. In a way, spats over natural gas that Russia has with Ukraine and Belarus are similar to typical quarrels among lottery winners.

But even as old friendships collapse, winners often fall for foolish schemes and swindles. In parallel fashion, Russia's massive revenues are being pilfered on a massive scale. Lottery millionaires' extravagant, ostentatious purchases are also similar to the white elephant projects Russia has undertaken, such as the Sochi Olympics or the multibillion-dollar Russky Island development project near Vladivostok.

Winners' greatest victims, however, are their own children. Very rarely are the lottery winnings used to ensure good education for winners' kids. Many end up spoiled, morally corrupt and traumatized by their parents' good fortune. This could be seen as a metaphor for Russia's lack of investment in its future. Russia has done little to wean its economy from oil or revive the education and research infrastructure that existed in the Soviet Union.

Most alarmingly, lottery money usually ends up as an easy-come-easy-go fortune. Even enormous jackpots have been squandered completely. It is a cautionary tale for Russia, which could end up back in the indigent 1990s if oil prices fall.

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