

The Age of the Super Rich

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Coatesville, Pennsylvania is home to Lukens Steel, once the world's largest steel plate producer. A hundred years ago it was owned by the wealthy Lukens family, whose mansions stood next to its blast furnaces, staffed by poor, mostly immigrant labor. The tiny St. Nicholas Orthodox church, founded by the mill's Russian workers, still stands near the factory gate.

In mid-20th century, Lukens Steel was a publicly traded company, its 10,000 union workers were well-paid and the Lukens mansions had become museums. Today, Coatesville's once more impoverished population is down to its 1913 levels, the plant is mostly closed

and whatever remains is owned by ArcilorMittal. Lakshmi Mittal — net worth \$17 billion — lives in Britain.

Both Russia and the U.S. entered the 20th century with a huge gap between wealth and poverty. Russia still had landed gentry, but rich industrialists and financiers, similar to the ones who were prospering in the United States, had also emerged.

But then, a new era of egalitarianism dawned in both countries. To be sure, the nature of equality was different. Russia killed off and expropriated the wealth of its propertied classes, whereas the core of U.S. society was its prosperous, upwardly mobile middle class that included industrial workers.

During the egalitarian era, which was marked by the pair's Cold War rivalry, the two nations reached the height of their global power. Now, however, both societies are split once more along economic lines, with the new super-rich coming to dominate their economic and political landscape.

The rich in Russia control natural resources and state companies, while in the U.S. they are entrepreneurs, business executives and finance professionals. But in both countries they depend on the government. In Russia wealth flows down directly from the Kremlin and in the U.S. government policies have reduced taxes and regulations, liberalized financial markets, cut social assistance, abandoned industrial policy and withdrawn support from the unions.

The United States' poor are less poor than Russia's. The U.S. has a higher quality of life and a functioning social infrastructure. Still, U.S. economic growth disproportionately benefits the rich, the number of people living below the poverty line is rising and more and more Americans, unable to find work, are dropping out of the labor force.

Remarkably, this situation seems to satisfy a majority of the two countries' populations. President Vladimir Putin's support in Russia is invariably high, and in mainstream American politics the left is all but dead. The only popular movement to emerge in recent years has been the right-wing Tea Party, which advocates even lower taxes and less support for the poor.

In an era of universal literacy, instant communications and the organizing capacity of social networks, such massive inequalities are unlikely to continue. In fact, grassroots protest movements have arisen in both countries. But while Occupy Wall Street in the U.S. petered out without prompting any government action, in Russia the situation is different. Russia's super-rich feel less comfortable in their own country and are less confident that their good life will last, which is why they move their assets and offspring abroad.

This is also why after suppressing the "white ribbon" pro-democracy movement and ignoring it for two years, the Kremlin is starting to make modest concessions at the ballot box and allow some opposition members to stand for office. We'll see in the next few years whose strategy in preserving this precarious social and economic peace will prove more efficient.

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