

An Empirical and Historical Study of Socio-economic Stratification and Wealth Disparity in Russia

Katsumi FUJIWARA *

* *Osaka University, Japan; fujiwara@lang.osaka-u.ac.jp*

The increase in wealth disparity and the concomitant decrease in the size of the middle class under contemporary capitalism could very well lead to a slowing down of the world economy. Worldwide, the existing economic and social systems need to be restructured to prevent destabilization. Thomas Piketty's work¹ discussed the growing tendency of the difference in the long term and expansion of the difference under a complete market, which attracted attention several years ago showing the urgent nature of this problem.²

While economic disparity and inequity has historically existed in Russia, there also exists a unique social structure that has been formed by preserving the Socialist legacy of measures such as company relief and job security. These features in the economy or society could also be the result of inertia. However, some studies show that some structural changes have occurred after the economic crises of 2008 and 2014. Therefore, it is now time to examine the historical pattern of change in social disparity again. In addition, 2017 is the 100th anniversary of the Russian Revolution that envisioned equality of all people as one of its objectives and had a profound influence on the socio-economic systems of the world in the 20th century. The study of the inequitable and hierarchical socio-economic structure of Russia, including its history, could give us a successful argument for the revision of the world's economic system.

Therefore, with this objective in mind, we organized our research project titled "An empirical and historical study of socio-economic stratification and wealth disparity in Russia." This project was funded as a Joint Usage and Research Centre 2018 Project by the Institute of Economic Research (KIER) of Kyoto University. This research project was divided into two groups: 1) the historical analysis of structural changes (Fujiwara, Zhuravlev, Hayashi, and Kambayashi), and 2) the present-day analysis after the twin crises of 2008 and 2014 (Mizobata, Hayashi, Yokogawa, and Matsumoto). The first group examined the pursuit of the idea of equality for all and its reality in the Soviet society and the second group described the social and economic disparity while focusing on policy measures of the local and the federal government that had a large effect on businesses, markets, and the economy of the region.

The following is a summary from the conference held in December 2017, where we reported the results of the project.³

Sergei Zhuravlev (Institute of Russian History, RAN) gave the keynote lecture titled “Egalitarian Ideological Concepts and Practices of Labor Motivation in the Soviet Industry in the 1920-1980s.” In his opinion, the discussion about the inequality in Russia including that of the Soviet era should revolve around three concepts (i.e., “a conflict of ideological dogma,” “leveling moods in the society,” “contra-egalitarian economic pragmatism of managers”). For each time period, the degree of the inequality can be explained by the conflict of these three concepts, especially at the enterprise level. After focusing on wage policy, he concluded that differences in payments had been smoothed out between the different economic sectors, workers with different skills, and workers and engineers by the end of the Soviet era.

While Zhuravlev paid attention to workers’ wages, Katsumi Fujiwara focused on the disparity and inequality from the consumption side. Based on the interviews of 10 women in Moscow, she presented the following three hypotheses. First, the Soviet society was a kind of a “corporate society,” where the company was at the center of people’s lives. Second, because people co-habited in apartments with co-workers, this “corporate society” concealed the difference of availability of the product between organizations and people’s dissatisfaction with their lives. Third, retrospective evaluation of their own lives also determined people’s satisfaction levels; all the respondents had started their lives in communal apartments and gradually improved their housing condition through the 1960s and the 1970s, and that also helped people to be content with their lives.

The research group of the present-day conditions analysed public services such as medical care and education from both the consumption and production sides.

In the presentation titled “The Prestige of Medical Workers in the Russian Occupational Structure,” Kaori Matsumoto highlighted that the occupational status of the healthcare worker is low in Russia. She conducted her own survey at the Far Eastern National University in 2000, 2004, and 2010, using the SSM method, which was devised for the survey of the occupational status of workers in Japan. The medical system in Russia is a free service, but the health workers are paid low wages and there is low public trust in both the skills of healthcare workers as well as the diagnostic facilities. She concluded that even though the social status of physicians in Russia has slightly improved, there is still a need for reforms so that people can receive high quality treatment at an affordable price.

Kazuho Yokogawa, a specialist in the area of local finance, discussed the problem of the education in the presentation titled “Public Service Provision and Its Finance in Russia: The Case of Education.” She examined the reforms in the elementary and secondary education system that was funded with local finance. The collapse of the Socialist system had led to a revision of the universal and free public service provision (i.e., the reduction in the redistributive policy). However, under the Putin government, it can be seen that public expenditure on education has increased. There has been an increase in wage rates for teachers and in the share of education spending in the GDP. The Putin administration has made the regional and the local governments take more burden in the expenditure on education. The fiscal centralization after 2002 succeeded in guaranteeing greater equal access to general compulsory

education only after the global financial crisis of 2008.

Hiroaki Hayashi examined the legacy of Soviet Era in connection with people's way of thinking as a whole. Zhuravlev also stated that in the 1960s -1970s Soviet Union, the "middle class" constituted the majority in population because of an improvement in general living standards. Hayashi borrowed the definition of the middle class in the European academic world, namely economic independence and a liberal political position, and used it to clarify the features and the role of the Russian middle class. He made a presentation titled "Economic Difference in Russia and the Remake of the Middle Class" and demonstrated that middle class in Russia is neither large in scale nor independent on the state. It also does not necessarily support the development of a market economy or democracy. However, Hayashi concluded that the attitude of middle class to allow the government intervention is a rational choice for order and stability, and it may be a clue of future development of Russian society.

Most of our studies found that the Soviet system has left behind many legacies, mainly negative; however, many people still consider them to be affirmative. Such is the unique way of rationalization of the Russian people that it alone deserves further attention.

Notes

¹ Piketty (2014).

² Politically, rise of the extreme right political party and Brexit in Europe also have a relation with such situation.

³ Kyoto International Conference and EACES - Asia Workshop "The Future of Transition Economics: Emerging Multinationals and Historical Perspective" December 8 (Fri) – 10 (Sun), 2017, KIER and Shiran Kaikan Annex, Kyoto University. As for details of this conference, see Gorshkov (2018).

References

- Gorshkov, V. (2018) "Emerging multinationals: Some theoretical and empirical considerations," *The Journal of Comparative Economic Studies*, Vol. 13, pp. 7-12.
- Hayashi, H. (2017) "Quality of market, and society in Russia: Focusing on the middle class", *The Journal of Competitive Economic Studies*, Vol. 12, pp. 135-142.
- Piketty, T. (2014) *Capital in the Twenty-First Century (Le Capital au XXIe siècle)*, translated by Goldhammer A., Harvard University Press.
- Yokogawa, K. (2017) "Public service provision and its finance in Russia: The case of education," *The Journal of Competitive Economic Studies*, Vol. 12, pp. 101-120.
- Zhuravlev S. (2018) "Egalitarian Concept and Practices of Labor Motivation in the Soviet Industry in the 1920-1980s," *The Journal of Comparative Economic Studies*, Vol. 13, pp. 103-128.