The MIDDLE CLASS: Increasingly Fond Memories of a Grim Past

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Increasingly Fond Memories of a Grim Past

Despite seemingly successful reforms in many post-communist countries, increasing numbers of people have been sliding from the middle class into poverty. Nostalgia for the late communist era is on the rise, and a new study warns that the perceived levels of social and economic decline surpass the actual ones — which could spell trouble for the reformers.

By DAVID S. MASON, ANTAL ORKENY, and SVETLANA SIDORENKO-STEPHENSON

The economic and political transitions in post-communist Europe have been a resounding success in many respects. Democratic processes and institutions have consolidated with unexpected speed, and market economies have emerged rapidly. Economists point to resumed economic growth (after years of stagnation or decline), rapid expansion of the private sector, and the ready availability of consumer goods. Politicians and political scientists are heartened by the growth of multiparty politics, the orderly electoral and parliamentary processes, and the emergence of a lively free press.

Amid all those successes — and much to the surprise of many Western and local observers — the reformed-communist parties swept into power in many post-communist countries in the mid-1990s, while left-wing opposition forces began mounting strong challenges to the market-oriented reforms in other countries in the region. The left turn in the public mood was, above all, a reflection of a widespread and fundamental disaffection with the reform processes. While a small minority was doing very well as a result of the market-oriented economic reforms, most people were not, and alarmingly large proportions of the respective populations were falling into absolute poverty (see box, "The Swelling Ranks of Poverty").

The old communist-era “middle class” has been forced to sink or swim in the new competitive environment. Those with skills and adaptability have been able to manage, but much larger numbers have been forced into unemployment and retirement, which often means poverty.

PERCEPTIONS OF ECONOMIC DECLINE

In 1996, the ISJP fielded a survey on justice perceptions in six post-communist societies (Russia, Estonia, Bulgaria, Hungary, the Czech Republic, and eastern Germany), replicating a 13-country survey from 1991 that had also covered some Western countries. In both years, the ISJP investigators conducted face-to-face interviews in each country with nationally representative samples of at least 1,000 respondents. The 1996 survey included many of the questions posed in 1991, allowing for comparisons over time, but it also included a number of questions about the respondents’ remembered experiences and situations from the earlier period.

The findings of the 1996 survey for Russia, Estonia, Hungary, and Bulgaria are already available and reveal a general pattern. (Estonia is a somewhat special case; see box, “Russians in Estonia Bear the Brunt of Changes.”) In all four countries, most people feel themselves to be in a very difficult economic situation and see the problems primarily in the market-oriented economic reforms, most people were not, and alarmingly large proportions of the respective populations were falling into absolute poverty (see box, “The Swelling Ranks of Poverty”).

From 1991 to 1995, the real incomes of Russia’s citizens dropped by 40 percent. Some, like this man being arrested for stealing cabbage in a village near Moscow, resorted to petty crime to cope with financial trouble.

The political implications of the increasing social polarization is compounded by the tendency of most people to perceive the changes as even worse than they are. As a comparison between the 1991 and 1996 International Social Justice Project (ISJP) surveys reveals, people remember the late communist era and their social positions then in a much more favorable light now than they regarded them at the time.

The first thing to note in Figure 1 is the high level of dissatisfaction in 1996 — the middle two columns — with the standard of living. Nevertheless, the continuing high levels of dissatisfaction — even in countries that have begun to show a positive economic turnaround, such as Estonia and Hungary — must be at least somewhat alarming for policy-makers in the region.

What is most interesting about Figure 1, however, are the figures in the last two columns: the respondents' 1996 perceptions about how satisfied they were with their standard of living in 1989–1991. In Bulgaria, for example, only 7 percent of respondents remembered being completely dissatisfied with the standard of living in 1989, whereas in the 1991 ISJP survey, as many as 21 percent of a similar sample expressed such levels of dissatisfaction. There are even larger discrepancies considering the broader measure of dissatisfaction (“dissatisfaction”). In Russia, for example, only 17 percent remember being dissatisfied with their standard of living in early 1991, whereas 65 percent expressed such feelings in the ISJP survey that year.

That pattern of unrealistically fond memories of the late communist era is repeated in virtually all answers to questions involving retrospective evaluations of personal and national economic situations, the political system, and the respondent’s own social status. It is well established in survey research that people often do not exhibit very accurate recall, and they particularly tend to forget unpleasant events or circumstances. It is not the accuracy of memory that is relevant here, however, but the perceived disjunction between the way things used to be and the way things are now. Periods of economic decline are always dangerous for political stability, and it is worse when people perceive the decline to be greater than it actually is.

The categories have been compiled based on responses given on a seven-point scale, ranging from “completely satisfied” to “completely dissatisfied.” The category “dissatisfied” includes all those who picked any of the three “dissatisfied” options. In all four countries, the “neutral” response (No. 4 on the scale) was quite large, which left few people in the “satisfied” categories.

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The measure of the perceived change in social status for each respondent was calculated by subtracting the retrospective social position (column 3) from the current one (column 5). The last two columns report the percentages of respondents for whom that figure was negative (column 4) or positive (column 5) within each national sample.

The dramatic changes in the social structure of those societies accompanying privatization of the economies; and the fact that ISJP investigators in some countries changed the class response sets in 1996, reflecting the changes in soci-
eaty but making comparisons on these questions over a period of time more difficult. For all those reasons, the answers referring to social position are more reliable and useful than those on class.

Nevertheless, some general observations can be made about the changing nature of the class system in post-communist societies. There has been a sizable increase in the percentage of people who place themselves in the "lower class": in Bulgaria, that group increased from 12 percent of the sample in 1991 to 23 percent in 1996, in Russia it rose from 4 percent to 15 percent, and in Estonia it went from 4 percent to 8 percent. Only in Hungary did this number decline, from 20 percent to 16 percent, although other studies from Hungary show an increase in self-placement in the lower class in the early 1990s.2

Both ISJP surveys asked the respondents to place themselves on a one-to-10 scale, with 10 indicating high and one indicating low social standing. The 1996 survey also asked people where they were on the scale in 1989-1991. Figure 2 shows the mean position for each country for each of those three responses and the percentage of people whose current position was lower or higher than their retrospective position (in the final two columns). In all country samples, there is a high correlation between subjective social class and subjective social standing, so the latter is a useful surrogate for class.

On average, people in all four countries placed themselves fairly low on the social ladder, though the averages were much lower in countries like Bulgaria, where the economic situation was particularly difficult, than in Estonia, where it was better. In every country but Russia, there was a substantial drop in the average position between 1991 and 1996. As in Figure 1, the perceived decline was much bigger than the actual one, since people in 1996 remembered their earlier social positions as much higher (column 3) than people reported at the time (column 1). As is apparent, most people experienced a decline in social status, and in most countries, very few perceived a gain for themselves.

Those perceptions of decline can be partly explained by the real decrease in living standards, but also by a sense of relative deprivation. That is evident from questions that ISJP investigators asked about what compensation people feel they deserve for their work and what they actually get. In Russia, for example, that ratio was 2.3 in 1991 (people felt they deserved 2.3 times more than they actually earned), but by 1996, that ratio had grown to four. The higher visibility of social inequalities such as ostentatious wealth and increased material aspirations also play an important role when people evaluate their social positions.

In both Russia and Hungary, the biggest changes in perceived social status appear at the extremes of the scale, with people at the bottom of the status scale experiencing the biggest drop in status, and the people at the top of the scale perceiving the biggest increases. Consequently, from 1991 to 1996, people were pulled out of the middle categories both in upward and downward directions, causing an increased polarization of the social structure and a decline in the size of the middle class. In the Russian case, for example, the 1991 distribution curve of social position resembled a normal, bell-shaped curve, with the largest number of people in the middle categories and smaller numbers at the low and high ends. By 1996, the curve looked more like a saddle, with the middle positions relatively smaller. A similar phenomenon was at work in Hungary.

For all four countries, probably the biggest reason for decreased living standards, increases in the "lower class,"...
The collapse of state socialism and the consequent end of the guaranteed jobs and benefits led to a dramatic decline in the number of full-time employees. In both 1991 and 1996, very few people held full-time jobs. The change in employment structure is one of the biggest transitions of the post-communist period. In none of the four countries was even half the population working full time in 1996, and in Bulgaria and Hungary only somewhat more than a third was. It is primarily the increase in the number of unemployed and pensioners that are expanding the ranks of the lower social classes in these societies.

YEARNING FOR THE KADAR ERA

The change in employment structure is one of the biggest differences in the survey samples in Hungary in 1991 and 1996. The collapse of state socialism and the consequent end of the so-called caring employment policy account for the somewhat more than a third was. A sharp rise in the number of unemployed and retirees in the emergence of a relatively large new stratum of poor people belonging to the lower social classes in those societies.

In relative terms, however, the middle class has lost even more. Between 1990 and 1995, the middle strata in Hungarian society suffered a 20 percent decline in real income. The country’s middle class was in part a function of the abundance of state-provided jobs, but an even broader and bigger middle stratum emerged in the 1980s, primarily as a result of activities in the shadow economy. Some Hungarian authors have come to refer to those groups as middle class, albeit without the classic middle-class features of autonomy, democratic attachment, and a Weberian work ethic. Furthermore, since the communists forbade private ownership of the “means of production,” the middle class was entirely dependent on either state redistributive mechanisms or the shadow economy. So when both of those collapsed after 1989, many of those people were propelled into poorer social strata, although a small number — mostly the younger generation of state bureaucrats and managers — were able to capitalize on the new processes of marketization and privatization.

The marketization of the economy and labor relations increased the gap between the private and the state sectors. The free-market economy and the liberal political system eliminated the official upper limits on income, and that led to further inequalities in income distribution. Moreover, the middle-class groups that remained employed by the state (for instance, in the health and education sectors, which remained mostly non-privatized) experienced the most drastic declines in incomes, living standards, and consumption.

The middle class has experienced substantial downward mobility. In practical terms, that meant that many people lost their jobs and were either forced into early retirement or compelled to retrain for different jobs and positions. On the psychological level, it led to feelings of insecurity, uncertainty, and fear for the future, all of which show up in answers to other questions in the ISJP survey. Such feelings have, in turn, fostered a strong conservative mentality, fearful of any changes or programs that could bring new dangers and challenges, and a false memory about and nostalgia for the Kadar era (the last part of the communist period).

RUSSIA’S SHRINKING ‘MIDDLE CLASS’

The Soviet Union, even more than the other communist states, had a particularly large “middle class” due to the pervasive and extensive nature of the socialized economy. The transition to a market economy has had a particularly 3

and decreased social status was a dramatic decline in the number of full-time employees. In both 1991 and 1996, very few people with full-time jobs considered themselves at the bottom of the social ladder or in the lower social class. But from 1991 to 1996, there was a startling decline in the proportion of those with full-time jobs in each country, and big jumps in the number of retired and unemployed people (see Figure 3).

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The 1996 International Social Justice Project survey found interesting differences along ethnic lines in Estonia. Estonians and ethnic Russians have different perceptions about current and past social standing and economic well-being, as well as differences in employment status. In 1996, ethnic Russians were somewhat more dissatisfied with the standard of living than were Estonians. But Estonians were much more likely to remember being dissatisfied in 1990 (24 percent) than Russians (11 percent).

Similarly, Estonians rated their current social positions higher (4.7) than did ethnic Russians (3.95). On the other hand, ethnic Russians remembered their 1990 status as higher (5.96) than Estonians (5.54). Thus a much larger percentage of ethnic Russians (71 percent) perceived a loss in position than Estonians (47 percent). Moreover, in 1996, ethnic Russians were significantly more likely to be unemployed than Estonians (9.9 percent compared with 4.6 percent) and somewhat less likely to be retired or working full time.

Drastic impact on that stratum, a significant part of which has shifted into lower economic and social positions. As sociologist Tatyana Zaslavskaya has pointed out, the only people who have really benefited from economic and social transition are those with "marketable resources," including entrepreneurs, service workers, the top layers of the intelligentsia, the "workers' elite" (highly qualified and skilled workers), and people from law-enforcement agencies. The bulk of the intelligentsia (white-collar and professional workers), which used to occupy the middle positions of the social structure, has split into two directions: some have fallen in status, joining the ranks of the unemployed or becoming simple clerical workers; while others have managed to move upward into the ranks of the top intelligentsia, for example, by becoming managers and professionals.6

As in the Hungarian case, the biggest cause of the expansion of the lower class and the contraction of the middle class is the increase in unemployment and early retirement, and that has particularly affected the older generation. In fact, age is the single biggest socioeconomic determinant of subjective social status in Russia in 1996 (in the 1991 ISJP survey, age was not a statistically significant determinant of such status). During the Soviet period, higher education guaranteed job security and higher status. Today, however, education is a much less important determinant of social class.

Intergenerational tension and conflict have historically played a big role in the evolution of Russian society, as manifested in the traditional dilemmas of "fathers and sons."7 The current social transformation, however, has made the generational dimension central. There is an obvious and growing gap between the younger and older generations, which did not exist in 1991. In 1996, for example, only 6 percent of the youngest age group (18–26) considered themselves in the lower social class, whereas 32 percent of the oldest group (66–75) did. Conversely, 47 percent of the youngest age group considered themselves in the middle class, while only 12 percent of the oldest group did. Those differences are continuous across all age categories and do not just reflect the extremes.

Meager resources render the older generation particularly dependent upon the state, at a time when the government's financial troubles are jeopardizing the entire welfare system. The average retirement pension in today's Russia is only 84 percent of the minimum subsistence level, forcing a big proportion of the older generation into poverty. The generation gap is not just a financial one, but also a social and cultural one. Many older people are experiencing a loss of social status and respect, which they had hoped and expected to secure as a reward in their old age.

PROGRESS THROUGH INEQUALITY?
The changes in the post-communist states are not just political and economic but social as well, involving fundamental changes in the objective and subjective social structures. Poverty and wealth are increasing at the same time, causing increased societal polarization.

The shifting of the social and class structure is, of course, making those societies more like Western ones, just as the economic and political transitions are, and that may be good news for the efforts of the market-oriented governments in these countries. Probably a capitalist economy could not coexist with social structures as egalitarian as those that prevailed in the communist era. The governments of the post-communist states can hope that the expansion of poverty and the generalized loss of social position are only temporary phenomena. Since it is older people who are most affected by these changes, it is only a matter of time until they are replaced in the labor force by those younger and more adaptable. And as the economy improves — as the reformers hope and expect — the governments should be able to afford more substantial welfare programs.

But in the short run, the growing poverty and inequality, and the widespread sense of social and economic decline — in societies that are still generally much more egalitarian and statist than those in Western Europe and (especially) the United States — are bound to cause problems for the reformers.
