

Abstract (2010)

The Middle Class after the Crisis: a Brief Analysis of Opinions on Politics and the Economy¹

The problem of the middle class has become very important in society and in politics in recent years. Estimates about the size of the middle class have even found their way into government programs. After Russia's long-term economic boom from 1998-2008 the topic of the middle class has become quite relevant in the country, as reflected in a government program for Russia's long-term development until 2020. The middle class, in both global and Russian traditions of public and political thought, is considered the pillar of democracy and its main beneficiary.

We understand the middle class not as a monolith but as a combined group with various behaviors, therefore we study its behavior and values according to a structure. The middle class is clearly not uniform, a fact that makes our analysis more difficult. This non-uniformity stems from the difficult period of the 1990s, when a market economy was taking shape in Russia, as well as from the stable period in the first decade of the 21st century. The middle class in developed market democracies forms irregularly by levels, occupational groups and sectors. A small middle class (20-25%) has emerged in Russia with a huge proto-layer (40%) that over the past decade has not become like the Western middle class despite an overall growth in incomes in Russia. This study will consider the structure of the middle class, looking at its levels and occupational groups as we survey the middle class's behavior and values.

The economic recession had already severely impacted jobs and personal income by early 2009 and various occupational groups among the middle class were affected in different ways. A study of middle class behavior has become even more relevant in the wake of the financial crisis in Russia, which began in autumn 2008. Economic problems have become worse, fueling a drop in production which has hurt the middle class. Today this topic is not solely connected with the development of the middle class in Russia during its transitional period or its development over the next 20 years. Whether directly or indirectly we are talking about the social and economic stability of the middle class, its political views, and its reaction and behavior during the industrial crisis.

As a scientific community and a civic society we are interested in a more structural picture of our social community. This book presents a study of the social and political behavior and values of the Russian middle class while taking into account its variegated structures. After the twenty-year transformation period the middle class took shape in such a way that a more detailed analysis can be made according to its groups. Until now only sporadic attempts have been made to study the political behavior of the middle class, and these were restricted by a superficial aggregate study of the middle class on the whole. We are proposing that this kind of study be brought to a higher level by studying political behavior taking into account internal structures. By doing this we are undoubtedly following world, especially American, experience of researching middle class behavior. Our approach to researching the middle class, its structure and social attitudes, political opinions and behavior is based on a return to the source – to the study of occupational factors in American sociology in the middle of the 20th century. Peter Blau and Otis Duncan wrote *The American Occupational Structure* in 1967, which contributed a large

¹ The book presents the results of a study on the model of the structure of the Russian middle class in order to access the peculiarities of its social and political behavior. This collaborative study was conducted in Russia in spring 2010 with support from the John D and Catherine T MacArthur Foundation.

part to the beginning of social engineering in the world.² A preliminary analysis of this structure is presented in a work by the Institute for Energy and Finance called “The Russian Middle Class: A Study of its Structures and Financial Behavior” (2009).³

The methodology of the research

The Sampling

We conducted a series of extensive, informal interviews with representatives of five groups (highly-educated people, government employees, employees of large companies, small and mid-sized business working in the trade and service sector and small and mid-sized businesses working in the production and innovation sectors) and with three levels of the middle class (the lower middle class, the medium section of the middle class and the upper middle class). The sampling targeted three cities – Moscow, Samara and Rostov-na-Donu. A total of 120 interviews were conducted; 90 in Moscow and 15 interviews each in Samara and Rostov-na-Donu. Two levels prevailed in our sampling (at least in Moscow): the upper and medium section of the middle class. We will use the “middle class” as a general term for this sampling, although it is clearly mixed with the upper middle class.

The survey was conducted during an economic rebound after a severe financial crisis, which is an important aspect for handling the material received during the survey. Part of the middle class established its position during the five to seven years of rapid economic growth in Russia. This especially concerns bureaucracy, some trade business, managers of large companies and banks. The time factor is extremely important – time and a crisis tests the durability of families, businesses and the government. We need to soberly assess the opinions of the respondents. This survey is made up of financially well-off people (but not large property owners or the upper class) and their attitudes towards the crisis that they have already weathered.

A peculiarity of our material is that we discuss the opinions of stable representatives of the upper and medium section of the middle class about the state of others, or a so-called view from the closest observers. From the point of view of a pilot project this is an advantage because we have a more complete picture of an important segment of the middle class. From the theoretical viewpoint this reveals two possible ways of classifying our sample. They are the members of the core middle class, those who have achieved financial stability and who are independent from current trends in family finances. Or, more simply and definite, they are the upper middle class.

Our analysis of the extensive interviews we conducted has its own advantages and limitations in studying the middle class. The analysis cannot be taken as proof with a small sampling, but that is not a requirement in this type of study. In qualitative sociology a “representation” does not have a quantitative measurement and it is not determined by statistical distribution of the positions of respondents, but rather by revealing their motives. The task of a qualitative study is to discover the entire specter of opinions on the target questions, the distribution of the respondents (in our case this means the various sections of the upper and medium section of the middle class) and to analyze the reasons why people responded in a certain way. Only a representative quantitative study can confirm these assumptions and our work could serve as a technical task or basis for developing research instruments.

Our analysis does not contradict other surveys and studies conducted by various Russian and foreign-based centers on opinions among the middle class about democracy, middle class political preferences and behavior during a crisis. This material, gathered during a poll in spring 2010 mostly among the upper and medium section of the middle class in Moscow and two other advanced regions, will provide a deeper understanding of these issues in a calm atmosphere

² Blau, P. & Duncan, O. *The American Occupational Structure*, New York.: Wiley, 1967.

³ Leonid Grigoriev and Alla Salmina. *The Structure of the Russian Middle Class: Hypotheses and Preliminary Analysis*. Moscow: Ekon-Inform, 2000. 5-100.

(before the wildfires broke out in summer 2010 in Russia) and an economy that is gradually rebounding after the severe financial crisis of 2008-2009. Young people made up the majority of respondents, therefore their answers are especially significant. They are generally younger than the country and their opinions and behavior will influence the political process for the next two presidential cycles.

The Interviews

The results of previous Western and Russian surveys about the social and political values and political behavior of the middle class were taken into account in drafting the guide for the interviews. The middle class's behavior during economic downturns and crises was also considered. The interview guide included the following major types of questions: 1. interest in politics, 2. political activity, 3. social and political perceptions and value, 4. the economic crisis and 5. general data about the respondent.

The first section includes a number of questions designed to fuel the respondent's interest in the interview and to get him or her talking, so that the respondent would willingly answer subsequent questions. Moreover, the questions in this section showed the level of the respondent's interest in politics.

The second section targeted different ways of taking part in Russian political life, such as participating in elections, political organizations, in social non-political organizations and the results of such activity. There were also questions about going to demonstrations or protests and supporting such activities. The end goal of these questions was to determine the level of political activity among Russians.

The third set of questions was aimed at a detailed study of the social and political opinions and values of the middle class. The topic of democracy was looked at relatively closely in this section, such as the level of satisfaction with democracy in Russia and assumptions about political competitiveness and democracy. There were questions about the transparency and openness of government agencies, as well as how key decisions were made in the government. Respondents were also asked about mechanisms that the public could use to control government and the decisions it makes (referendums, periodic reports by selected officials answering a list of questions from their constituents) and the levels and mechanisms used by the public during the government's decision-making process.

Furthermore, we have included topics extremely relevant to specifically Russian conditions and those dealing with important decisions about political and economic reform over the past decade. Russia enacted a flat tax rate in 2001, while most Western countries have a progressive tax rate. Therefore questions were included about a more correct system of taxation. There was also a question about how local and regional leaders are elected in Russia, since a change in the law stipulated that regional leaders will no longer be chosen by the public in free and fair elections, rather the president will appoint them. This section also included questions concerning socially significant problems in Russia such as the level of social inequality and various ways to reduce inequality.

The fourth section looked at how the economic crisis affected the middle class and its various groups, as well as how the middle class has adapted to the new financial conditions. The section also focused on questions about how the government dealt with the financial crisis and how effective the government's measures were. In part this helped to determine what the middle class thought about the measures taken by the government to support business.

The fifth section looked at a broader range of factors, such as a respondent's age, family status, profession, the sector where the respondent works, education, income, housing and property the respondent owns. We needed the answers to these questions to determine a

respondent's place in the social structure of society based on his or her social and occupational status and material and property status.

Community service among the middle class

The middle class, though heterogeneous, is still a specific level of Russian society. Our sampling of the upper and medium segment of the middle class shows a wide range of views and critical thought among this well-off and largely young segment. This can be seen in the specific way the middle class is aware of and insists on its own material status, meaning this segment wants to keep and develop its way of life and values. Such behavior cannot strictly remain focused on the individual and requires a certain degree of self-organization.

The level of community service among the middle class is relatively high according to Russian social standards. More than half of the respondents said they took part in some kind of community service, i.e. such work is becoming a characteristic of the Russian middle class like it is in the West. There are still some remnants of Soviet civic organizations in regional state apparatuses and state-financed organizations, such as professional trade unions, but they are gradually disappearing. They are being replaced by three kinds of new organizations that are moving downwards or sideways.

Occupational interests, which include network structures or professional organizations, are more common among the educated class, large companies and innovative business (especially that connected with Information and Communication Technology), but are not limited to these sectors. This activity combines occupational interest with social activities, however it is important that it provides a person with experience and interest in informal socializing, which increases "social capital." Entertainment brings together representatives of the middle class according to various interests.

Charity work is one of the most promising areas of interest. It is relatively popular and is strictly voluntary, meaning it comes "from the heart." People who are well-to-do in a society with a high level of social stratification feel that it is their civic duty to help those who are less fortunate. The stereotype of the social approval of such behaviour is also an issue, i.e. such activity definitely goes downwards and spreads horizontally among the middle class, and it is not forced upon someone from above. Charity work is mostly done on an individual basis, i.e. a person provides concrete aid (to an orphanage, medical institution) directly, either individually or as part of a small, informal organization.

Community service is usually not political, however it is promising not only from the point of view of developing a civic society, but also as an emergent and developing instrument of socialization, collective action and the handling of social capital. Experience gained through community service can be used in other areas, although it is hard to come up with concrete scenarios for its evolution today.

The political preferences of the middle class

The political preferences of the middle class and its reasons for supporting one political party or another are not much different from the mood of politically active Russians. A distinctive feature is the high level of pluralism and more explicit motives of support for or opposition to one political party or another.

A segment of the middle class votes for United Russia; some of the supporters of Russia's biggest political party support it because of their profession (this group is mainly made up of government employees). Others make a "rational choice" to support this party because of its power, authority and number of its members in government and among the elite. There are not many supporters of the Communist Party and the Liberal Democratic Party of Russia (LDPR) among the middle class and those who do support it have done so for a long time. There are very few middle class supporters of A Just Russia. There is demand for liberal political

parties among the middle class (most among the highly educated and people involved in private business), but liberal parties like Yabloko and Right Cause are weak, thus the middle class, in making a rational decision, does not lend much support to these parties. It would not be wrong to say that today's political parties do not satisfy the critical and skeptical mood among the middle class.

The political mood of the middle class and the democratic requirement

Middle class Russians stand out from other Russians because of their great interest in democracy. These differences are not only limited to attitudes, but are objective as well:

- A significant number of the middle class follows politics closely, is familiar with the main principles of democracy, the merits of the democratic system and the risks of democracy.
- Implicit in discussions of the middle class is the motif that, unlike the majority of society, the demands of the middle class go beyond material needs, i.e. they can allow themselves to think about democracy.
- There are different reasons behind the middle class's interest in democracy that can be summarized in three somewhat overlapping categories – the need to have a way to influence power and to protect their own interests (above all economic interests); the desire to have a guarantee of protecting one's own values and of avoiding social upheavals and authoritative-bureaucratic infractions on personal rights and freedom; as well as having an idea about the position of democracy in a modern European country in which the middle class would like to live. In other words, a democratic society is becoming one of the requirements for a higher quality of life.

Only part of the middle class, although a relatively large part, thinks this way. There are very few staunch opponents to democracy among the middle class, but those that do oppose democracy are not so much old bureaucratic officials, but highly placed officials, some of whom are connected with innovation or technology. The lack of democracy has not been a hindrance to their success. On the contrary they perceive democracy as a threat to their position. They are the new left, who, in the contradictions between democracy and stability, will categorically choose the latter.

The large amount of social and economic work and community service among the middle class means that they are well-acquainted with the nature of power, its institutes and practices. This knowledge, judging from the research, has completely destroyed the middle class's faith in the benevolence of government in economic and social policies. The middle class says the only positive achievements of government is its support of stability and order and in resolving conflicts, but not in economic development, improving the quality of life or the development of democracy. Correspondingly, an educated and well-to-do middle class is highly resistant to pro-government propaganda. Even those who support the government and doubt the need for reform often do so not because of some deep conviction, but as a rational choice between the lesser of two evils. Order and stability are the price for infringing on pluralism and possible influence over the government.

The question of democracy among the middle class is an idealistic one, but above all it is instrumental. The middle class is not happy with many realities of Russian politics that indirectly influence its life. Resolving these problems can be achieved by expanding democratic space. The middle class believes there is a monopolization of power (at the federal, regional and local levels) and, subsequently, that this power is dominant in regulating personal relations. Examples of this are:

- Non-transparent government, the lack of opportunities to objectively evaluate the effectiveness of government activity and tax spending.

- Russian citizens are not able to influence discussions and decision making, and there has been some erosion in the quality of representation and elections. They are being seen less as a mechanism of a free and fair expression of one's will. There is a spreading perception that the results of elections are pre-determined and it is not possible to influence politics through elections. As a result, fewer middle class Russians are taking part in elections, and while voting is higher among Russians living in the provinces, most people there vote out of habit. More Russians are also voting as a protest.
- In this situation uncontrollable government and corruption are unavoidable.
- Infringements on free speech and meetings where people criticize the government.

The middle class is slowly perceiving itself as a tax payer, not as a subject. It views the government as an agent charged with protecting public welfare, not as a sacred power. A significant number of the middle class is gradually moving towards the belief of "no taxation without representation" as it demands the real representations of its interests. But in this stage the middle class is more likely looking for assurance that its taxes are being used effectively and are free from corruption.

In general, such people have a positive attitude towards democracy and political pluralism, which they would like to have constructed and developed. They have expressed a demand to expand democratic procedures, improve the quality of elections, ensure the transparency of power and establish mechanisms for public control over government. However, this requirement has numerous restrictions.

Firstly, this issue is not relevant to most of the middle class. These people are not extremely frustrated with the current state of affairs in this sector. Only the minority has made objective assessments or connects this problem with their own fate.

Secondly, this requirement is not absolute. It is a demand for the development of competitiveness, discussions, openness, and in the end for a real and influential opposition. But most respondents see the role of the opposition, and of political pluralism in general, only as a way to restrict lawlessness, to criticize and influence government and as insurance from mistakes. But for the rare exception the respondents do not believe it is possible to change government through competition at the polls. In other words, the middle class has trust in the existing political system and in power, but criticizes its flaws and demands a more open (and subsequently, more competitive) political environment.

The well-off middle class continues to fluctuate between demanding democracy, which it sees as an instrument to restrain bureaucracy, corruption and anti-government trends, and its fear of destroying stability and governance if vertical power is weakened. This is where the research found variance among the respondents on the question of electing or appointing heads of regional government (local authorities almost unanimously support elections).

This attitude is in line with the conclusions of an Institute of Contemporary Development report on the development of the Russian model of democracy. When the level of material wealth and living standards reach a certain level, demand increases for democracy as an indispensable component for the quality of this life. Moreover, part of the middle class believes that a lack of democracy means it will not be able to take "more pieces of the pie." In other words, the slow development of current trends means that the middle class will be able to keep and develop their current occupational and social status.

The middle class's relationship (like all of Russian society) to democracy is contradictory. It includes a minority who said it prefers stability, while most of those who desire democracy come up with ideas relatively slowly. These differences among groups reflect the various factions in the middle class. It is methodologically important that even a limited sampling reveals the (vertical) differences in factions within the upper layers of the middle class over important political issues. Demand for democracy, as expected, is more prevalent among

the highly educated and managers of large companies; there is less demand for democracy from small business, while the least interest in democracy is among government employees (especially in Moscow). This clearly shows it is possible to significantly expand the sampling and come up with questions for a larger audience.

It is not possible to ignore such a demand, but one could intentionally use it to implement a modernization strategy for Russia's development. It is completely in line with plans to develop democratic procedures, taking into account the realities and maintaining the stability of the system. If the government does not make any efforts in this direction, entropy will set in among the middle class towards the government; there will be a growth in cynicism and "kitchen protests." None of this will achieve the ideal level of support or trust in modernization programs from that part of society which has the most potential for participating in it.

The economic crisis and the middle class

Crises and any other social upheavals always deal a severe blow to the authority of the government and trust in it. Depending on the actions taken by the government and other foreign factors – the question of who is guilty is not that important for society – each of these crises either leads to a stronger legitimacy for the current government or to a weaker government.

The researcher is highly interested in not only the quantitative assessments of changes in the mood of society in the wake of the financial crisis, but in what the public has to say about itself – with what is it dissatisfied, what are the problems it is most concerned with and how does it see a way out of the situation. Our research showed that the public is dissatisfied not only because of a drop in income, a growth in unemployment and other problems, but that the problems are much wider and deeper.

The results of those polled have made it possible not only to assess the burden of the crisis for the middle class on the whole, but to view the difficulties of the crisis through those who lived through it. Our sampling, with the rare exception of those who lost their jobs, but who quickly found new jobs or started their own business, was made up mostly of the strong elements of the middle class. This has imposed a certain framework for a comprehensive interpretation of the study's results.

The poll was conducted from spring 2010 through the record heat wave that summer. The major impact of the crisis was over and the situation in Russia had improved. The mass media was also relatively optimistic. Correspondingly, the major psychological shock from the crisis was also over. Although many Russians are still experiencing the consequences of the crisis (for example, in company towns), part of the middle class has managed to weather the crisis, think about it and come to correspondingly conclusions, such as how effective the measures taken by the government were for addressing the financial crisis.

The crisis had an uneven influence both in regional terms and in the gap between various occupations and sectors. The crisis affected different groups among the middle class to various extents. Unfortunately, the results of the survey cannot state with statistical clarity which groups among the middle class suffered more and which ones were affected less, but we can make several preliminary conclusions based on interviews. Bureaucrats and the highly educated (mostly government employees) were undoubtedly affected the least by the crisis, while employees of large companies and small and mid-sized businesses were affected the most. Despite a general drop in demand and tougher requirements for receiving credit, some middle-class entrepreneurs benefitted from the crisis. Some of our respondents were entrepreneurs who started up their own businesses during the crisis.

It should be pointed out that improvements in the lives of many respondents during the crisis were not reflected in assessments of government actions to emerge from the crisis and in the general attitude towards the current government, as well as demand for democracy. Among

the problems faced during the financial crisis, respondents mentioned not only social problems, but also macroeconomic and institutional ones. Most often respondents mentioned problems of monopolization and structural disparity in the economy.

The respondents named corruption and ineffective governance as the reason “for all evil.” This appeared in the assessment of government measures to emerge from the crisis and also in more precise questions, such as proposing a fairer tax rate. The respondents doubt whether funding was distributed fairly during the crisis. They point out restricted access to information on how decisions were made about government aid and why certain enterprises and not others were chosen in the end. The respondents were doubtful as to how effectively these enterprises used the resources they received.

The opinion among Russians about whether to change from a flat tax rate to a progressive rate is more of a subject for discussion now rather than a problem for 2010. The respondents (in this small sampling) were more drawn towards fairness and understanding the long-term social consequences of the drastic inequality in Russia. Representatives of the middle class, those business people who pay taxes, said the main problem was mistrust of the government’s use of taxes. The readiness of business to pay taxes, including higher ones, is based on another kind of fairness, not redistribution, but fairness in the use of taxes, which includes effectiveness and transparency. We think a progressive tax rate is not so much socially just as a way of applying additional mechanisms to calculate personal income that will not allow individuals to go “into the shadows.” It is also a way to resolve problems with corruption and improve the transparency of redistributing resources in the economy.

To all appearances it seems that the main reason for such a low level of trust in the government is that Russians have no way of influencing decisions about budget priorities at the federal and local levels. People do not yet see that the legislative and executive branches of government are interested in approving those laws that correspond to the interests of the majority of Russians. This once again underscores the importance and the timely study of public opinion in the process of further decision making.

Conclusions

We hope the results of our research will contribute to the process of coming up with a complex theory about the political behavior of the middle class, a theory which requires both internal stratification and determining how each group behaves. The time is right for a deeper study of the middle class. One needs to understand which occupational groups dominate the middle class, ones that are just being born, but have all the chances of becoming the core of the middle class. We need to know which middle class groups could become the drivers of economic development in the Russian economy and which ones are the main establishers of a civil society in Russia and which could develop democracy in the country.

The differences among these groups and their positions in the social structure cause different variations in their objective social and economic positions, interests and views of society, their place and role in social processes and in drafting public policy. The extensive interviews we conducted are only the first attempt to study this structure.

It is important not to limit information from extensive interviews, but further research into the social and political peculiarities of various middle class groups can be conducted on the middle class model at basic levels and occupational sectors using data from a representative selection.

This will make it possible in the future to develop relevant action concerning social reform not for the middle class as a whole, but for each of its groups. This could be the basis for forming policy that reflects the needs of the middle class and developing a civil society amid the real conditions in Russia. Using a model structure of the middle class during this project not only helped to identify the major problems of development and revealed the potential of the 15 groups

in the middle class needed to form a strong middle class in Russia, but the model itself is a subject for further development and adjustment.

Studying the social and political aspects of the behavior of the middle class in a structure, according to occupational groups and (income) levels, has been a good experience. Moreover, based on this research a simulation was developed to track the influence of government policy among different groups in society with the goal of developing groups in the middle class which could become the pillar of democracy and a civic society. This experience could be beneficial for another country with a transitional economy, but it could also become part of the discussions of these problems in developed countries.

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