

“The fall of the Soviet Union sparked hopes that a Russian middle class would emerge and thrive, but so far it has not.”

Stalled Social Mobility in Post-Soviet Russia

THEODORE P. GERBER

From the time of the Soviet Union’s revolutionary birth in 1917, its leaders explicitly declared one of their aims to be eliminating socioeconomic inequalities that gave some individuals and their children advantages over others, and working toward a radically egalitarian society where all would have equal chances to develop their abilities. The Soviet Union never achieved this ideal. However, it did create institutions and policies that provided a relatively high degree of social mobility.

**Social Mobility
Today**

Second in a series

The collapse of the Soviet Union in 1991 eliminated many of these institutions and policies while ushering in a period of economic and political turbulence, a combination that produced widespread downward social mobility. During the 2000s, Russia’s leadership and its economy stabilized. Many saw clear improvements in their living standards while others languished in dire circumstances. This situation persists today, and has taken on added complexity due to recent political trends in Russia.

A NEW HIERARCHY

The Bolsheviks vanquished their opponents in the course of the 1917 Russian Revolution and the Civil War that followed. But the Soviet economic and political systems were not fully formed until the late 1920s. Under Joseph Stalin’s leadership, the government forcibly collectivized agriculture, seized all productive assets, subjected the entire economy to state planning, and launched a massive program of industrialization and investment in military capacity. These developments had important consequences for social mobility.

For the first decade of their rule, the Bolshevik leaders had to rely for technical expertise on the

old generation of “bourgeois experts,” because they were the only experts available. By the early 1930s, however, ambitious plans had been launched to train new cadres of “red experts” who were promoted from the ranks of workers and peasants, given rudimentary training, and sent to replace technical and managerial professionals whose loyalty to the regime was in question. Meanwhile, the painful process of setting up government-administered collective farms drove vast numbers of peasants from the countryside to the cities, where many became industrial workers.

During this period the former aristocracy was destroyed. Many among the nascent tsarist-era middle class of engineers and other professionals, and most of the original revolutionary elite, were also eliminated. People from every social group perished in large numbers due to political strife and economic deprivation. But others experienced dramatic upward social mobility as they made the transition from peasant life to the industrial workforce or from working-class status to the professional, managerial, or political elite. Within the ranks of the Communist Party, waves of purges eliminated the old guard and created new opportunities for aspiring young people to take on positions of political power.

No society could endure such upheaval for long, and already by the end of the 1930s there were signs that a new order was taking shape. After the Second World War, which was particularly traumatic for the Soviet Union, having killed over 20 million of its citizens, the process of restoring stability resumed as the devastated country recovered. The Soviet economic system based on government ownership and planning and the political system based on the exclusive rule of the Communist Party were set firmly in place; the days of cataclysmic purges and massive industrialization campaigns were over. Both systems persevered with only minor deviations until the end of 1991.

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Stalin's death in 1953 helped stabilize the new social hierarchy. The generations that survived the tumult of Stalin's rule had experienced remarkable levels of both intergenerational and intragenerational mobility. Now they wanted an orderly life for themselves and their children. The Soviet system provided full employment and education, health care, housing, pensions, and other benefits. But the Soviet economy had difficulty meeting the needs of consumers, and there were chronic shortages. Still, people grew accustomed to a guaranteed basic standard of living.

EDUCATIONAL OPPORTUNITIES

Since Soviet citizens had virtually no opportunity to accumulate wealth and could not own private enterprises, education became the primary basis for entry into more privileged positions in the professions. Pay differentials between professional and working-class occupations, which had widened under Stalin because he wished to provide incentives rewarding the most productive workers and ensure the loyalty of party officials, gradually were reduced. Earnings differed more by sector and industry than level of education: wages were set higher in sectors the government deemed vital to national interests, such as defense, heavy manufacturing, and raw materials extraction, and lower in areas like consumer services and light manufacturing.

Some professionals grew disgruntled over the low returns to their educational credentials. Overall, inequality in wages and living standards was kept at a minimum by the relative egalitarianism in wage-setting, which was done entirely by government planning agencies. At the same time, though, Communist Party officials, some military officers, and certain managers and specialists received hidden advantages such as access to high-quality imported products, superior housing, vacations, and other privileges. There was a political component of inequality that had no real parallel in capitalist democracies.

As the postwar era progressed, the Soviet government began providing near-universal access to complete secondary education. Spurred by scientific competition with the West, it also invested massively in higher education, which was offered tuition-free. But the expansion of universities could not keep up with demand. The large sizes

of Russia's postwar baby boom cohorts toughened competition even as the number of admissions slots grew. From the 1950s onward, Soviet Russia exhibited a familiar pattern: the offspring of highly educated urban professionals had significant and growing advantages in terms of access to university schooling (and, by extension, to high-status professional and managerial occupations).

Still, the expansion of higher education did provide opportunities for many offspring of less-educated or working-class parents. Soviet-era policies and admissions processes were geared toward reducing the advantages of children from elite families. Of course, political criteria were also at times applied to restrict access to universities for some ethnic groups (particularly Jews) and the relatives of political dissidents.

Altogether, while the Soviet system fell considerably short of the stated goal of equal opportunity for all social classes, it nonetheless provided for a higher level of intergenerational social mobility than capitalist societies at similar levels of

development typically offer. The rigid and fairly egalitarian nature of the Soviet wage system, the provision of a host of social welfare benefits (albeit at low levels), better access to education, and guaranteed employment all

fostered the sense that at least life could be stable, orderly, and secure, even if the system did not offer much opportunity to advance beyond a basic minimal living standard unless one was a member of the political elite.

TRANSITION SHOCK

The Soviet Union collapsed following a failed coup attempt by hard-liners against General Secretary Mikhail Gorbachev in August 1991. Russia became an independent country in January 1992. Under President Boris Yeltsin, "shock therapy" reforms dismantled the Soviet economic system by freeing prices and trade, ending central planning, allowing private ownership, and privatizing most state-owned enterprises. Firms had to change their orientation from meeting planned production targets to fighting for customers in the market, and they now faced competition from foreign imports.

These measures led to a major economic crisis that lasted for most of the 1990s. Enterprises suffered shortages of cash when government subsidies dried up. Unemployment, unheard of in

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Soviet times, surged to double digits. Many who kept their jobs had to cope with unpaid leaves of absence, wage arrears, and hyperinflation.

Russian society endured massive dislocations and economic suffering. Long accustomed to cradle-to-grave security at a modest standard of living, Russians now had to fend for themselves in a difficult, unstable, and uncertain environment. Vast numbers of them experienced dramatic downward social mobility. For example, many leading nuclear physicists and other scientists, who previously had enjoyed special status and privileges, saw their wages fall to the equivalent of \$30 a month; the government no longer could sustain the budgets of scientific research institutes. Some emigrated to pursue their profession elsewhere. Others quit their jobs to drive taxis. Still others held on in their positions, unsure how to adapt to the new conditions, mired in poverty and hopelessness.

The entire structure of the economy changed. The workforce shifted from areas overemphasized by the Soviet regime (heavy industry and military production) to those it had neglected (consumer goods, personal services, and trade). Large state-owned companies shrank, and small private firms arose. Many people had to change jobs and careers in order to adapt.

The government mishandled many of the reforms and struggled to establish new institutions while dealing with secessionist movements, terrorist attacks, and rampant corruption. Rival groups of political elites fought for power. The education system suffered at all levels as poorly paid teachers and professors lost morale, Soviet-era curricula became obsolete, and budget cuts forced institutions to charge tuition or “informal” fees to survive.

Although the 1990s were economically traumatic for most Russians, some took advantage of new opportunities provided by liberalization, for example by starting private businesses. Well-connected individuals acquired major state assets at cut-rate prices, profiting magnificently. The most successful among them attained so much economic and political power that they became known as oligarchs. Wage and wealth inequality surged, converting Russia from one of the most to one of the least egalitarian societies in short order. To survive, Russians turned to their personal net-

works for help; they also showed tremendous resourcefulness in finding new means of getting by.

STABILITY AND STAGNATION

Things hit rock bottom in 1998, when the government defaulted on short-term bond payments and devalued the currency. But then, after Vladimir Putin replaced Yeltsin in 2000, the economy entered a period of growth that has lasted, with occasional hiccups, ever since. The reforms of the early 1990s finally started to show some results, and Putin introduced changes to the tax and labor codes that spurred economic activity. Above all, the economy benefited from rising oil and natural gas prices on the world market that brought windfalls to Russia, a leading exporter of those commodities. Putin also established political stability and a sense of order. With the state coffers flush from improved tax collection and hydrocarbon profits, he revitalized the military and shored up government administration, reasserting central control over regional and local institutions.

In whipsaw fashion, Russians now experienced an unmistakable improvement in their living conditions relative to the deprivations and turmoil of the 1990s. Not everyone shared in the gains of the 2000s, but average wages and consumption grew robustly and a new optimism took hold. While the global financial crisis of 2008 affected Russia, savings accumulated during the boom helped the country weather the storm.

In the wake of the crisis, however, Russia has neither modernized its economy nor addressed important structural and institutional problems such as the persistence of “monocities” (one-company towns in isolated areas dependent on a single, failing enterprise), official corruption (an unrelenting drain on the economy), and weak laws that discourage investment and innovation. Instead, Russia’s exit from the 2008 crisis was helped by another surge in oil prices from 2011 to 2013.

In early 2014, Russia annexed the Ukrainian territory of Crimea and fomented violent separatism in the eastern Ukrainian region of Donbas. International outrage quickly led to economic sanctions; meanwhile, global oil and gas prices plummeted. Russia entered another recession and inflation eroded living standards, though not as drastically as in the 1990s.

Higher education and a well-paying job are no guarantee that a Russian can become a homeowner.

In the past year or so, the economy has recovered, but it remains mired in an extended period of slow growth or stagnation. Economic interests have been subordinated to political objectives. Loyalty to the Putin regime outweighs competence as a criterion for promotion to elite positions, and corruption is rampant.

Most Russians are better off than they were during the turbulent period of the 1990s, but they are increasingly frustrated and pessimistic about their economic prospects. Strikes and economic protests have been on the rise throughout the country for the past several years. While Putin won reelection handily in March 2018, capitalizing on nationalist enthusiasm following his forays into Ukraine, recent public opinion polls show a brisk decline in his popularity. Russians are starting to question openly why the government spends money that could be used to improve the economy on military adventures abroad.

WINNERS AND LOSERS

Since the Soviet collapse, radical fluctuations in economic institutions and policies on the one hand and the economy's performance on the other have been far more decisive influences on social mobility than individual characteristics such as education, skills, ambition, class origins, gender, race and ethnicity, or even social networks. These latter factors matter too, but they were drowned in the tempest of large-scale economic dislocation.

Russia's transition from the planned Soviet economy to a market system produced both winners and losers. One theory about who these would be was first developed by the sociologist Victor Nee. Reflecting on how China's market reforms would have different effects on different groups, Nee's "market transition theory" proposed that the highly educated would benefit from the changes because market forces tend to reward skills more effectively than state planning. Since the Soviet system had kept wage differentials for educated professionals in check, this could well have applied to Russia. Nee also hypothesized that political elites and Communist Party bureaucrats would lose out as the government's withdrawal from direct management of the economy decreased the resources available for distribution of patronage to loyal officials.

This theory did not travel well to Russia. To begin with, former Communist Party members and government bureaucrats fared considerably better in the course of Russia's turbulent transition due to

their superior connections with other elites, management skills, and the ambition that got them into elite positions in the first place. Most of Russia's oligarchs, who obtained vast corporate holdings at minimal prices through corrupt deals and came to wield enormous power, are former officials. They adeptly converted their political capital in the old system into new forms of advantage, emerging as winners in the market transition process.

Secondly, the highly educated were not spared the depredations of Russia's economic crisis in the 1990s. Although they had lower levels of job loss, their wages dissipated like everyone else's. The new market economy did not feature technological innovations and production activities in which the highly educated add value. Instead, it emphasized personal and security services, trade, distribution networks, and political patronage, activities that do not necessarily favor the highly educated. So they enjoyed no particular advantages in the 1990s. In fact, members of professions that depended on state financing suffered disproportionately (as in the case of scientists).

The fortunes of university graduates improved during the restoration period of the 2000s, but largely due to increases in the salaries of government workers, paid for with oil and gas revenues. Thus, with time the highly educated also ended up benefiting from the market transition, but more because of the continuing influence of the state over their career paths than because of the rise of market forces.

NATION OF NETWORKS

In post-Soviet Russia, social connections matter more than education, both for getting ahead and for survival. Government institutions—the courts, police, local and regional officials, agencies, and inspectorates—are weak, corrupt, and predatory. When Soviet institutions collapsed it proved very difficult to erect new ones in their place. At nearly all levels, powerful individuals captured the new institutions and began using them to advance their personal interests and those of their associates—by demanding bribes, handing out favors to relatives and friends, or receiving benefits like government contracts in exchange for doing the bidding of influential elites.

This behavior is a form of rent-seeking, since it involves receiving rent-like payments based on one's "ownership" of a government position. Rampant rent-seeking by government officials makes it impossible to establish the rules of the game need-

ed to encourage standard practices among private employers, universities, and financial institutions, such as investing in students and workers. Those practices are, in turn, necessary for a conventional reward system that values education based on its contribution to improved productivity. Of course, some jobs require higher education and some employers consider a degree an indication that a worker will have other valuable traits. But unless the rent-seeking nature of government institutions changes, education in Russia is unlikely to become the often-decisive factor that it is in the United States and other advanced capitalist societies.

Instead, who you know matters more than credentials or hard work. Family members or close friends in powerful positions help Russians gain entrance to top universities, good jobs, access to credit, licenses and permissions (for small businesses), protection from corrupt officials and criminal gangs, and insider information that can bring huge profits.

The less well-connected still rely on their social networks to help them make it through hard times with loans and small-scale forms of mutual assistance. Networks provide a sort of social fabric in difficult circumstances. But they have downsides: those lacking beneficial networks are shut out of the competition for resources and well-being, while individuals who advance due solely to connections may not contribute much to society through effort and skill. Connections help the few thrive by expanding their influence and resources—and allow the many to survive by reaching out for assistance. They relieve pressure on elites to fix government institutions, undermining the chances for long-term improvements in social welfare.

Notwithstanding the enormous importance of social networks, education still eases the way to stable, professional occupations, including well-paid government and managerial positions. The effects of parents' educational and occupational attainments on access to university schooling and high-status occupations have increased: intergenerational social mobility has declined since Russia's transition to a market economy. The overall increase in wage inequality in Russia has raised the incentives for advantaged families to invest in their children's education and careers.

In the more egalitarian Soviet context, the stakes were lower for those who failed to obtain

university education and prestigious jobs. Now that the stakes have been raised, high-status families work harder to ensure that their children attain suitable positions. The decrease in intergenerational social mobility after its collapse suggests that the Soviet system did limit somewhat the advantages of better-off families to provide opportunities for their children. Young Russians from less privileged circumstances—the vast majority—have lost out from the systemic transformation.

DEMOGRAPHIC DECLINE

The turbulence of the 1990s brought about sharp increases in health problems such as alcoholism, malnutrition, and communicable diseases, and in associated deaths among the working-age population. Fertility rates fell as fewer young women felt confident enough in their economic prospects to have children.

As a result, Russia's population has shrunk by about five million since the Soviet collapse, despite the fact that more people have immigrated to Russia than have emigrated. These trends may have subsided in recent years: the government, concerned about population decline, has sought to improve public health and offered financial incentives for women to have more children.

While it hinders the country's long-term economic development, demographic shrinkage actually benefits Russians who are now entering the workforce. Simply put, there are fewer of them—so they face less competition from peers for university admissions and access to good jobs. It is too soon to tell for sure, but it's quite possible that the smaller sizes of the cohorts born in the late 1980s and throughout the 1990s, who only recently began entering adulthood, will result in higher levels of upward social mobility.

MISSING MIDDLE

Another aspect of inequality and social mobility in post-Soviet Russia that distinguishes it from advanced market societies is the limited association between income and education on the one hand and homeownership and housing quality on the other. In Soviet times, all housing was owned by the government and allocated to citizens based on waiting lists, not income or wealth. After the Soviet Union fell, housing was privatized and owner-

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social connections matter
more than education.*

ship was handed over to those formally registered as residents.

This created from scratch a large class of homeowners drawn from a wide range of social backgrounds, along with the possibility of buying and selling apartments and homes. But Russian banks never developed the practice of issuing mortgage loans, making it very hard for all but the wealthiest Russians to acquire housing of their own. Higher education and a well-paying job are no guarantee that a Russian can become a homeowner. Instead, most have to wait until they inherit housing or can cobble together sufficient loans and savings, which often takes a decade or more after they enter the workforce. Even young married couples often must live in a parental home because they cannot afford their own place.

Homeownership is a core element of middle-class identity in the United States and in many European countries: it provides a sense of security and stability and an incentive to put down roots and invest in one's community. The disconnection between homeownership and socioeconomic status has slowed the growth of the Russian middle class, which has also been thwarted by economic instability, periodic bouts of high inflation, the narrow, technocratic character of university education in Russia, obstacles to entrepreneurship and self-employment such as predatory officials and weak property rights, and the loose links between skills, job performance, and wages.

Historically, large middle classes that arose in capitalist societies contributed to economic and political development. They provided societal stability, opportunities for upward social mobility, a source of continuing economic innovation and growth through investment, a bulwark against excessive government interference in social and economic life, and high levels of civic engagement and volunteering. The fall of the Soviet Union sparked hopes that a Russian middle class would emerge and thrive, but so far it has not.

WEARING THIN

Social mobility in post-Soviet Russia has been a complex and multidimensional phenomenon. This is hardly surprising, given the extreme

changes that Russia underwent as a result of the Soviet collapse. Although few Russians were unaffected by the sudden destruction of Soviet-era institutions, the economy's dizzying swings in the past three decades and the associated demographic and political dynamics make it impossible to generalize about typical experiences. The changes brought new opportunities to a small number but suffering and downward mobility to many others.

One reason support for Putin has remained high is the contrast between the traumatic experiences of the 1990s and the greater stability, growth, and optimism of the 2000s. Many Russians today compare their current situation with what they endured in the 1990s. This is why they tend to be patient with economic stagnation and the recent evaporation of opportunities for upward mobility.

In addition, despite the overwhelming importance of network connections, young Russians who obtain a university education often do have the opportunity to enter a stable career. There is, in other words, some hope for conventional upward social mobility, particularly for residents of Moscow and other major urban centers.

Of course, Russians with connections to political or economic elites have fared better than most, though their position is more precarious than those of elites in more orderly societies. A change in political fortunes or a settling of scores between rival clans can ripple through the networks of those on the losing side, with devastating effects.

Russians seek a good life for themselves and their children, just as people do everywhere. The economic rollercoaster ride of the post-Soviet period has led many of them to define a good life in terms of stability, order, and predictability rather than riches. This, above all, helps explain why a majority remain satisfied with Putin's leadership, despite growing problems with the economy and a dearth of plausible solutions from the government. However, their patience with the lack of opportunities for upward social mobility could be wearing thin, and it may not take much to spark another round of upheaval. ■