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Economic Inequality and Political Stability in Russia and China

Stephen White, Ian McAllister and Neil Munro

At the third BRICS summit on Hainan Island in 2011, Russian president Dmitri Medvedev claimed that the BRICS countries – with the adhesion of South Africa – now included the ‘biggest states of three continents’ (*Rossiiskaya gazeta*, 15 April 2011, p. 2). But it was much less clear that these five countries represented a sustainable model of political development over the medium or longer term. All of the countries have displayed increasing economic inequality over the past half century, while only one—India—could be classed as a mature, stable democracy. The papers in this special section focus on the two largest, most populous and least democratic of the BRICS, Russia and China, to examine the impact of economic inequality on their political trajectories.¹

The statistics detailing the socioeconomic growth of Russia and China are impressive. Taken together, the two countries account for 41 per cent of the total territory of the BRICs, and for 51 per cent of their total population and 63 per cent of their GDP. On Goldman Sachs (2007) projections, by 2050 China is slated to be the world’s largest economy, and Russia was to be its sixth largest. Despite this impressive record of economic growth, a striking feature of both countries is the non-egalitarian nature of their development – notwithstanding the (post)communist legacy. On most conventional measures, these two countries are now among the most unequal in the world. According to Russian official statistics, the decile ratio rose from 4 in 1990 to 16.5 in 2010, and the Gini coefficient from .26 to .42²; the best estimates of Chinese Gini coefficients indicate a very similar rise, from .26 in 1983 – just after the introduction of the contract responsibility system – to .49 in 2012 (Chen et al. 2010, p. 20; Wildau & Mitchell 2016).

The widening of income inequalities has been an international phenomenon; but according to the United Nations 2010 *Human Development Report*, it has been ‘especially marked in the countries that were part of the former Soviet Union’ (p. 72). On their figures, Gini coefficients were already higher in Russia than in the United Kingdom, and higher in China than in the United States. One consequence was that both countries were increasingly well represented on Forbes’ list of the world’s billionaires: in the 2011 list China

doubled its representation to 115 (which took it to second place) and Russia was in third place with 101; there were more billionaires in Moscow at this time than in any other city in the world (*Izvestiya*, 11 March 2011, pp. 1, 3).

What effect does such endemic economic inequality have on political stability? Aristotle pointed out in his *Politics* that ‘when men are equal they are contented’. He drew particular attention to the people of Tarentum, who, ‘by sharing the use of their own property with the poor, [gained] their good will’. Accordingly, ‘democracy appears to be safer and less liable to revolution than oligarchy’ (Everson 1996, pp. 132, 160, 121). Concerns of this kind have been taken up by many later writers, including John Stuart Mill, who provided in his *Representative Government* for additional votes for those who exercised ‘superior [managerial] functions’ on the belief that the poor would otherwise use their electoral preponderance to enact ‘class legislation’ (Lindsay 1964, pp. 282, 285, 283).

The relationship between economic inequality and political instability in Russia and China is the topic of this special section. The seven papers address different aspects of the relationship, and take different methodological approaches, but ultimately address a single core question: to what extent does inequality pose a challenge to the existing political systems?

Political Instability in Russia and China

The evidence suggests that economic inequality in Russia and China is both substantial and increasing. Official statistics are always subject to political manipulation—as was the case when Russia increased its official count of ‘the poor’ by more than 2 million in early 2011 to take account of the evidence of the 2010 census (*Kommersant*, 4 July 2011, p. 3). There is however a substantial literature that can help us identify some of the shortcomings in official data and supplement them with independent estimates.³ For example, the Higher School of Economics has developed a comprehensive ‘index of wellbeing’ which shows that living standards for 40 per cent of the population are still below where they were at the end of the communist period, as if ‘two countries’ existed in parallel (Kukol 2011).

In China, household income and expenditure surveys have generally confirmed that economic disparities have been increasing not only in monetary terms, but also across households and regions and between urban and rural areas (Cai et al. 2010; Chen et al. 2010; Liu 2010).⁴ Despite attempts to enhance welfare programs, the main thrust of the recent reforms has been to reduce or

even eliminate the ‘iron rice bowl’ approach to social protection. The social programs that have replaced them leave much of the population with scant protection in the event of sickness, old age or disability (Li and Zhong 2009; Duckett 2007, 2011). In both countries there are additional flows of ‘hidden income’, often related to corruption; on Chinese evidence about 75 per cent of this additional income accrues to those who already have higher incomes, widening inequalities still further (*China Daily*, 12 May 2010).

The process by which political power has been converted into economic advantage has been documented in a range of studies. In Russia, as Kryshtanovskaya and White (2011) have shown, a form of ‘state capitalism’ has developed in which leading officials dominate the boards of the largest companies, and in particular what the authorities have defined as ‘strategic enterprises’ in fuel and energy, the military-industrial complex, and the infrastructure. The more important the company, the more likely it is to include ministers or even members of the presidential administration on its board. And these patterns have persisted, despite the enforced withdrawal of state officials from a number of high-profile company boards in 2011: first deputy premier Zubkov remained at Gazprom, deputy premier Sechin at Rosneftgaz, energy minister Shmatko at RusHydro and Zarubezhneft, and transport minister Levitin on the board of Sheremetevo airport (*Moscow News*, 5 July 2011, p. 2).

For China, too, it is widely accepted that political power has enabled Communist Party (CCP) cadres and government officials to benefit disproportionately from economic growth (Goodman 2008). While government officials did not benefit from ‘nomenklatura privatisation’ in the same way as their Russian counterparts, they or their children had opportunities to acquire shares in state businesses (a notable phenomenon has been the children of officials engaging in business and in so doing benefitting from their parents’ political capital). For this and other reasons, current scholarship inclines towards the view that economic growth and marketisation are unlikely to lead to the emergence of new elites that might challenge the regime (Dickson 2003, 2008). This conclusion is based on an examination of the CCP’s organisation and structure, its corporatist strategy of developing business associations, the logic of co-option, the CCP’s strategy of adaptation in the light of lessons drawn from the Soviet collapse (see also Shambaugh 2008; Munro 2008), and surveys of entrepreneurs themselves.⁵

The sustainability of authoritarian politics of a Russian or Chinese kind has been placed in doubt by sustained, high level economic growth. A rich and still-

influential social science literature associated particularly with Lipset (1959) has suggested that rising levels of GDP will of themselves undermine authoritarian politics: societies will become more complex, professionals will increasingly combine to advance their own interests, and ‘cross-cutting cleavages’ will predispose political actors towards bargaining and accommodation rather than zero-sum confrontation. For some (e.g. Pye 1990), the changes that had taken place in Eastern Europe were indeed a demonstration of the explanatory power of modernization theories of this kind; but in the Russian case, its political system was actually more authoritarian in 2011 than it had been at the end of the Soviet period. Will postcommunist authoritarianism in Russia be undermined by a still-developing society?

In the case of China, scholars have documented a rising tide of popular protest which usually does not confront the regime directly, remaining concerned with local and particular interests. However, such protest often crossed the boundary from ‘official, prescribed politics’ to ‘politics by other means’ (O’Brien 2003; O’Brien and Li 2006; O’Brien 2008; Wasserstrom 2009; Cai 2010). Elsewhere, Gilley (2004) has spoken of China’s ‘democratic future’ and Walter and Howie (2010) of the ‘fragile foundation of China’s extraordinary rise’. Advancing a contrary view, Whyte (2010b) and Wright (2010) emphasize tolerance and an acceptance of the status quo among the Chinese mass public. Studies intended for a wider audience have been equally divided: for Hutton (2007) there could in the end be no alternative to democracy and the rule of law, while Jacques (2009) places more emphasis on the adaptability of China’s distinctive culture. Meanwhile, in China itself, public expressions of discontent more than tripled in the five years to 2010, reaching 180,000 annually (*Daily Telegraph*, 29 July 2011).

Overview of the Special Issue

The articles that follow examine these themes from several different perspectives. While the central question concerns the implications of economic inequality for political stability, several papers approach the question from the perspective of institutions, while other papers use a range of public opinion data. Cook and Dimitrov adopt the former approach, and use social contract theory to explain political stability in communist autocracies. They argue that this stability is a consequence of an implicit exchange between the regime and the populace: citizens remain quiescent so long as the regime provides them with secure jobs, social services, subsidised housing and consumer goods. Cook and Dimitrov ask how well the social contract thesis applies in three different types of regimes.

First, they examine the socialist social contract in light of newly available archival evidence on the Soviet Union. Second, they examine the social contract in reform-era China and, third, in Putin's Russia. They conclude that post-socialist regimes create distinctive 'market social contracts'. More specifically, communist and authoritarian leaders cater to the consumption needs of their populations in a strategic effort to remain in office.

In rapidly expanding economies, the population shift from the country to the city creates particular tensions. This topic is examined by Danilova, who compares social inequality in Russia and China and how it is perceived by the urban population. The evidence comes from representative surveys of the adult population in two major cities, Shanghai and St Petersburg, using a strictly comparable methodology. The results from the surveys show that although people in Russia and China have broadly egalitarian attitudes, there are significant differences in the way in which they view the current system of distribution. Egalitarian attitudes are connected not only with the actual incomes but they are very powerfully affected by subjective assessments of the distributive system, which often involves political judgments. The article concludes that while there is a tendency towards the convergence of political regimes in two countries, there are different patterns of legitimacy based as much on culture as on economic achievements. In both countries, the ruling elites rely mainly on culture in order to strengthen their political monopoly.

Economic crises can place social contracts under strain, stimulating demands for social protection whilst undermining the ability of the state to deliver it. Munro uses two waves of the World Values Survey spanning the 2008 global financial crisis to analyse the determinants of support for state social welfare provision in a four-stage recursive model. He hypothesises that support is a function of economic self-interest, tapped by subjective economic satisfaction and relative income; ideology including beliefs about market fairness and inequality aversion; as well as temporal context. Munro finds that subjective economic satisfaction reduces support for greater welfare provision, while an aversion to inequality increases support. He also finds that public support for social welfare provisions increased over the period, no doubt reflecting popular feelings of economic insecurity.

Using the same database, McAllister and White examine the impact of economic development on public support for democracy. The starting point for the analysis is the debate between those who believe that economic development is a pre-requisite for democracy, and those who reject this view believing instead

that economic prosperity is important only for ensuring democracy's survival in the event of an existential threat. By using successive World Values Surveys conducted in Russia and China from 1990 onwards, McAllister and White are able to trace patterns of economic change and public support for democracy in the two countries over an extended period. The results show that education and, to a lesser extent, social mobility and economic attitudes, play an important role in promoting pro-democracy attitudes in both countries. The findings suggest that an increasingly large, tertiary-educated middle class may act as a potential driver for democratization in both countries.

Recent research on authoritarian regimes argues that they provide public goods in order to prevent rebellion. Duckett and Wang take up this theme to examine how the Chinese state has accommodated the demands of large rural population. They show that the 'threat of rebellion' cannot explain Chinese party-state policies to extend public goods to rural residents in the first decade of the 21st century. Drawing on theories of policy making, Duckett and Wang argue that China's one-party regime has extended public goods to the rural population under the influence of ideas and policy options generated by policy communities of officials, researchers, international organisations and other actors. The party centre adopted and implemented these ideas and policy options when they provided solutions to external shocks and supported economic development goals. Political institutions have also played a role, notably by encouraging officials to develop and experiment with policies. Overall, Duckett and Wang suggest that explanations of policies and their outcomes in authoritarian political systems need to take into account how institutions shape policy making and the influence of policy communities and their ideas

In summary, the research reported in this special section has not found evidence that authoritarian regimes in Russia and China are especially at risk of political instability as a consequence of the inequality which has arisen during market reforms. Rather, both regimes have shown an ability to adapt to rising inequality by developing new strategies of self-legitimation to replace Communist ideology, and by developing or adapting social programmes to meet the needs, however minimally, of key sections of the population. This does not mean that the Russian and Chinese people have abandoned their aversion to inequality or are happy with existing levels of social protection. However, the Russian and Chinese regimes have shown themselves to be skilled at managing the policy agenda, guiding public opinion and co-opting or repressing political opposition. In these circumstances, we do not think that economic inequality poses significant danger to either regime.

Notes

- ¹ Both countries have already been the subject of a substantial comparative literature. See, for instance, Nolan 1995, Ma 2000, Jha 2002, Marsh 2005, Larsson 2006, Chen 2009, Song 2009.
- ² www.gks.ru, accessed 27 August 2011.
- ³ In the Russian case this includes Shkaratan (2009) and Tikhonova (2011) as well as numerous studies by Zaslavskaya (e.g. 2004) and Rimashevskaya (e.g. 2007).
- ⁴ Major contributions include Whyte (2010a), Wang (2008), Bian (2002) and Khan and Riskin (2001), as well as edited collections by Davis and Wang (2009), Wan (2008), and Shue and Wong (2007).
- ⁵ Similar arguments concerning China's new rich have been presented by Tsai (2007) and Chen (2002).

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