

Red Shift: Class Effects of Socialist Egalitarianism and Capitalist Polarization

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The tenth anniversary in 1999 of the fall of the Berlin Wall, and two years later of the collapse of the Soviet Union, provides a medium-term perspective from which to reflect on the nature of the societies of "actually existing socialism," and in particular on the economic position once held by their working classes. The need for such an examination gains added weight from the triumphalist declarations of the spokespersons for capitalism that the socialist system "does not work," with the disintegration of the former Soviet Bloc taken as the prime proof—Exhibit A—for this claim. Yet with tens of millions of formerly employed proletarians in those nations now literally not working, and a widespread increase in impoverishment even among those who previously constituted their middle classes, such "truths" should be met with skepticism.

Among the most common arguments as to why socialism did not survive longer, especially in the USSR and the nations of Eastern Europe, is that it was unable to generate sufficiently high levels of economic well-being to allow workers there to attain the lifestyle to which their Western peers had become accustomed. Great expectations pervaded the region "before the fall" that even those at the lower levels of the economy would benefit from an end to the system. This was a major factor in the widespread willingness of many of their peoples to participate in the overthrow of the previous regimes. But for vast numbers such hopes were quickly and brutally smashed, with a resulting rise in class inequality. In the years since 1989, both statistical and anecdotal evidence has accumulated regarding the class polarization that has developed as a result of the rapid conversion of Soviet Bloc societies to capitalistic economies, with the growth of new rich on the one side and deep poverty on the other. Given these results, it is useful to reexamine whether the anticipated economic betterment that so many sought by moving away from socialism was ever realistic. The basic issue is whether the former Soviet Bloc societies had developed a form of economic and social organization that, despite its many serious flaws, provided sectors within their working populations—especially those of lower income—with certain relative advantages compared to similar strata under capitalism. Particularly worthy of reconsideration is the degree of egalitarianism that these nations achieved, and the effects of this on the economic position of their workers in contrast to those in capitalist nations.[1] Thus the role of class relations in determining who most benefits or loses under each system lies at the heart of any attempt to reevaluate their nature. Such a comparison may challenge widely held assumptions on the situation of the working classes—and those generally at the lower end of the economic system—in Soviet Bloc countries, while helping to explain why so many in their better-off strata eagerly embraced capitalism.

To situate the former socialist countries and their class strata in the global system, it is first necessary briefly to outline the overall structure of the world economy, and the degree of polarization it has engendered. Though the general nature of this polarity is well known, it is useful to recall the enormous disparity that exists between top and bottom in the international distribution of income, and the limited portion that falls to the narrow intermediate or "middle" stratum of world population. Using figures from 1985, halfway through the last decade of existence of the Soviet Bloc, this global economic structure is clearly revealed (Table 1). If the 1980 global distribution of per capita GNP [Gross National Product] is examined, one finds a similar polarization (Table 2).[2] Thus when viewed globally, both populations and nations can be ranked in a continuum, along which countries and classes of the former Soviet Bloc can be placed.

Figures from 1980 provide a broad statistical base for the close of the period that may be called "high socialism." That year can be taken as a benchmark, a time when the

economies of the former Soviet Bloc, and especially the USSR itself, were already experiencing a gradual and even accelerating decline, but before the final stagnant decade and deepening entanglement with the global capitalist system—notably through increasing foreign debt, and the Reagan military buildup intended to bankrupt them—that helped lead to the collapse of their socialist systems. This era also precedes the full rise of the most dynamic of the Newly Industrializing Countries or NICs, especially in East Asia, compared to which the growing economic difficulties in Eastern Europe and the USSR loomed ever larger. Statistics from the period around 1980 compiled by international financial institutions offer a more comprehensive picture than is available for either earlier or later years during the socialist era.[3]

Using this set of data, a comparative picture can be drawn of the various components of the intermediate stratum of the world economy, in comparison with those both above and below it (Table 3). In general, the countries of the Soviet Bloc formed part of this "upper middle" or "second level" of the global system. Led by East Germany and Czechoslovakia, which compared favorably with the top level of the capitalist semi-periphery, most of the other Soviet Bloc nations fell lower in the same rank, paralleling more marginal countries of Europe and the East Asian NICs, while Yugoslavia[4] and Romania even lagged behind such Third World leaders as Venezuela and Argentina, respectively. However, since not only total wealth, but also the distribution of the incomes in a society helps to determine the share received by each of its strata, the political economy of a given country may affect the positioning of the members of its various classes on a global scale. Thus when total GNP per capita figures are run through the "prism" of class, their relative positions or levels can shift. Because the classes of a highly polarized society receive more or less, as the case may be, of economic distribution, they may rank higher or lower globally than do corresponding groups in a more egalitarian nation with the same average income level.

Figures for 1980 provide data for the proportion of national income obtained by the top ten percent and bottom forty percent of given countries, from which it is possible to calculate the ratio of GNP per capita of the highest strata to the lowest (Table 4). These calculations show the enormous range globally of income polarization. Most polarized are the nations of the Third World, led by Brazil, with the extraordinary multiple of 28.9. A second rank in terms of income polarization is made up of the richest core countries and rising East Asian NICs. Next comes a group of mainly semi-peripheral nations in Europe and countries primarily colonized by north Europeans—especially those having a strong social democratic or labor party influence, including the rather exceptional model of Yugoslav socialism—promoting a limited degree of egalitarianism. The least polarized income ratios are found in socialist nations of the former Soviet Bloc, ranging from a very low multiple of 3.6 in Poland to a mere 2.5 in Czechoslovakia.[5] Overall, the global economy is found to be most polarized at its extremes, poorer countries in the Third World showing the highest levels of maldistribution, while the richest nations have a significant, though less severe form of unequal rewards. Only in the middle of the system is there some degree of egalitarianism, notably in the former Soviet Bloc. "Thus communist countries did allow income differentials to be established between occupations, sectors, and regions, although these differentials were typically lower than those in the West" (Estrin, 1994, 60).

The effect of this differentiation is to produce a class phenomenon which may be dubbed the "red shift": that is, the further a given nation moves away from capitalist polarization, and the closer it approaches to the socialist egalitarian form of income distribution, the relatively higher the poorer strata of its population will be situated in the global structure of classes, while the converse will apply to its wealthy elites. This can be observed by ranking each nation according to the average income obtained by the bottom 40 percent (Table 5) and top 10 percent (Table 6) of its populations, in comparison with the rank it held globally based on total GNP per capita (Table 3). Most striking here is that the

lowest strata of the Soviet Bloc countries shift radically higher. In those nations the most significant difference is to be found in the proportion of total national income falling to the poorest two quintiles (generally around 25 percent), which is much higher than in the West, including even social democratic Sweden or Denmark, where the figure is only 20 percent or less. When the effects of this more egalitarian socialist distribution are expressed in monetary values, some in the lower ranks of the population in the Soviet Bloc even parallel or exceed the corresponding stratum in leading countries of the core.[6] This is most notable in the case of East Germany—with an average of \$4,751—which moves above the United States and France in the global rankings, while the latter drop into a more secondary level, at \$4,226 and \$4,084 respectively.

While such a possibility may seem beyond belief to those accustomed to the accepted wisdom regarding the nature of the former "actually existing socialist" societies, it should be remembered who makes up the poorest segments of the U.S. and French populations, where racism, discrimination against immigrants, unemployment, below minimum wages, jobs with no benefits, the "feminization of poverty," and sub-subsistence welfare are all concentrated. None of these factors driving down the incomes of the poorest strata applied in general to the largely homogeneous population of East Germany, with its lack of either a racial underclass or significant numbers of unemployed or homeless, and where education and social welfare services (such as health maintenance, child care, and pensions) were close to universal and virtually free. It had thus largely eliminated the specific forms of impoverishment so widely found under capitalism. These same conditions of socialist security applied, though not always as fully, across the Soviet Bloc, even in more multinational states, such as the USSR.[7]

Of course, what goes up at one end must in general come down at the other, as if on a see-saw, and that is apparent by looking at the GNP per capita for the top 10 percent of the population. Here, in a corresponding but reverse effect to that found for the bottom 40 percent, the highest capitalist and socialist income earners are strikingly polarized in relation to each other. The best-rewarded strata in the former Soviet Bloc countries drop dramatically in global rank, paralleling only the same segments in leading nations of the Third World. Under "actually existing socialism," moderate national income was further suppressed at the top by an egalitarian form of distribution and the absence of a large stratum of wealthy exploiters.[8] Across the region, a relatively narrow substratum of political and economic leaders did enjoy forms of consumption, such as access to comfortable apartments, cars, dachas, and stores selling foreign goods and "luxuries"—though these were often enough common items in the West—which were unavailable to the average person.[9] Only at the very pinnacle of society did a few enjoy access to true riches.[10] Thus the top 10 percent of the Soviet Bloc was divided between the truly privileged and the rank and file of the elite, whose incomes were more limited, resulting in a lower overall average. Such class differences as did exist were nevertheless a source of deep resentment among much of the populace, because of their own relatively low income and as a violation of socialist ideology.[11] By contrast, even in poorer nations under capitalism, incomes of the wealthiest strata are inflated by sharp class polarization, while the highest 10 percent in the richest capitalist countries circulate in truly stratospheric levels of income, three to four times that found among their counterparts in the East or South.

Because of the common inverse proportions in the share of national income between top and bottom, when GNP per capita for the intermediate 50 percent of the population is calculated in turn (Table 7), what is most striking is the generally similar portion that falls to the "middle class" in most of the countries examined above, regardless of their position in the world economy or their form of social organization.[12] Of those listed here, with only a few exceptions in the Third World where the figure for this stratum is generally lower, it receives between 50 and 60 percent as its share of the wealth of the nation, and just slightly above its percentage of the population. But because average national GNP per

capita varies so greatly, this results in very different absolute amounts that fall to the intermediate level as well. Given the close correspondence between percentage of population and of income share for the "middle class," its position in most cases roughly parallels that of the entire nation in the global system, and it primarily rides "up" or "down" with the nation as a whole within the global economy.

Thus the intermediate stratum is the most likely to have its economic position be directly affected by the overall ranking of a given country, as measured by average GNP per capita, and to have its income least changed by the form of social organization. It thus has the material basis for swinging in a capitalistic or socialistic direction, depending on which system seems to offer the greater advancement. As a result, it may opt for whatever strategy appears to promote rapid growth, regardless of ideology, a factor which helps explain its chameleon-like political and ideological behavior as a shifting and opportunistic "swing" group, changing "color"—and class alliances—with the fortunes of the nation in the global economy. Nevertheless, the "middle class" is itself subject to internal polarization, most commonly with a few rising and many falling, a division that tends to widen even more if the poles of society pull further apart.

Drawing on the previous tables, it is now possible to summarize (Table 8) the approximate position of the three main "classes" for given nations in the global system, by assigning each such stratum a rank within its own category.[13] Thus the top 10 percent, middle 50 percent, and lowest 40 percent can be broken down into various levels: first, upper second, lower second, and third, depending on how they compare with others globally. Though this division must be at best somewhat arbitrary, these global income levels can then be summarized according to whether they are composed of the top, middle or Third World capitalist, or socialist countries (Table 9).

Certain things stand out here. First, the true meaning of "core" emerges in the position of the wealthiest nations in the world system of capitalism and the top 10 percent of their income earners, clearly forming a dominant center of the global economic structure. They are followed in ranking by the leading stratum in the intermediate capitalist countries. By contrast, in not a single Third World or socialist country does the wealthiest 10 percent of the population make it even into the upper second rank. At the other end of the scale, the concentration of impoverishment is equally evident. These nations, including the poorer socialist societies of the South,[14] make up the entire tertiary rank for both the middle 50 percent and the poorest 40 percent of population—with the exceptions of the East Asian NIC South Korea, plus Turkey and South Africa. Below even this upper third level lie deeper forms of poverty virtually unfathomable.

Within this polarity, the second pattern, resulting from the "red shift" effect, is clearly observable in nations organized along socialist lines, whose strata generally move higher in ranking, either within or between levels, the lower their income. As a consequence, the effect of egalitarianism under socialism stands in sharp contrast to and cuts across, as it were, the structure of income polarization found within the world system of capitalism. Despite this, the elites, intermediate strata, and lowest 40 percent in the Soviet Bloc nations all generally fell into the global "middle" between the exalted wealth of the very richest capitalists at the top and the deep impoverishment of the Third World working classes at the bottom. Indeed, the average lifestyle even of those in the higher levels of these societies was generally unremarkable on a world scale, which became increasingly (and painfully) obvious to them as their contacts with the West grew from the 1970s on.[15] Thus as one analyst put it, "the Soviet elite family in the early seventies enjoyed a standard of living roughly equal to, or perhaps somewhat below, that of an average American household" (Matthews, 1978, 177).

This has important implications when both the global and domestic systems of stratification are viewed not as static entities, but as dynamic processes subject to constant tension and change, in which movement and transformation are the normal conditions. Since social polarization tends to be more or less extreme depending on the system of

political economy of a given nation, even a "lateral" move between socialism and capitalism by a country that stays within the intermediate world sector can alter the rewards to its various strata. This can be observed, for example, in a comparison of capitalist Italy and Spain with the formerly socialist Czechoslovakia. GNP per capita for the first two countries in 1980 was \$6,480 and \$5,350, respectively, for an average—weighted for the larger population of Italy—of \$5,989 (Table 10). These two nations straddled from above and below Czechoslovakia, which had a GNP per capita of \$5,820, only \$169 less than their combined figure. But when the effects of egalitarianism or polarization are considered, income per capita of their various strata was radically different, and thus the effect of converting between socialism and capitalism would have produced dramatic changes, primarily for those in the top and bottom strata, while once again, the "middle class" remains remarkably stable in GNP share, regardless of the form of social organization (see also Atkinson and Micklewright, 1992, 83).

In other cases, of course, the effect of changing from a socialist to capitalist system might well be even more dramatic, particularly if accompanied by the movement of an intermediate nation as a whole either "up" or "down" in the world economy, that is, not only experiencing a change in GNP per capita, but moving toward the greater degrees of domestic polarization that are prevalent in the nations of both the core and periphery (see Atkinson and Micklewright, 1992, 114-115). The top 10 percent of income earners in countries of "actually existing socialism" had even more to gain, therefore, if in attempting to move their economies upward in the global system, they also became more capitalistic, since they would thereby benefit from the increased gap between rich and poor found in the capitalist nations. On the other hand, the leading stratum of a socialist nation slipping downward in the world system might barely hold on to its position globally by a conversion to capitalism.

The bottom 40 percent of the population, however, would most likely find the consequences of such a transformation quite drastic. Thus even in a "rising" economy, conversion to capitalism would undermine the gains that might otherwise accrue to them, while in a "falling" one, they would be propelled ever more rapidly downward. For those in the lowest 40 percent, so radical is the potential for decline, that it would take an extraordinary growth of national income to offset such losses. On the other hand, as shown again by the comparison of Italy and Spain with Czechoslovakia, the "middle class" remains remarkably stable in their share of GNP, regardless of whether a society is organized along socialist or capitalist lines. But they are also subject to polarization, pulling apart into opposing factions.

Clearly then, if changes occur in the extent to which the global system as a whole is polarized, the resulting pressures on nations will make alterations in their form of political economy more attractive to some strata than to others. The top and bottom segments of the population, in general, have the most to gain or lose in the choice of social organization. If the international economic system as a whole becomes more polarized, this would appear in itself to be a factor in pushing nations, and especially specific classes, to seek either protection against losses or the prospect of new gains from conversions between capitalism and socialism. Just such a polarization has been occurring globally over many decades, with special intensity in the 1980s (Table 11). The long-term historical trend has been toward increasing concentration of accumulation at the core of the world capitalist economy, a tendency that continued in recent decades despite some countervailing effects of expansion in a few semi-peripheral economies of Western Europe and East Asia.[16]

Solidly ensconced within the intermediate level globally, the Soviet Bloc countries suffered from the same kind of widening gap with the core and its favored semi-periphery of West European nations and East Asia NICs as did other members of that stratum. Thus they were left behind, as the leading capitalist nations vastly expanded their accumulated wealth and technological advantage, primarily at Third World expense. To these global shifts were added the specific limitations and weaknesses that became ever more apparent

in the Soviet-dominated system of "actually existing socialism," notably bureaucratized forms of economic planning, shortages and poor quality of consumer items, declining technical prowess, and the stifling of democratic civic participation (Drewnowski, 1982). Though the Soviet Bloc nations overall did not suffer the negative GNP per capita experienced by the Latin American and Sub-Saharan regions in the 1980s, their annual growth slowed sufficiently to open an ever wider void between their economies and those of their Western "peers."

World Bank estimates indicate a rapid deceleration, with Soviet economic growth averaging 5-7 percent in the 1960s, some 5 percent in the 1970s, and barely 2 percent in the 1980s. "A similar stagnation infected Eastern Europe" (WDR, 1996, 2), where most countries experienced an absolute decline in the late 1980s (Lavigne 1995, 44-47, 57-60). This compares with growth rates for the OECD in the 1980s of 3.0 percent and for all middle income countries excluding the Soviet Bloc of some 2.9 percent. Such a growing economic ossification was all the more traumatic as the Russians had so recently anticipated equaling or even surpassing the West, against which background the slow decline of the following decades must have seemed all the more threatening and galling.[17] In Eastern Europe the relative slippage was even more extreme and socially provocative, given close proximity to Western nations that experienced growing wealth during this time, and whose consumerist "good life" proved increasingly seductive.

In retrospect, therefore, it can hardly be surprising that as the 1980s advanced, elements of the elite, and especially the newly expanded educated "middle class" of the Soviet Bloc, sought to remedy their declining fortunes by "reforming" and "opening up" their socialist systems to ever more capitalistic forces and Western forms of politics and culture. These pressures were especially strong in parts of Eastern Europe, where anti-Russian sentiment added to the desires for economic experimentation and political transformation—changes that in rapid order reached the USSR itself, first under Gorbachev and then with the Yeltsin "reforms." Throughout the region, though in sharply varying degrees, nations took the path of "liberalization" leading to capitalist restoration and parliamentarism, in which, despite introducing new aspects of formal political democratization and civil liberties, workers have little or no power. None chose the alternative of deepening socialist transformation, through more direct worker control of economic units, participatory democratic forms, and an even greater degree of egalitarianism.

Within a very short period of time, like their counterparts in other regions of the global economy facing decline—notably in the sweep of neoliberal policies through Latin America—virtually all the nations of the former Soviet Bloc adopted, to at least some extent, the privatization of public industries and services, radical slashing of governmental social programs, deflationary wage scales, and an "open door" to multinational investment and trade. Such changes were either eagerly embraced by the "reform" ruling groups—who were in many cases largely the old elites in new clothing—or were imposed through growing dependence on the IMF and World Bank. In theory these policies would free up capitalist market forces and produce rapid economic growth, which would eventually "trickle down" to the middle and lower classes, making up for whatever "temporary" pain such transformations would inflict. Anticipation of such gains helped fuel the eagerness found even among segments of the working class for recapitalization, spearheaded most notably by some elements within the Solidarity labor movement in Poland.[18]

Thus the formerly socialist Soviet Bloc countries have now plunged into the rapidly shifting sands on which the intermediate capitalist nations already rest. But far from halting their decline, the conversion to capitalism led to severe economic losses and an immediate precipitous drop in GNP per capita across the region. Writing in 1992, Anders Aslund remarked that "These declines make the Great Depression look like a relatively minor incident" (Andor and Summers, 1998, 66). As a consequence,

Living standards are notoriously difficult to measure but the UN Human Development

Report of July 1996 estimated that per capita income in the post-communist countries as a whole had fallen by about one-third, the bulk of this taking place during the 1990s.... In 1996, GNP per capita in Albania, Poland, and Romania was at the level originally reached in the 1970s, for Estonia and Lithuania in the 1960s and for Armenia and Georgia in the 1950s (Andor and Summers, 1998, 81).

The result was the reduction of even the most favored nations of Eastern Europe to levels associated with the Third World, and a sharp drop in their relative income in the global economy (Table 12). Though some East European nations began to revive by the middle of the 1990s, the countries of the former Soviet Bloc continued to slide overall, and "in 10 of the 15 countries of the former Soviet Union [including Russia], GDP has shrunk by around half" (WDR, 1998/99, 155). Among the harshest and most explosive consequences of these changes has been the large and growing polarization between the former USSR and certain East European nations, notably the Czech Republic, Poland and Hungary, which are ever more closely linked to the West, including NATO.[19]

Yet any such deepening of differences between countries pales beside the effects of the growing region-wide class polarization. World Bank figures for 1987-88 confirm that even in the final years of "actually existing socialism," the Soviet Bloc nations had continued to be overall the most egalitarian in the world, with Gini coefficients generally in the high teens to the mid-twenties.[20] But as soon as the transition to capitalism began, the move to higher degrees of income polarization was both immediate and universal (Table 13). In general, the further East and South, the greater the degree of polarity in incomes, though in some cases this resulted at least in part from starting at a higher pre-transition level. Russia itself stands out in this, climbing to an extremely high Gini coefficient of 48 to 50.

This polarization has resulted most notably from the rapid creation of a class of "new rich," largely drawn from the former nomenklatura of political and economic elites, who took advantage of their positions to privatize public properties in their own name, working closely with upstart entrepreneurs and compradors. In Russia, where inequality rose sharply, the top quintile in 1993 received fully 20 percentage points more of total income than the top quintile in 1988, mainly because of an explosive increase in the relative share of the very richest but also because of increasing wage dispersion (WDR, 1996, 69).

All other quintiles lost ground, including the second highest. As a result of growing class polarity, the degree of inequality in some parts of East Europe quickly reached "levels similar to those in many Western European countries" (WDR, 1996, 69). Thus the "predicted" polarizing effect of moving from socialism to capitalism rapidly occurred, with the resultant loss for those in the lower economic strata often proving to be quite drastic.

This can be seen by again examining Czechoslovakia. Here the Czech Republic (the larger and wealthier of the parts into which the former nation split) began to more closely resemble Spain and Italy, while Slovakia, which remained more resistant to "reform," maintained a higher degree of egalitarianism. As in most of Eastern Europe, the effect of polarization was compounded and extended further up the class structure by the rapid drop in national output. Thus to gain in income over the long run, most Czechs would not only have to see their country recover from stagnation in the 1980s and post-transition decline in the 1990s—which left them with incomes in the range comparable to that of Chile or Malaysia—but also to realize substantial new growth in GNP in order to make up for the losses resulting from growing inequality.

The situation in the Russian Federation falls into another category altogether:

In a period of four years Russia has ceased being a relatively equal society to become a society more unequal than any of its European or East Asian counterparts.... If the trend continues, the social and economic divisions in Russia will resemble those of a developing rather than a developed modern economy (Silverman and Yanowitch, 1997, 12-13).

In 1993, the top 10 percent of the population accounted for 38.7 percent of national consumption, half again as much as the lowest three quintiles combined (WDR, 1996, 196-7), virtually the same degree of polarization as Mexico and Thailand. The gap between the average income of the highest 10 percent and the lowest 10 percent of the income recipients increased from 3.44 times in 1991 to 14.3 in 1994, before decreasing slightly to 13.5 in 1995.

Comparisons with other countries demonstrate the extent of these changes. Inequality in Russia is now much higher than in Western Europe and falls within a range of countries, such as the Philippines, with highly unequal distributions of income (Silverman and Yanowitch, 1997, 26-27).

Coming on top of an even more radical plunge in its GNP since 1990 than that experienced in most of Eastern Europe, this has meant a devastating loss of income for vast numbers of Russians.

It is difficult to conceive of the economic recovery that would be required to lift the poorer strata of the Russian population, and even much of the former middle class, into anything vaguely resembling their pre-transition levels. As early as 1993 a study found that 49 percent of the "mass intelligentsia of Russia were either poor or extremely poor" (Silverman and Yanowitch, 1997, 52). Far from its dreams of surpassing the West, Russia has fallen so far that the World Bank now lists it and most other parts of the former USSR as "lower middle," the same rank as Peru and Bolivia, while Brazil for example, is listed as "upper middle" (WDR, 1998/99, 189). Or as President Vladimir Putin put it, "The growing gap between advanced nations and Russia . . . is pushing us into the group of third world countries" (New York Times, July 9, 2000, 3).

By the mid to late nineties, more than forty-four million of Russia's 148 million people were living in poverty (defined as living on less than thirty-two dollars per month); three quarters of the population live on less than one hundred dollars per month (Holmstrom and Smith, 2000, 5-6).

Thus for 30 percent of Russians, "third world" conditions already exist today, as they struggle to live on the equivalent of \$1 per day or less—in Moldova the proportion is some 50 percent (Mother Jones, January/February 1999, 57)—a figure equal in GNP per capita to that found in the poorest thirty or so countries and commonly used as a global measure of "absolute impoverishment."^[21]

Throughout the region, the social effects on various parts of the population have differed widely, as the rapid rise in poverty is heavily biased by class, age, and ethnicity. In East Germany, the former economic leader of the Soviet Bloc,

[b]y the end of 1991, the . . . industrial sector alone had experienced a 50 per cent cut in jobs, equivalent to 27 per cent of all jobs available at the time. At the beginning of 1996 registered unemployment exceeded 1.2 million, approaching 17 per cent of the workforce (Lange and Shackleton, 1998, 89)

As of 1999, some 20 percent of the workforce were unemployed. Throughout the region manufacturing was hit hardest. In Russia,

[t]he result was an unmitigated disaster. In the first year of reform, industrial output collapsed by 26 percent. Between 1992 and 1995, Russia's GDP fell by 42 percent and industrial production fell 46 percent (Holmstrom and Smith, 2000, 5).

Thus "reforms" fell most heavily on those very segments of the industrial working class that were the primary beneficiaries of the social securities and egalitarian practices of the former socialist system.

Everywhere, workers suffered the enforced driving down of wage levels, under imposed "structural adjustment programs."

These new ambitions of the IMF for a greater role in national policy formation were

reflected in the demand for very severe reductions in real wages in the standby agreements with countries in the region.... However, unlike the reforms of the 1960s in Eastern Europe, which had been aimed at an increase of popular consumption, those of the 1990s were predicated upon a sharp decrease in the living standards of the general population (Andor and Summers, 1998, 26).

Temporary controls on wages were a major aspect of IMF-imposed plans throughout Eastern Europe, as its own report describes:

Ceilings on the average wage provided an incentive to hire low-wage workers or fire high-paid workers, and discouraged the payment of higher wages for greater effort or the acquisition of skills....

[E]ither explicitly or implicitly there was an "objective" for real wages, which in each country, except Hungary, amounted to a large drop in the level (IMF, 1995, 111, 117).

Such goals succeeded, as "real wages declined in every country," though other factors also contributed to this (IMF, 1995, 121).

In Russia, a common practice was to halt payment to wage workers altogether. "The Russian government, bankrupted by the collapse of economic activity, stopped paying the salaries of millions of employees and dependents" (Holmstrom and Smith, 2000, 5). But the ranks of the unemployed have also increased. Rising from a base of just 1.1 percent in 1991, "[o]pen unemployment in Russia in October 1995 was calculated at 13.7 per cent" (Andor and Summers, 1998, 78), and was still 11.5 percent in 1998, (Santa Cruz (CA) Sentinel, October 20, 1998, B10.) The resulting poverty is heavily biased by class, age and ethnicity: "in the Kyrgyz Republic and Russia about 65 percent of the poor are workers, and in Poland 60 percent" (WDR, 1996, 71). Everywhere,

[t]he effects on health and nutritional status of the population are increasingly clear. For the vulnerable, the old, the sick and the unemployed there are no more queues. The shops are full of food products they can no longer afford (Andor and Summers, 1998, 102-3).

Ethnic minorities, especially the Roma, are the most affected.

Poverty, nutritional decline, stress, and elimination of medical and other social services take a devastating health toll, with soaring male death rates in Russia and other Soviet Bloc lands (see Andor and Summers, 1998, 81, 109; Shapiro, 1995, 151-2).

There is a gender bias as well to the uneven effects of reform. Throughout East Europe, the attack on women began immediately after "The Wall" came down, especially in the form of dismissals and lost social services (see Lange and Shackleton, 1998, 99; Braun, 1998, 106; Barr, 1994, 80). "With the exception of Hungary, in every post-socialist country more women have found themselves unemployed than men" (Lobodzinska, 1995, 39). Social support for female workers, in all forms, has been reduced.[22]

In some countries the social pressures restricting women's choices have merely changed direction: previously expected to work, women are now expected to stay at home. Russia's Labor Minister made this clear by asking, "Why should we employ women when men are out of work? It's better that men work and women take care of children and do housework" (WDR, 1996, 72). As a consequence of such "mere" changes in direction, so dire are the results that at the end of the 1990s, UNICEF released a special report outlining the stark deterioration of conditions as "the situation of women and girls in much of Eastern Europe and the former Soviet Union . . . spiraled downward since the collapse of Communism." It concluded that "while Communist policies did not guarantee sexual equality, women are generally worse off now" (New York Times, September 23, 1999, A5). To this is added a resurgence of the most reactionary male chauvinist and clerical influences, such as "bourgeois" standards of beauty that affect the ability to find jobs, and limits on abortion.[23]

The most striking conclusion that follows, therefore, is that the conversion from socialist forms of organization to capitalist ones in the former Soviet Bloc resulted "inevitably" in a decline in the average income for the lower 40 percent or so of the population, falling with especially devastating impact on those least able to protect themselves against the new "free market" forces. The working class, in general, has been reduced to a level somewhere between that in Western Europe and the middle range of the Third World (Table 14). To have kept even after 1989, much less to produce an actual gain during the first decade or so of recapitalization for the lower portion of the population, it would have been necessary to have a virtual explosion in GNP to offset the rapid income polarization. But the general movement to date has been in the opposite direction, with a decline everywhere in the early 1990s, and at best, in some countries, renewed growth in the past few years that only recently recovered the ground previously lost.

Thus today many nations of the former Soviet Bloc remain economically at levels absolutely below those they had attained "before the fall," while even those countries that have since recovered experienced several years of economic stagnation or loss relative to their "peers" in other regions, who continued to raise their GNP per capita throughout the 1990s. In addition, because global slippage, accompanied by reconversion from socialism to capitalism, will undermine the living standards of much of the intermediate 50 percent, there was at least a temporary decline affecting most members of that stratum across the former Soviet Bloc. The greater polarization accompanying capitalization caused a rending of the "middle class" itself, with a relatively small number of newly created "yuppies" riding the wave of privatization upward, while vast numbers of professionals and lower-level managers saw their economic position collapse. Even where a revival has occurred after the initial shocks in a few more favored countries, any rebound for the intermediate stratum will tend to be spotty and uneven.

For the emerging capitalist class in all of these countries, of course, the gains were quickly evident, as they began to adopt the lifestyle of their international bourgeois counterparts. "What is clear in any case, even to the casual observer, is that the new economic elite has already acquired wealth and material comforts far exceeding those available to the higher levels of the Soviet-era nomenklatura" (Silverman and Yanowitch, 1997, 118). The personnel of the leading stratum has undergone a partial change, with some elements making the transition successfully, while others have lost out to the privatized "nouveaux riches" and the compradors. Thus it is not clear how much even the entire top 10 percent is gaining from capitalism.

By generally choosing recapitalization as the means to reverse their global slide, countries of the former Soviet Bloc have in effect been left with only two alternative possibilities. For a handful of states, notably Hungary, Poland, or the Czech Republic, it may be possible to regain some semblance of "upper middle" status, but now as part of the capitalist semi-periphery, with the likelihood that the gains will be temporary and will provoke growing resistance from the core, and with a domestic class structure that is ever more polarized. But the majority of ex-Soviet Bloc nations are much more likely to find that their new position in the world economy is considerably worse than their previous one, and in many cases has come to more closely resemble that of the Third World than Western Europe or even the now staggering Pacific Rim NICs. Entering late into an already crowded field, with industries that were never organized for worldwide capitalist competition, their rank in the international system is much lower than it was when they were part of a quasi-independent socialist system. For their workers, it will be very difficult to reclaim their former status in an ever more polarized world. There is widespread statistical and anecdotal evidence in the former Soviet Bloc that many people feel they were better off economically under "actually existing socialism," and continue to exhibit a bitter resentment directed toward the newly wealthy.[24] Disillusionment came very rapidly, and continued to grow, as the reality of capitalism shattered pre-transition dreams. As early as 1990 a survey suggested that 75 per cent of Polish workers did not want privatization (Andor and

Summers, 1998, 122). In Russia,

Of those surveyed in 1993, 81 percent favored a system based on private property and market relations. Only 7 percent thought that an economy regulated by state planning was better. By May 1995 Russians were no longer certain. Only 22 percent said they favored a capitalist economy, while the remainder were evenly divided between those who thought state planning was better (39 percent) and those who were uncertain (39 percent) (Silverman and Yanowitch, 1997, 129).

In 1994, opinion surveys indicated that 80 percent of Russians viewed the "past (socialist)" economic system favorably, while less than 20 percent had a similar view of the present one, and fewer than 40 percent looked favorably on prospects five years forward. Perhaps more surprisingly, about 70 percent even saw the prior political regime in a favorable light, compared to some 25 percent for the present and 35 percent for the future. The attitudes in Eastern Europe in 1993 were more mixed, with a 60, 35, and 70 percent favorable rating for the past, present, and future, respectively, of the economic system, and 40, 60, and 80 percent in politics (WDR, 1996, 12; see also Wejnert, 1996, 172).

More than a decade after "the fall," voters in various countries of the former Soviet Bloc have continued to return former Communists, though now generally "reformed," to power. Widespread strikes and militant actions have occurred, with disaffection among the working classes erupting in major protests in the late 1990s in Russia, Poland, Bulgaria, Romania, and even the Czech Republic. These have at times influenced policies away from wholesale "rationalization," and in some cases brought down governments (Andor and Summers, 1998, 121-22). Such remaining pro-"Communist" sentiments or at least ambivalence about the past, especially deeply engrained in the former USSR after over seventy years of experimentation with socialism, have set limits on the attempts to transform these societies and gain legitimacy for the new class of capitalist exploiters and their foreign associates. This widespread recognition in the region that there was value to the form of economic well-being and security offered by egalitarian redistribution in the former Soviet Bloc, should temper the smug triumphalism and dismissiveness toward "actually existing socialist" society widely trumpeted by spokespersons for capital, and all too often parroted even among those on the Left.

Whether the working classes in the USSR and Eastern Europe actually exceeded in income their counterparts in the Western capitalist nations may be difficult ever to determine accurately, given the problems of comparative quantitative, much less of qualitative measurements. But the existence and positive effects of a widely practiced and deeply rooted socialist egalitarianism have become ever more evident with the devastating losses that the lower and even much of the middle strata have suffered under capitalist repolarization. The memory of another time, when society was more equal, remains as part of the legacy for those who lived through "actually existing socialism," as it should as well for those who have never had the opportunity to experience anything other than the vast and exploitative class polarities inherent within capitalism. Whatever the limits to its past realization in practice, the idea of socialist egalitarianism and the partial attempts made to implement it profoundly affected the societies of the former Soviet Bloc and the "rank" of their working classes, not only domestically, but in the global system. That record helps point the way toward a future in which the brutal polarity of capitalist society may finally and everywhere be overcome, not only within, but especially between, nations.

TABLES

Table 1. Global GNP Per Fifths of World Population - 1985

Population Quintile	GNP \$ Billions	Percentage
First	230	1.6
Second	316	2.2
Third	497	3.5
Fourth	2,596	18.5
Fifth	10,449	74.2
<hr/>		
Average	2,818	20.0

Source: Sivard 1987, 27.

Table 2. Unequal Distribution of Global GNP Per Capita - 1980

<u>Country or Region</u>	<u>Range of GNP Per Capita</u>
Top 10 Capitalist Countries	\$30,070 - \$12,180
Next 10 Capitalist Countries	\$11,890 - \$10,130
Worldwide Average	\$2,430
Midpoint of 171 Countries	\$1,340
Bottom 100 Countries	\$2,050 - \$80
Bottom 50 Countries	\$560 or Less
Bottom 10 African Countries	\$230 or Less

Source: Kurian 1984, 97-99, Table 65.

Table 3. GNP/Capita - Leading and Intermediate Nations - 1980

<u>Capitalist</u>			<u>Socialist</u>		
<u>Country</u>	<u>Rank</u>	<u>\$GNP/Capita</u>	<u>Country</u>	<u>Rank</u>	<u>\$GNP/Capita</u>
West Germany	6	13,590			
Sweden	7	13,520			
Denmark	8	12,950			
France	11	11,730			
United States	14	11,360			
Canada	20	10,230			
Japan	21	9,890			
Australia	22	9,820			

United Kingdom	26	7,920	East Germany	28	7,180
New Zealand	29	7,090			
Italy	32	6,480	Czechoslovakia	34	5,820
Spain	37	5,350			

Ireland	39	4,880	Soviet Union	41	4,550
Greece	42	4,520			
Singapore	44	4,480	Hungary	49	4,180
Hong Kong	48	4,210	Bulgaria	50	4,150
			Poland	51	3,900
Venezuela	55	3,630			

Argentina	66	2,390	Yugoslavia	65	2,620
Portugal	67	2,350			
South Africa	69	2,290	Romania	68	2,340
Chile	70	2,160			
Mexico	71	2,130			
Brazil	72	2,050			
Malaysia	79	1,670			
South Korea	80	1,520			
Turkey	81	1,460			

Source: Kurian 1984, 97-99, Table 65. These figures are based on and virtually identical with those of the World Bank (see WDR, 1982, 111).

Table 4. GNP Per Capita of Top 10% as Multiple of Lowest 40%

<u>Country</u>	<u>Multiple</u>
Brazil	28.9
South Africa	24.4
Malaysia	16.2
Turkey	14.3
Mexico	14.2
Venezuela	13.9
Chile	10.4
Argentina	10.0
France	8.6
Italy	8.6
Hong Kong	8.6
West Germany	7.2
United States	7.0
South Korea	6.5
Spain	6.0
Denmark	6.0
Canada	6.0
New Zealand	5.7
United Kingdom	5.0
Yugoslavia	4.9
Australia	4.7
Sweden	4.3
Poland	3.6
Soviet Union	3.5
Hungary	3.2
Bulgaria	2.8
East Germany	2.6
Czechoslovakia	2.5

Source: Calculated from Kurian, 1984, 97-99, 101-2, Tables 65, 67, 68.

Table 5. GNP Per Capita - Lowest 40% of the Population

<u>Country</u>	<u>Capitalist</u>		<u>Country</u>	<u>Socialist</u>	
	<u>% GNP</u>	<u>\$/Capita</u>		<u>% GNP</u>	<u>\$/Capita</u>
Sweden	19.7	6,616			
West Germany	16.8	5,635			
Denmark	16.9	5,469			
Australia	20.1	4,762			

United States	15.2	4,226	East Germany	26.3	4,751
Canada	16.8	4,163			
France	14.1	4,084			
			Czechoslovakia	27.4	3,970
United Kingdom	18.9	3,730			
New Zealand	17.8	3,303			

			Bulgaria	26.6	2,781
			Soviet Union*	23.7	2,657
			Hungary	24.1	2,530
Spain	17.8	2,343			
Italy	15.6	2,304			

Hong Kong	15.6	1,590	Poland	23.4	2,257
Argentina	14.1	819	Yugoslavia	18.4	1,187
Venezuela	10.3	758			
Chile	13.4	709			
South Korea	16.9	602			
Mexico	10.3	520			
Turkey	11.4	391			
Malaysia	10.6	374			
South Africa	6.7	374			
Brazil	7.0	333			

Source: Kurian 1984, 97-99, 102, Table 65, 68.

*Figures for Soviet Union percent income distribution by decile of population are for 1985, from Atkinson and Micklewright, 1992, 122, Table 5.1. Their income estimates for the East European countries are close to, though not identical with, those provided by Kurian.

Table 6. GNP Per Capita - Top 10% of the Population

<u>Capitalist</u>			<u>Socialist</u>		
<u>Country</u>	<u>% of GNP</u>	<u>\$/Capita</u>	<u>Country</u>	<u>% of GNP</u>	<u>\$/Capita</u>
West Germany	30.3	40,653			
France	30.4	35,224			
Denmark	25.5	33,013			
United States	26.6	29,584			
Sweden	21.3	28,610			
Japan	27.2*	26,459			

Canada	25.1	24,878			
Australia	23.7	22,457			
Italy	30.9	19,873			
New Zealand	25.4	18,855			
United Kingdom	23.5	18,551			

Spain	26.7	14,059			
Hong Kong	33.7	13,743			
			East Germany	16.9	12,211
Venezuela	35.7	10,504	Czechoslovakia	17.4	10,106
Brazil	50.6	9,636	Soviet Union**	20.6	9,259
South Africa	40.9	9,122			

Argentina	35.2	8,178	Poland	21.2	8,179
			Hungary	19.1	8,020
			Bulgaria	18.8	7,862
Mexico	36.7	7,409			
Chile	34.8	7,370			
Malaysia	39.6	6,074			
			Yugoslavia	22.5	5,808
Turkey	40.7	5,591			
South Korea	27.5	3,920			

Source: Kurian, 1984, 97-99, 101, Tables 65, 67.

* Japan is listed only in the table for the top 10% and not in the one for the bottom 40%.

**Figures for Soviet Union percent income distribution by decile of population are for 1985, from Atkinson and Micklewright, 1992, 112, Table 5.1.

Table 7. GNP Per Capita - Intermediate 50% of the Population

<u>Capitalist</u>			<u>Socialist</u>		
<u>Country</u>	<u>% of GNP</u>	<u>\$/Capita</u>	<u>Country</u>	<u>% of GNP</u>	<u>\$/Capita</u>
Sweden	59.0	15,849			
West Germany	52.9	14,195			
United States	58.2	12,946			
France	55.5	12,861			
Canada	58.1	11,517			
Australia	56.2	10,651			

United Kingdom	57.6	9,094			
New Zealand	56.8	8,433			
			East Germany	56.8	8,208
Denmark	57.6	7,262			
Italy	53.5	6,882			

Spain	55.5	5,845			
			Soviet Union*	55.7	5,000
			Hungary	56.8	4,770
			Bulgaria	54.6	4,567
			Poland	55.4	4,275
Hong Kong	50.7	4,135			

Venezuela	54.0	3,177			
			Yugoslavia	59.1	3,051
Argentina	50.7	2,356			
South Africa	52.4	2,337			
Chile	51.8	2,194			
Mexico	53.0	2,140			
Brazil	42.4	1,615			
South Korea	55.6	1,584			
Malaysia	49.8	1,522			
Turkey	47.9	1,316			

Source: Calculated from Kurian, 1984, 97-99, 101-2, Tables 65, 67, 68.

*Figures for Soviet Union percent income distribution by decile of population are for 1985, from Atkinson and Micklewright, 1992, 112, Table 5.1.

Table 8. Global Position of Class Strata by Country - 1980

<u>Top 10%</u>	<u>Intermediate 50%</u>	<u>Lowest 40%</u>
<u>1st Rank</u>		
West Germany	Sweden	Sweden
France	West Germany	West Germany
Denmark	United States	Denmark
United States	France	Australia
Sweden	Canada	*East Germany
Japan	Australia	
<u>Upper 2nd Rank</u>		
Canada	United Kingdom	United States
Australia	New Zealand	Canada
Italy	*East Germany	France
New Zealand	Denmark	*Czechoslovakia
United Kingdom	Italy	United Kingdom
	*Czechoslovakia	New Zealand
		*Soviet Union
		*Bulgaria
<u>Lower 2nd Rank</u>		
Spain	Spain	*Bulgaria
#Hong Kong	*Soviet Union	*Soviet Union
*East Germany	*Hungary	*Hungary
+Venezuela	*Bulgaria	Spain
*Czechoslovakia	*Poland	Italy
+Brazil	#Hong Kong	*Poland
*Soviet Union		
@South Africa		
<u>3rd Rank</u>		
+Argentina	+Venezuela	#Hong Kong
*Poland	*Yugoslavia	*Yugoslavia
*Hungary	+Argentina	+Argentina
*Bulgaria	@South Africa	+Venezuela
+Mexico	+Chile	+Chile
+Chile	+Mexico	#South Korea
+Malaysia	+Brazil	+Mexico
*Yugoslavia	#South Korea	@Turkey
@Turkey	+Malaysia	+Malaysia
#South Korea	@Turkey	@South Africa
		+Brazil

* Socialist

East Asian NIC

+ Third World

@ South Africa and Turkey might best be considered as partially in the capitalist semi-periphery, but also part Third World.

Table 9. Global Structure—Class Strata by Type of Country—1980

<u>Rank</u>	<u>Top 10%</u>	<u>Middle 50%</u>	<u>Lowest 40%</u>
<u>1st</u>	Top Capitalist	Top Capitalist Mid Capitalist	Top Capitalist Mid Capitalist Socialist
<u>Upper 2nd</u>	Top Capitalist Mid Capitalist	Top Capitalist Mid Capitalist Socialist	Top Capitalist Mid Capitalist Socialist
<u>Lower 2nd</u>	Mid Capitalist Socialist Third World	Mid Capitalist Socialist Third World	Mid Capitalist Socialist
<u>3rd</u>	Socialist Third World	Socialist Third World	Socialist Third World

East Asian NICs are here included under the Third World category. Socialist would include Soviet Bloc nations for which data on income distribution are not available, like Romania, others such as Albania, and non-European countries, including China and Cuba.

Table 10. Effects of Conversion from Socialism to Capitalism

<u>GNP/Capita</u>	<u>Total</u>	<u>Top 10%</u>	<u>Middle 50%</u>	<u>Lowest 40%</u>
Czechoslovakia	\$5,820	\$10,106	\$6,412	\$3,970
Italy/Spain	\$5,989	\$17,613	\$6,475	\$2,444
Difference	+ \$169	+ \$7,507	+ \$63	-\$1,526
% Difference	+ 3%	+ 74%	+ 1%	- 38%

Source: Kurian 1984, 13-14, 96-99, 101-2, Tables 8, 64, 65, 67, 68.

Table 11. GNP Per Capita and Ratios of Global Income Strata

\$GNP/Capita and Ratios of High, Middle and Low Income Nations

<u>Region</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>
Low Income	120	310	350
Middle Income	490	1,900	2,310
High Income	3,040	10,170	19,760
<u>Ratios</u>			
Low/Middle	1:4	1:6	1:7
Middle/High	1:6	1:5	1:9
Low/High	1:25	1:33	1:56

Source: Income figures from The World Bank 1992, 4-5, Table 1.

Table 12. Comparative Pre- and Post-Transition GNP Per Capita

<u>Country</u>	<u>Atlas Method</u>	<u>Purchasing Power Parity</u>		
	<u>1997</u>	<u>1987 % US</u>	<u>1997 % US</u>	<u>1997 US \$</u>
Czech Rep.	5,200	44.9	39.6	11,380
Hungary	4,430	28.9	24.4	7,000
Slovak Rep.	3,700	17.6	27.3	7,850
Poland	3,590	21.5	22.2	6,380
Russian Fed.	2,740	30.9	14.6	4,190
Romania	1,420	22.2	15.0	4,290
Bulgaria	1,140	23.4	13.4	3,860
Ukraine	1,040	20.7	7.6	2,170
U.S.	28,740	100.0	100.0	28,740
Italy	20,120	72.5	69.8	20,060
Spain	14,510	50.5	54.7	15,720
S. Korea	10,550	27.3	47.0	13,500
Chile	5,020	24.6	41.8	12,080
Malaysia	4,680	22.9	38.0	10,920
Mexico	3,680	27.8	28.3	8,120
Costa Rica	2,640	19.8	22.3	6,410
Peru	2,460	17.9	15.3	4,390
El Salvador	1,810	8.2	9.8	2,810
Guatemala	1,500	13.2	13.4	3,840
Indonesia	1,110	9.8	12.0	3,450
Honduras	700	7.9	7.7	2,200

Sources: WDR 1997, 214-15, Table 1; WDR 1998/99, 190-1, Table 1.

Table 13. Comparative Degrees of Polarization--1980s and 1990s

Country	Year	Gini Index	Shares of National Income		
			Lowest 40%	Middle 50%	Top 10%
Poland	1980s	25	23.4	55.4	21.2
	1990s	27-30	23.1	54.8	22.1
Hungary	1980s	21	24.1	56.8	19.1
	1990s	23-27	23.5	53.9	22.6
Czech Rep	1980s	19	27.4	55.2	17.4
Slovak Rep	1990s	20	27.7	54.1	18.2
Czech Rep	1990s	27	24.4	52.1	23.5
Bulgaria	1980s	23	26.6	54.6	18.8
	1990s	31-34	21.3	54.0	24.7
Sov Union	1980s	29	23.7	55.7	20.6
Russian Fd	1980s	24-34			
	1993#	31	20.0	57.8	22.2
	1996##	48	13.0	49.6	37.4
Sweden	1981	n.a.	21.2	58.1	20.8
	1992	25	24.1	55.8	20.1
Spain	1988	n.a.	22.0	56.2	21.8
	1990	33	20.1	54.7	25.2
Italy	1986	n.a.	18.8	55.9	25.3
	1991	31	20.5	55.8	23.7
U.S.	1985	n.a.	15.7	59.7	25.0
	1994	40	15.3	56.2	28.5
Thailand	1980	n.a.	13.2	44.2	42.6
	1992	46	14.3	48.6	37.1
Malaysia	1980	n.a.	10.6	49.8	39.6
	1989	48	12.9	49.2	37.9
Mexico	1980	n.a.	10.3	36.7	53.0
	1995	54	10.8	46.4	42.8

- based on income

- based on consumption expenditure

Sources: Kurian, 1984, 101, 102, Tables 67, 68; WDR 1996, 68-69, 196-7, Figure 4.1, Table 4.1, Table 5; Atkinson and Micklewright, 1992, 82, 112; WDR, 2000, 238-9, Table 5.

Table 14. Comparative Post-Transition Income by Stratum

<u>Country</u>	<u>Year</u>	<u>GNP/Capita</u>	<u>Top 10%</u>	<u>Middle 50%</u>	<u>Lowest 40%</u>
Hungary	1993	3,350	7,571	3,611	1,968
PPP Est.		6,050	13,673	6,534	3,554
Czech Rep.	1993	2,710	6,369	2,824	1,653
PPP Est.		7,550	17,743	7,867	4,606
Russian Fed.	1993	2,340	9,056	2,298	714
PPP Est.		5,050	19,543	4,959	1,541
Slovak Rep.	1992	1,930	3,448	2,050	1,312
PPP Est.		5,620	10,060	5,957	3,821
Poland	1992	1,910	4,221	2,093	1,103
PPP Est.		4,880	10,785	5,368	2,830
Ukraine	1992	1,820	4,024	2,151	1,084
PPP Est.		5,010	11,072	5,912	3,006
Bulgaria	1992	1,330	3,285	1,436	708
PPP Est.		5,130	12,620	5,540	2,719
Romania	1992	1,130	2,283	1,270	667
PPP Est.		2,750	5,555	3,080	1,623
Italy	1993*	19,840	46,679	20,627	8,672
PPP Est.		17,830	41,900	18,543	7,845
Spain	1993**	13,970	30,223	15,702	7,683
PPP Est.		13,170	28,447	15,672	7,639
Mexico	1992	3,470	13,602	3,394	1,032
PPP Est.		7,490	29,361	7,340	2,247
Thailand	1992	1,840	6,826	1,788	658
PPP Est.		5,890	21,852	5,713	2,120

*based on 1986 measure of percent share of income or consumption

**based on 1988 measure of percent share of income or consumption

Sources: WDR 1994, 162-3, 220-1, Tables 1, 30; WDR 1995, 162-3, 220-1, Tables 1, 30; WDR 1996, 196-7, Table 5.

APPENDIX

The primary difficulty, if not the Achilles Heel, of all attempts to measure the relative economic position of those in the capitalist and socialist parts of the world has been the incomparability of data between the two systems. Even among different nations, and especially regions, under capitalism itself there are major difficulties in measuring the value generated by one economy in comparison with others. In 1980, the base period on which this study rests, the World Bank employed its Atlas method, utilizing monetary exchange rates to convert values, and using a floating three-year average of the relevant data. But even its own *World Development Report* warned that this produced results that "are not comparable" between its annual editions (WDR, 1982, 161). Exchange rates, in particular, were long ago recognized as inadequate, because of vagaries in the financial markets that set them, and the difficulty of measuring the domestic buying power of local currency in international terms.

These limitations were further compounded when applied to comparisons between the capitalist and socialist systems, given the large differences in their use of money as the basic economic measurement, and in the convertibility of their currencies. Thus for the Soviet Bloc, alternative methods that calculated gross production through the use of material output rather than market value were employed. But such measures were admittedly rough at best, especially when used in comparison with capitalist nations, despite attempts to give socialized products an exchange price.

A rather complex formula was devised for such calculations, but as the *World Development Report* again notes, such estimates "must thus be treated as tentative" and "limit the comparability of the data presented for the two sets of economies" (WDR, 1982, 161-2). It also warns that "the figures . . . for nonmarket industrial economies differ considerably from other estimates derived from official GDP estimates converted at the annual average exchange rates" (WDR, 1982, 162). In the 1970s-80s, World Bank calculations tended to come in rather high compared to some others from these differing sources, which might suggest that the numbers in the tables given here overrate the economic well-being of the socialist countries relative to their capitalist "peers." However, efforts over time to deal with questions of comparability of data—including new formulas used by the World Bank itself—have produced a wide range of

estimates, some pointing toward lower income levels in the socialist nations, others in the opposite direction.

Indeed, by the late 1980s, the *World Development Report* stopped reporting basic economic data for most of the Soviet Bloc countries. "Because of problems associated with the availability of comparable data and the determination of conversion factors, information on GNP per capita is not shown for nonreporting nonmarket economies" (WDR, 1988, 290; see Lavigne, 1995, 46-49). The World Bank did continue to calculate this measure for Hungary and Poland, now using the Atlas method, but found their average income in 1986 to be only \$2,020 and \$2,070, respectively, just around half the amount shown for these two countries in 1980 (as the exception that proved the rule, Yugoslavia, counted as a "market" economy, at \$2,300 in 1986, remained close to its figure at the start of the decade). How much of this "drop" is due to the different methods used to determine GNP per capita, to changes in currency value, or to a fall in their relative economic position globally is problematic. But it does suggest that the 1980 figures for income were too high.

At the same time, however, there was growing recognition that monetary exchange rates tend to under-state the relative incomes of people in poorer, and even middle level, countries in general, as such societies also usually have comparatively lower domestic costs of living.

"In particular, the differences in the real income between developing and industrial economies are likely to be exaggerated. The reason is that exchange rates are based on prices of internationally traded goods and services and may bear little relation to the prices of goods and services that do not enter international trade but that make up the bulk of the national product of most developing economies" (WDR, 1988, 290).

Thus a new method of measurement, based on the Purchasing Power Parities of local currencies, was developed. By such a measure, Third World nations as well as those in the former Soviet Bloc appear in general to have a higher GNP per capita than under the previous measurement systems. This would suggest that the older calculations, based on the Atlas Method and other earlier World Bank formulas, were too low, as some alternate figures, listed in the table below, indicate. Indeed, the CIA, which converted its data at "US purchasing power equivalents" throughout the decade, showed 1981 GNP per capita figures for Soviet Bloc nations to be generally 25-50 percent higher than the World Bank calculations. By 1989 they were 200 to 300 percent larger than those based on the Atlas method (CIA, 1982, 27; 1990, 31).

The following table shows this range of calculations, drawn from several sources:

<u>Country</u>	<u>Low Estimate</u>		<u>Middle Estimate</u>	<u>High Estimate</u>	
	<u>1984</u>	<u>1989</u>	<u>1984</u>	<u>1985</u>	<u>1989</u>
Yugoslavia	2,270	2,940	2,990	5,063	5,460
Romania	1,990	1,720	3,571	4,273	3,440
Poland	2,070	1,890	4,634	4,913	4,560
Bulgaria	2,150	2,710	5,018	5,113	5,690
Hungary	2,030	2,620	5,915	5,765	6,090
Czechoslovakia	2,860	3,450	6,267	7,424	7,900
Soviet Union	---	1,780	7,095	6,266	9,230
East Germany	---	5,000	7,995	8,740	9,670

Sources: For low estimate, The World Bank, 1992, 5; Lavigne, 1995, 48; for middle estimate, Sivard, 1987, 46; for high estimate, Lane and Ersson, 1990, 67; CIA, 1990, 31.

It is impossible to determine whether any such adjustments "up" or "down" from the World Bank figures which form the basis of this study "balance out" or not, and their accuracy continues to be "tentative"--and will likely remain so despite efforts to project backward from post-transition data. Thus the comparative measurements of socialist and capitalist nations here should be taken not as absolute values, but as indicators of relative levels--imperfectly determined--of incomes in the two systems.

NOTES

1. Neither Karl Marx nor most other socialists, Marxist or otherwise, have advocated absolute egalitarianism, whatever that might mean in practice. Both the socialist formula—"from each according to ability, to each according to work"—and the communist one—"from each according to ability, to each according to need"—recognize inequalities in labor input as well as income distribution. What socialism has demanded is that the claims of capital and private property to profits be eliminated, along with the classes that they support, and that work alone—including adequate support for the very young and the elderly—serve as the basis for the right to income. In theory at least, this limits the range of acceptable incomes to such differences as derive from physical strength, skill, educational level, and so on. But as Marx stated, socialist equality remains unequal:

". . . this *equal right* is still constantly stigmatised by a bourgeois limitation. The right of the producers is *proportional* to the labour they supply; the equality consists in the fact that measurement is made with an *equal standard*, labour. . . .

"This *equal right* is an unequal right for unequal labour. It recognises no class differences, because everyone is only a worker like everyone else; but it tacitly recognises unequal individual endowment and thus productive capacity as natural privileges. *It is, therefore, a right of inequality, in its content, like every right*" (Marx, 1962, 23-24).

Communism goes one step further to reduce as much as possible differentiation among the workers themselves, and to abandon the linkage between labor and distribution, the latter now determined by age, number of family members, health, and so on. In however partial and flawed form, it is such egalitarian goals that Soviet-style socialism began to implement, not only through the elimination of private capitalist ownership and the vast appropriations of wealth and income that it claims, but also by requiring that all those who can do so take part in useful labor, and by satisfying either gratis or at very low cost such basic needs as housing, medical care, and education.

2. Gross National Product is the total of all goods and services generated by an economy, including the inflow of any profits or other sources of income from other countries.

3. For a discussion of the statistical methods, see Appendix. Though similarities as well as significant differences are to be found in the experience of other countries that adopted a socialist system—notably China and Cuba—statistics are even less adequate for them than is the case for the Soviet Bloc, and lack both of data and of space preclude their inclusion here.

4. Yugoslavia broke with the USSR and was not a member of the Soviet Bloc, differing in some economic as well as political respects. It is included here as another example of the overall East European socialist record, before and after the transition.

5. In the 1970s, the French scholar Basile Kerblay, using a different measure, found that for society as a whole, "If we adopt as our criterion of equality the relationship between the highest-paid 10 per cent of the population and the lowest-paid 10 per cent, the difference is, according to our estimates, 1 to 10 in the Soviet Union and, according to Attali, 1 to 8 in the United Kingdom and 1 to 15 in West Germany" (Kerblay, 1983, 218). But it appears that high incomes in England during these years were under-represented in a key official survey "by about 30-50 percent," while the USSR was more polarized than most Eastern European nations (Atkinson and Micklewright, 1992, 66, 85).

6. Of course, GNP per capita is a quantitative, not a qualitative measurement. The Soviet Bloc societies generally lacked in consumer goods what they "made up" in the form of social security. This lack was a major source of discontent. "The disgust engendered in the population by standing in never-ending queues for substandard food products was one of the most powerful forces which provoked spontaneous revolt against the social order" (Andor and Summers, 1998, 102). But as the growing legions of unemployed and impoverished in Eastern Europe and the former USSR are now rapidly learning, capitalist consumerism comes at a very high social price, and full stores and modern supermarkets mean little if only a few can afford to buy there.

7. As late as 1997, Richard J. Estes, using a Weighted Index of Social Progress—which differs from those World Bank or United Nations indices that usually favor criteria in which leading core countries excel—found Bulgaria to rank higher than the United States. Despite drastic changes in the former during the 1990s, "in terms of responding to basic human needs, Bulgaria enjoys the legacy of social provision that characterized all of the states and partners of the former Soviet Union, i.e., high literacy, high access to at least basic health care, guaranteed housing, guaranteed income support during old age and other periods of income loss, and so on." In contrast, the United States had 37 million in poverty and millions more "without adequate social benefits" (*New York Times*, September 7, 1997, 5). For a fuller discussion of his general methodology, see Estes 1984 and 1988.

8. "As an industrial society, the Soviet Union is stratified in a manner not too different from the United States. Such a statement can be made more precise by specifying the differences in stratification that distinguish the two societies. The most well-known difference is the lower level of the general

standard of living. Profession by profession, layer by layer, the Soviet citizen consumes fewer goods and services than his American counterpart. Furthermore, entire components of the American stratification pattern are absent, among them that stratum we would call the 'very rich.' Although a small handful of men in the highest political posts probably enjoy all the material advantages they might desire, the USSR does not have the hundreds of millionaire families which form the apex of the United States' pyramid of wealth" (Meyer, 1965, 51).

9. According to the calculations of one analyst of Soviet society, the elite of the former USSR numbered only some 227,000 (Matthews, 1978, 30-34), just one-seventh the size others suggest for the U.S. capitalist class (Loren, 1977, 32). But more important than the quantitative gap, was the qualitative difference in the Soviet Union due to greater egalitarianism:

"Although the salaries and fringe benefits of the managerial and government power elite are significantly greater than those of the average production worker (by a factor of four or five), this is very small compared to either the differential between ruling class families and the productive classes in the Western capitalist countries or in comparison to the size of the economic surplus which is disposed of in the U.S.S.R." (Szymanski, 1979, 199).

10. "Attention is sometimes concentrated on the very small group of high officials, who, together with a few successful writers, ballerinas, musicians and top academicians, constitute the upper stratum of Soviet society in material terms. It is widely believed in the USSR that the highest officials live in great luxury, and that most of it is provided for them not as salary but as fruits of office, so to speak (villas, servants, cars, etc.)" (Nove, 1977, 211).

Yet even the lifestyle of these most privileged members of the Soviet elite paled in contrast with the ostentatious displays of wealth of the capitalist jet set, some of whom are "worth" billions individually in privatized wealth, with luxurious homes on several continents, ownership of art masterpieces, and so on. By comparison, the collection of luxury cars by Leonid Brezhnev, often pointed to as an example of Soviet elite excess, seems almost pathetic, despite free use of elaborate state facilities.

11. This popular sentiment, with its insistence on socialist norms, acted as a restraint on what could normally be accumulated, and served to enforce widely supported egalitarian standards:

"In the Communist economy there is no opportunity to make a fortune safely. Owning an apartment or a small house, one car, and regular vacation travel abroad are the upper limits of material well-being accepted by law and by society. Anything more is hazardous and worthless in the circumstances of relatively tight formal and informal social control. People do not like others to be much richer than they are, and it is quite easy to levy sanctions against anybody whose high standard of living seems to be unjustified by his official source of income" (Matejko, 1974, 147).

12. I have elsewhere (Weil 1998; 1991) opposed the use of vague conceptions of the "middle class," and offered my own contribution toward a rigorous analysis of the intermediate stratum, and especially of the petty bourgeoisie in its various forms. However, the purpose of this article is only to show certain broad patterns in the degree of polarization of the societies under examination. Space does not permit a fuller discussion here of the definition or role of "middle" strata.

13. Classes, of course, are not defined by level of income, but by relations to the means of production and exploitation of labor. As will be readily apparent, the economic strata being analyzed here will be composed of very different class elements in any given society. Thus the lowest 40 percent may be made up largely of peasants in one country, and proletarians in the next. By the same token, however, to talk only of income strata tends to hide the class relationship of the societies examined here, varied as they may be. Both terms are therefore used, with the understanding that neither fully captures the social reality.

14. Socialist countries such as Cuba and China would almost certainly show, in relation to their capitalist economic peers, a similar "red shift" in 1980 to that of Soviet Bloc nations. But their low overall GNP per capita would still have left them, and each of their income strata, in the third level globally as measured in quantitative terms, leaving aside qualitative differences.

15. Thus as one analyst of social polarization in the USSR has stated, "the Soviet elite family in the early seventies enjoyed a standard of living roughly equal to, or perhaps somewhat below, that of an average American household" (Matthews, 1978, 177).

16. See Angelopoulos and Fagen, 1993, 20-27.

17. The claim of Nikita Khrushchev that the Soviet Union would "bury" the United States economically remains the classical statement of such aspirations.

18. These anticipations were quickly dashed—in the very birthplace of Solidarity—as rising debt led to a new IMF structural adjustment program. "As [UN Secretary General] Dr. Boutros-Ghali put it at the time: 'Real wage declines that were fought bitterly on the barricades of Gdansk several months ago are accepted [sic] magnified today'" (Andor and Summers, 1998, 26-27).

19. However, even these more favored countries are finding their position in the global system fragile and tenuous. For detailed data on economic decline in the former Soviet Bloc, see WDR, 1996, 26, Figure 2.1; WDR, 1997, 214-5, 234-5, Tables 1, 11.

20. Gini coefficients are a measure of income inequality on a numerical scale in which 0 equals perfect equality and 100 (or, if decimals are used, 1) is equivalent to complete monopolization by one unit. Higher Gini numbers therefore indicate a greater polarization of incomes.

21. According to the World Bank, Eastern Europe and Central Asia, including Russia, saw the percentage of those living on less than one dollar per day rise from 0.2 in 1987, to 5.1 in 1998. Every other region of the world saw either a decline in this measure, or at least stayed at virtually the same level during that decade (*New York Times*, June 24, 2000, Sect. 4, 5).

22. "Besides the staggering joblessness, women in the GDR have lost their year's paid leave for a first child, their four- to eight-week paid leave for the care of sick children, their subsidized public daycare, their job guarantees, and their free contraceptives" (Eisenstein, 1996, 106).

23. For example, in Poland: "Women say economic demise comes even earlier for them since to get a job, 'you must be young, childless and have a big bosom'" (Singer, 1992, 696). "Many Polish women find the Catholic Church more oppressive than the Communist Party" (Eisenstein, 1996, 104).

24. "Many accepted the Utopian aspects of the Communist doctrine. Now, they are becoming poor and losing their previous economic safety. Facing unemployment for the first time in their lives and being unable to afford the necessities, the Communist slogans of 'equality for all' and of 'having needs satisfied according to (always available) work' do not sound so preposterous to them" (Lobodzinska, 1995, 8).

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