

**Sergei Belanovsky
Mikhail Dmitriev
Svetlana Misikhina
Tatyana Omelchuk**

**SOCIO-ECONOMIC CHANGE AND POLITICAL TRANSFORMATION
IN RUSSIA**

**Center for Strategic Research
In cooperation with the Russian Presidential Academy of National Economy
and Public Administration**

**Moscow
7 November 2011**

Translation: Dmitry Belanovsky

Editing: Rebecca Baldrige and Mikhail Dmitriev

CONTENTS

Introduction	3
PART 1: THE IMPACT OF CURRENT POLITICAL DEVELOPMENTS ON THE COURSE OF POLITICAL TRANSFORMATION	6
1.1. Political Consequences of the Tandem Swap	6
1.2. The Aging of Political Brands.....	8
1.3. Political Rhetoric Comes out of Date	12
1.4. Manipulative Party Politics Becomes Less Effective.....	13
1.5. Political Representation of Opposition Groups and Protest Sentiments	14
1.6. The Role of the Passive Majority in Accelerating Political Change	18
1.7. Economic Reasons for Growing Political Tensions	20
Key Conclusions.....	23
PART 2. SOCIAL POLARIZATION IN THE MEDIUM AND LONG-TERM	25
2.1. Russian Middle Class in 1990-2000.....	25
2.2. The Development of a Bipolar Social Structure in the Second Half of the 2000s	29
2.3. Two Generations of Baby-Boomers and Their Role in Social Change.....	43
Key conclusions.....	51
PART 3. THE PROSPECTS FOR POLITICAL TRANSFORMATION	53
3.1. Political Transformation in the Medium Term	53
3.2. Political Transformation in the Long-Term	55
Key Conclusions.....	56
Conclusions	58

Introduction

Over the six months since the publication of CSR's first political report, the pace of political change has accelerated. It is becoming increasingly obvious that the Duma elections are far from being the only factor driving change.

Since publication, our first report has been perceived by many as an excessively radical attempt of "wishful thinking". But later developments proved that the report was both timely and justified. Many of the forecasts and conclusions presented in the first report turned to be correct, while the probability of some other predictions has increased significantly.

This appears to be the case in spring of 2011, we were able to correctly interpret the internal logic of the political process triggered by declining public support for the government. We arrived to our conclusions on the basis of sociological research, which relied mainly on focus groups. According to our previous experience, focus groups allow to obtain early warning signals of major shifts in public opinion - six to nine months ahead of representative surveys. Our research showed that the decline in popular confidence is a self-accelerating process with strong positive feedbacks. New events in the chain of political change trigger other similar events, radicalizing society and increasing the pace of future change.

Based on this understanding, our first report pointed out the following developments, which were far from self-evident those days:

- The aging of Vladimir Putin's political brand will continue, accompanied by the fast increase of his anti-electorate
- Dmitry Medvedev will be unelectable as the next President of Russia;
- Public reaction to the tandem swap will be negative and will trigger radicalization of public opinion
- Criticism of the leadership will soon reach out from the Internet to the broader mass media (including three main strictly censored TV channels)
- Political satire will become widespread and the culture of political jokes will revive
- The effectiveness of political rhetoric of the ruling party and political leaders will decline to an extent when even the most constructive programs and concepts offered by the ruling party will be perceived negatively by the public
- The rhetoric leadership will be taken over by political opposition
- Protest sentiments will grow rapidly, especially in large cities
- A "critical mass" of political opponents of the regime will emerge shortly
- Moral and psychological pressure from determined opponents of the regime on conformist part of the public will trigger mass exodus of former proponents of the regime into the opposition

- Signs of an inner split within the elite will be on the rise. Such a split will be marked by the exit of high-level officials and experts from official positions in the administration
- Mass demand for alternative candidates for the president and prime minister will emerge

The findings of the first report allowed us to formulate a number of recommendations that could have eased political tensions and facilitated transition to a more open and competitive political model. For example, we recommended that right wing opposition parties be registered and pointed to radicalizing impact of mass electoral violations in favor of the United Russia during the Duma elections. We also insisted that winning parliamentary majority will not give any tangible advantages to the United Russia but will expose it to ever growing public criticism. We argued that formation of a coalition government could be the most preferable election outcome, consistent with strategic self-interests of the ruling class. These recommendations were either ignored (for example, the scale of election fraud indicated the “business as usual” mentality) or implemented unsuccessfully (the attempt to revive a managed right-wing parliamentary opposition, led by Mikhail Prokhorov).

The initial response of the authorities to the crisis indicates poor understanding of the ongoing process of political transformation and an underestimation of political risks related to upfront resistance to change. The leadership is losing the political sensitivity that previously helped to successfully overcome difficulties and to gain public support. As we warned in our first report, the government’s responses are lagging behind the political developments whereas preemptive action towards political change may be the only effective way to cope with fast-moving events. A passive response will not prevent the escalation of tensions, which can easily run out of control.

The new political environment increases the plausibility of certain scenarios described in the first report, such as:

- Parliamentary and presidential elections will be perceived as “unfair” and illegitimate
- Parliamentary and presidential elections will serve as a catalyst for further radicalization of the opposition
- Opposition party campaigns will be based on little else than the criticism of the ruling party and voters will support them of protest intentions, regardless of party platforms
- The chances to pursue a responsible economic policy and implement institutional reforms in the aftermath of the presidential elections will be slim
- Popular discontent will develop into open mass anti-government protests

The opportunity for relatively easy political moves capable of mitigating the crisis has already been lost. However, the authorities still retain in their arsenal some effective measures to prevent the dangerous radicalization of society and decrease the threat of all-out political confrontation.

Still relevant is an option of forming a new coalition government with parliamentary opposition parties. For this measure to prove effective, a new capable and independent politician must be nominated to this post. Such a leader should develop charismatic qualities enabling him to successfully refresh political rhetoric and develop an effective style of political communications.

The emergence of such a figure would meet the growing demand for new faces in the country's leadership. The latest Public Opinion Foundation (FOM) survey shows that only 6% of those polled support the existing tandem with Medvedev as President and Putin as Prime Minister. 41% still agree with Putin's plan to serve as President with Medvedev as Prime Minister. However, 37% of those interviewed opt for the replacement of at least one figure in the tandem, while more than two thirds among this group would like to see both Putin and Medvedev replaced. These results are in stark contrast with our focus groups conducted two or three years ago, in which Russians categorically rejected the idea of nominating alternative political leaders.

The last nine months not only have confirmed our original assumptions, but have also provided an additional data that allows to extend the scope of our political analysis. There is an opportunity now to view current events in light of the longer-term political and social trends.

Relying on additional data, we tried to demonstrate that the ongoing political change is driven by both the internal logic of the political system and fundamental socio-economic changes in Russian society. Their combined influence establishes certain patterns and increases the probability of certain scenarios of political transformation.

The goal of this report is to clarify the framework of the ongoing political transformation in view of current and long-term social trends. Unlike our first report, which was primarily based on our own sociological data, the new study relies mainly on external sources. Among them we would particularly like to mention an outstanding study on the evolution of the middle class by the Institute of Sociology of the Russian Academy of Sciences.¹ In our view, the expert community has yet to appreciate the political significance of this work.

The report consists of three parts. The first part provides an analysis of the current changes in the political system that are most significant in understanding its further evolution. The second part considers structural changes in society that will affect the process of political transformation. The third part offers a brief review of medium- and long-term scenarios for political change.

¹ N.E.Tikhonova, S.V.Mareeva. *Sredniy klass: teoriya i realnost*. Alfa-M Publishers, Moscow, 2009.

PART 1: THE IMPACT OF CURRENT POLITICAL DEVELOPMENTS ON THE COURSE OF POLITICAL TRANSFORMATION

In this section we briefly analyze the current political processes that may influence the further course of political transformation. Most lead to a weakening in the current political system and to increased probability of a more radical change in the future.

We consider the following problems:

1. Political consequences of the tandem swap.
2. The aging of political brands.
3. Outdated political rhetoric.
4. Declining effectiveness of manipulative party politics.
5. Political representation of opposition groups and propensity to protests.
6. The role of the passive majority in accelerating political change.
7. Economic factors underlying rising political tensions.

1.1. Political Consequences of the Tandem Swap

The consequences of the tandem swap go far beyond a mere reshuffle. The asymmetric consequences of this move do not comply with the properties of addition, which say that swapping the order of the two numbers will not change the sum. To the tandem the swap appears to have caused irreparable damage.

As indicated in our first report, focus groups suggested that this decision will have posed additional risk to the political system. Importantly, a noticeable number of focus group participants denounced the conceivable tandem's swap, viewing it as political manipulation.

In social terms, creation of the tandem served the government well. Almost unintentionally, it concurred with a polarization of society into camps with incompatible values and political expectations. The polarization accelerated in the second half of the 2000s (the key aspects of this process are considered in Part 2). As we shall demonstrate in the next paragraph, the "power vertical" finds it increasingly difficult to appeal to ideologically diverging poles of social influence with undifferentiated content. The tandem developed a natural specialization, with Vladimir Putin and Dmitry Medvedev appealing to opposite ends of the social spectrum. Putin and Medvedev's brands were complementary, and this disguised the mounting conflict between these social poles. Medvedev's personal brand mostly appealed to groups desiring accelerated modernization while the Putin's brand appealed to the traditionalist segments of the public.

While focus groups demonstrated that Medvedev's "modernization brand" had been weakening rapidly, it still retained a certain consolidating potential for supporters of modernization both in the elite and in broader society. His brand

enhanced the flexibility of the power vertical against a backdrop of social polarization and slowed the erosion of its political foundations.

The tandem swap exposed Medvedev's political dependency, stripping him of the qualities that were expected from a national consolidating leader. Medvedev's personal brand have ceased to be a political asset, and is weakening rather than strengthening the government.

The reshuffled tandem's loss of image is irreparable. The support that Medvedev has lost cannot be automatically assigned to Putin, because he had been appealing to different audience. This narrows the tandem's aggregate support base. This is particularly the case with the right flank of the electorate, which is now is underrepresented both in terms of personal and party leadership. While Putin's brand was much less affected by the swap, it also faces the problem of political aging.

The tandem swap weakened the likelihood that the government would be able to self-transform in response to the demands of society or even engage in a meaningful dialogue with society. In effect, the swap served only to boost consolidation and radicalization of mass political opposition and politicized the general public.

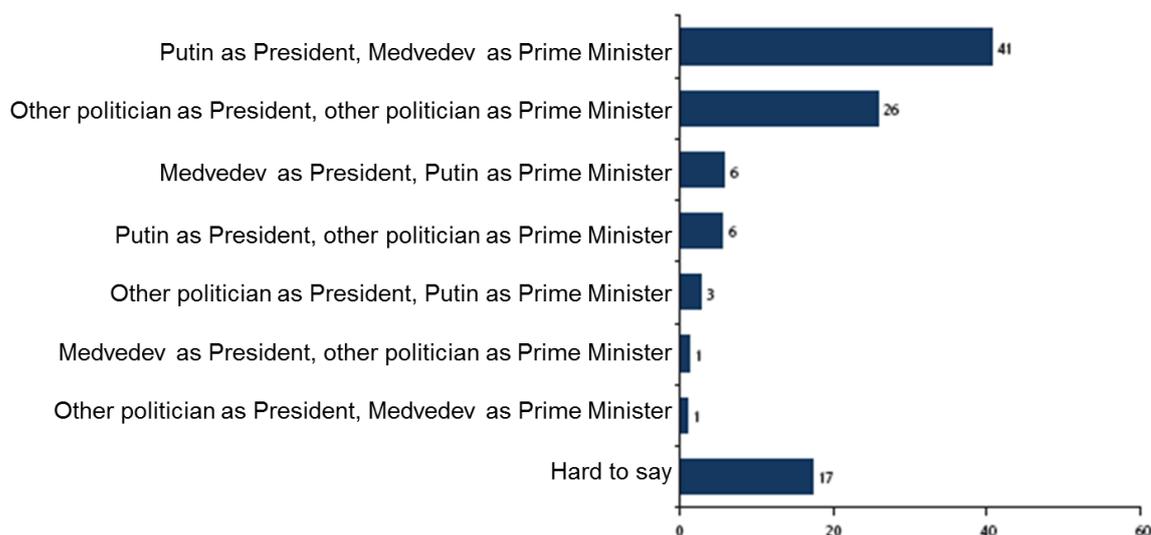


Figure 1.1. Responses to the question “Which of the following combinations would you prefer?”(Source: FOM survey, November 20, 2011)

In accordance with our forecast from the first report, the concept of a third candidate for president – neither Medvedev nor Putin – becomes increasingly popular. A FOM report dated November 20, 2011 indicates that 41 percent of those polled still agree with Putin's officially announced plan to serve as president and Medvedev as prime minister. Still, 37 percent would like to see at least one of the two politicians removed from the tandem, while 26 percent would like to see both

go. The data is in striking contrast with surveys conducted two to three years ago, in which Russians categorically refused to discuss the idea of alternative political leaders.

1.2. The Aging of Political Brands

As in the marketing of any product, a political brand also moves through phases in a lifecycle: the rise of popularity, stabilization and decline (*Figure 1.2.*) These phases are clearly demonstrated in the ratings trends for Vladimir Putin, Dmitry Medvedev and the United Russia party (*Figure 1.3.*), to which we can also add Moscow Mayor Yury Luzhkov (among Muscovites) (*Figure 1.4, 1.5*) and Belarusian President Alexander Lukashenko (*Figure 1.6.*)

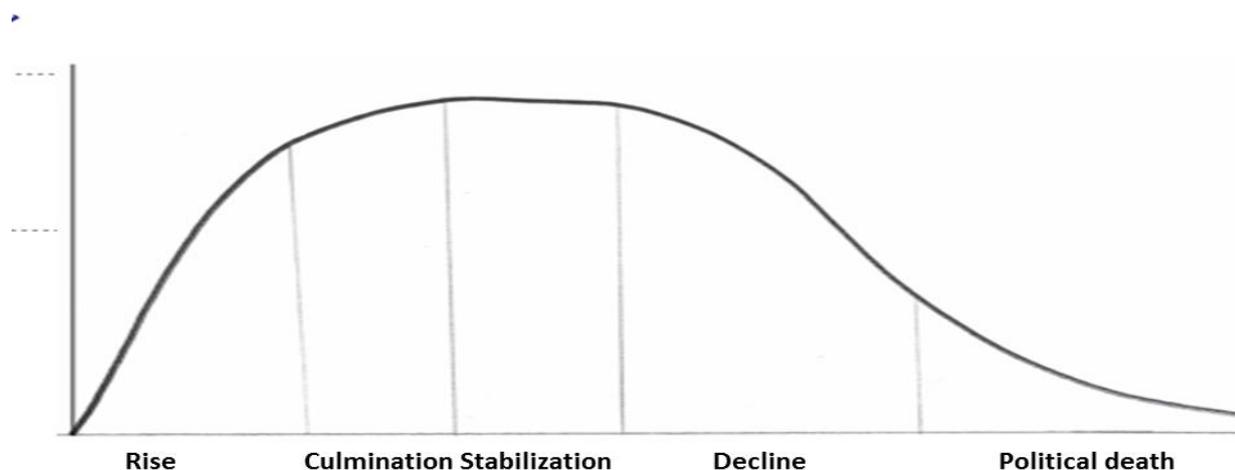


Figure 1.2. Stylized lifecycle phases of political product

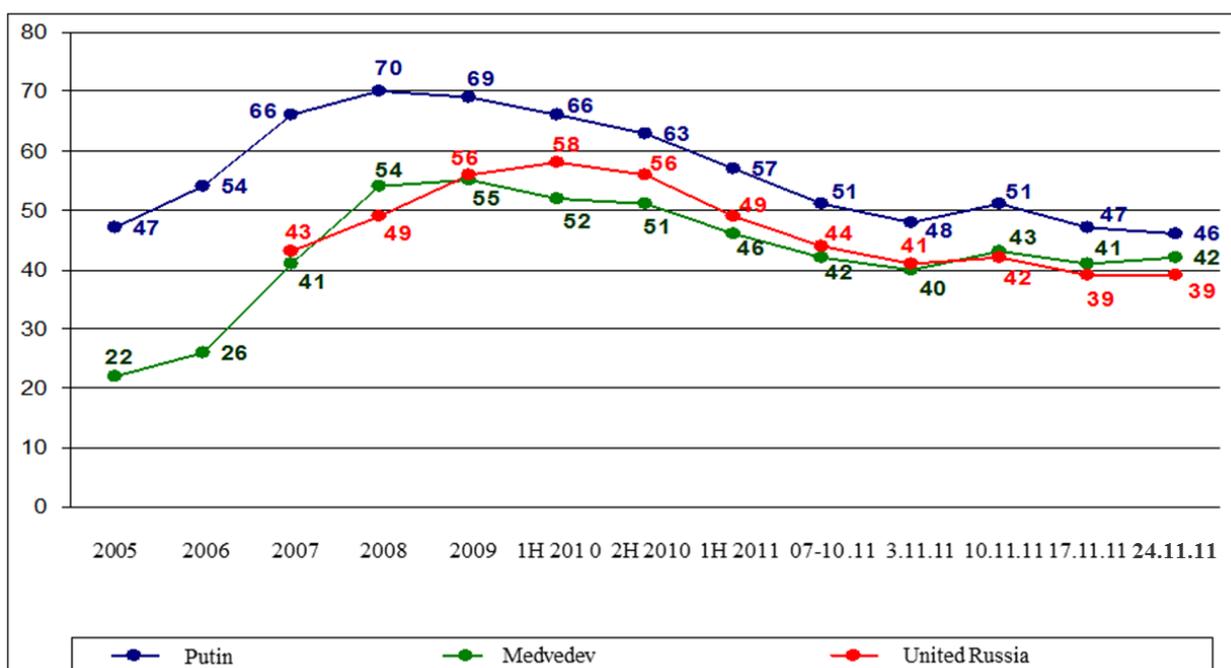


Figure 1.3. Confidence ratings for Vladimir Putin, Dmitry Medvedev, United Russia (Source: FOM)

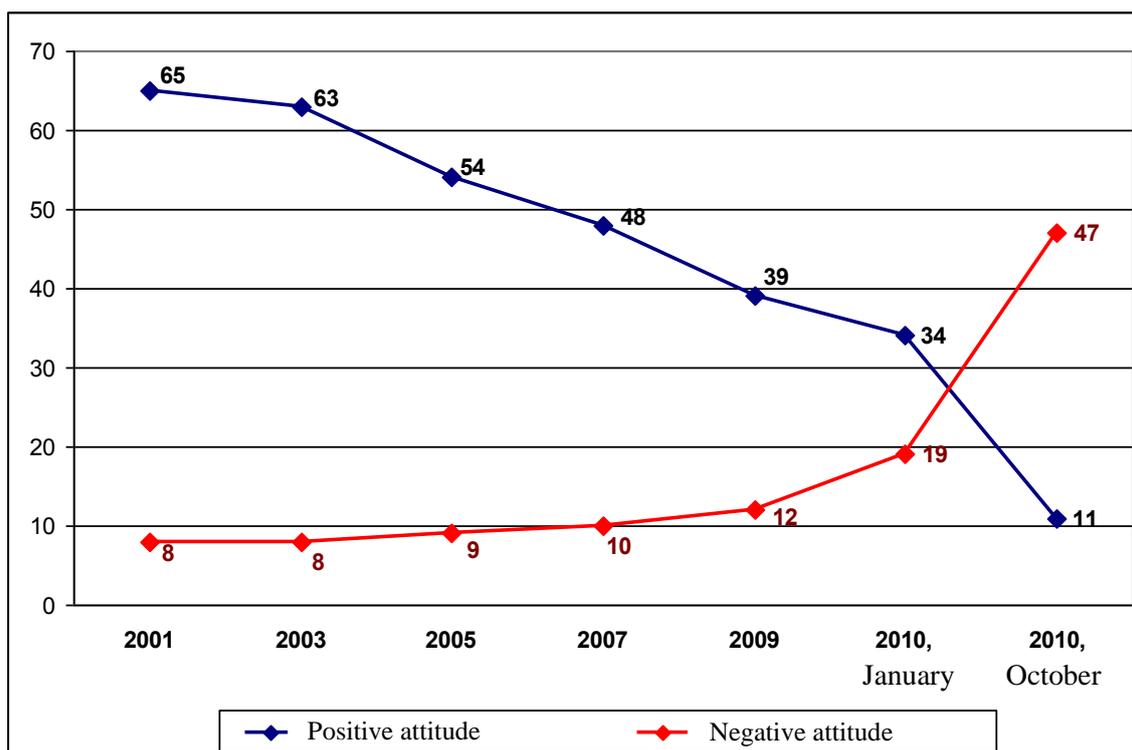


Figure 1.4. Approval rating for Moscow Mayor Yury Luzhkov among Muscovites (source: Levada-Center)

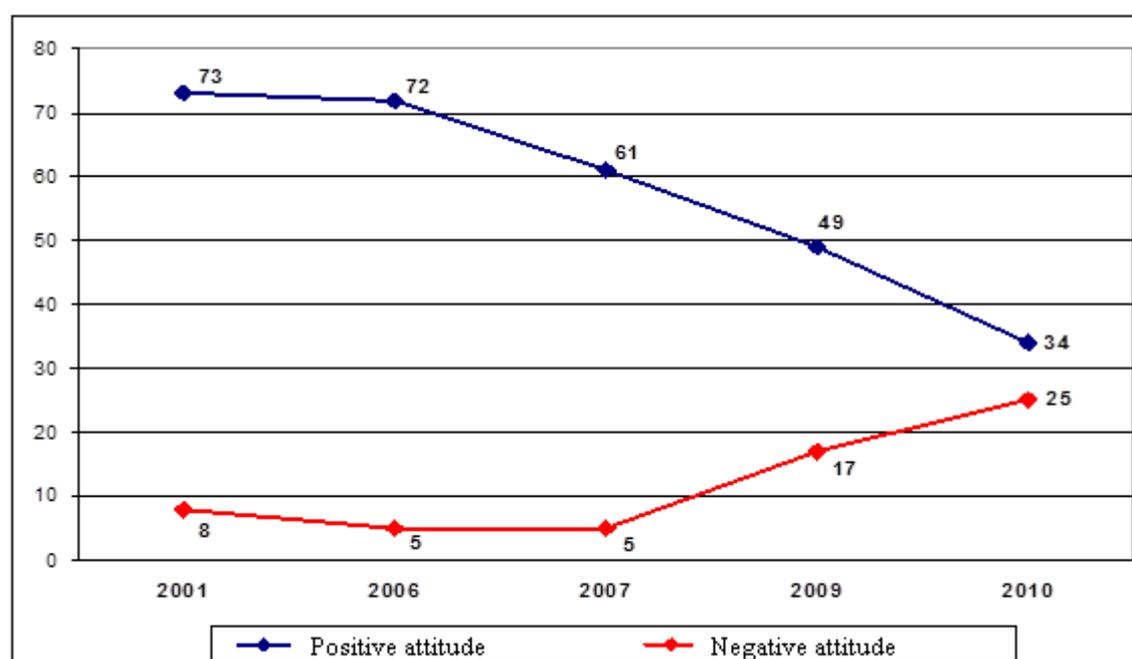


Figure 1.5. Approval rating for Moscow Mayor Yury Luzhkov among Muscovites (source: FOM)

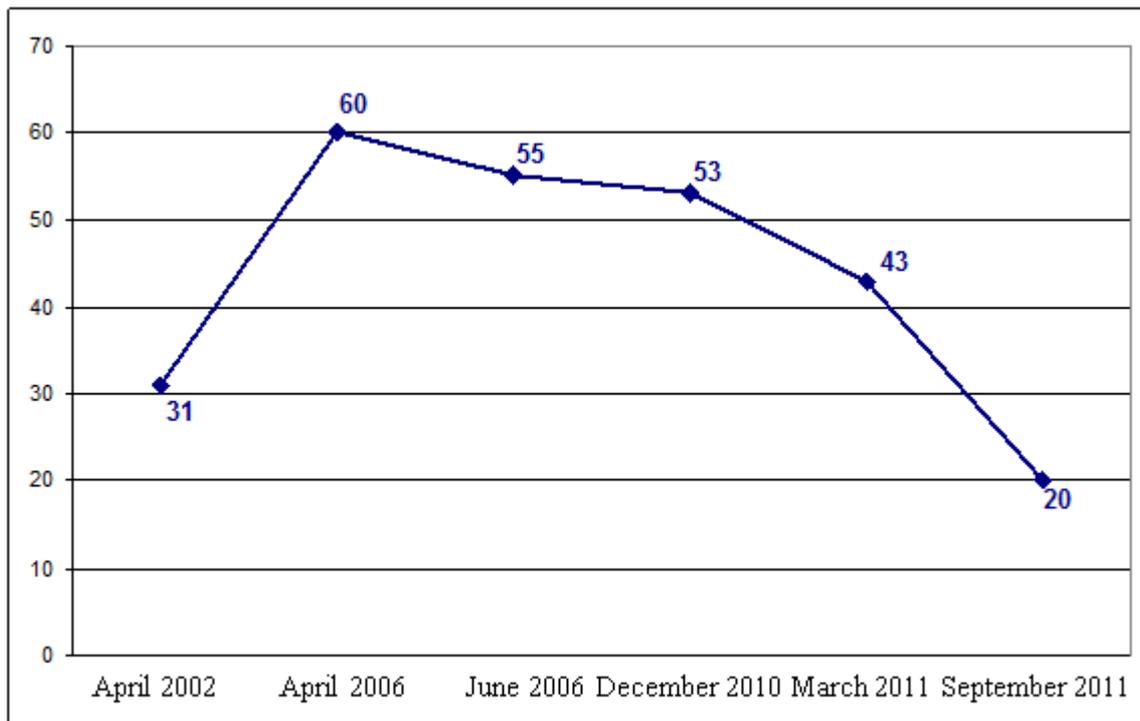


Figure 1.6. Voter rating trends for Belarusian President Alexander Lukashenko (Source: NISEPI, Belarus)

All of the above cases demonstrate similar trends. The engagement of these leaders in public policy was followed by an upswing in their popularity. Political success became possible due to relevant policy and rhetoric developed through a process of trial and error. Thereafter follows a peak in popularity, manifested in stabilizing ratings. At this stage, the politician garners 60 or 70 percent of voter support, while other voters, en masse, don't oppose him. We corroborated this theory by empirical case studies based on Luzhkov and Putin in the late 1990s and early 2000s. We put together focus groups composed specifically of respondents who stated that they would not vote for any of these politicians. We assumed that the focus group participants would hold an alternative motivated opinion, and it was this opinion that we tried to identify. However, our theory wasn't corroborated since the respondents were not specific in their statements and changed their views several times in the course of the discussion.

Meanwhile, at that time Luzhkov and/or Putin (and, obviously, Lukashenko) supporters included many strong adherents, or "fans". There was a significant number of "fans"; as many as three or four per focus group.

These "fans" were encountered across all social groups differentiated by age, gender, education and residence (although fewer were identified within youth groups at that time).

The first symptom that a political brand is aging in a marketing sense is the disappearance of "fans." While voter ratings remain high, motivation and emotional intensity weaken. Regarding the tandem, it was at such a point that we began to hear the first comments regarding the lack of an alternative.

With motivation continuing to decline even further, opinions regarding the lack of choice are voiced even more frequently. At this stage, declining motivation causes voter turnout to fall, and a concomitant spread of election fraud. Lower voter turnout creates a “gap” between artificially inflated ratings and actual voting figures. But another effect of reduced motivation is that people are unwilling to resist vote rigging. Why should they do so, if at this stage they oppose neither Luzhkov nor Putin but lack the motivation to go to the polls.

In a competitive political environment, active public attacks on formerly “Teflon” politicians begin during the period of weakening motivation. A political struggle breaks out, eventually culminating in one of two possible outcomes: either the politician regains his position by rebranding, or his popularity falls to the extent that he is forced to leave the political scene.

In a non-competitive political environment, the gap between the artificially inflated ratings and voter turnout widens. Here, for the first time, the need arises to use force against protesters, of whom there are few in the early stages. Over time, the need to apply force grows.

Finally, the rating begins to drop too. At this stage, the politician faces angry voters who abstain from voting due to the lack of an alternative (abstention assumes the character of protest) rather than out of inactivity. As for individuals supporting a politician because they have no better alternative, their motivation falls to the point where the leader can no longer count on their support.

This trend is particularly obvious in Yury Luzhkov’s case. According to a Levada Center poll, in the second half of the past decade, Luzhkov’s approval rating in Moscow fell to 30-35 percent from 60-65 percent. Any attempt to sack Luzhkov at the peak of his popularity would have led his “fans” to hold mass protests which, in turn, would have attracted a more passive electorate. The federal government realized this and ceded in conflict situations. But when Luzhkov’s rating fell, no one protested against his dismissal.

How further events may unfold can be clearly seen from Lukashenko’s example. The following news report demonstrates what is going on in the final stage of the political lifecycle.

Oleg Manayev, a sociology professor and director of the Independent Institute for Social, Economic and Political Studies, was detained in central Minsk, reports RIA-Novosti. Manaev was stopped by police officers as he was crossing Victory Square and taken to the nearest detention center. Asked why, the officers told our agency that they “received orders to detain this man.”

The institute published survey findings last week showing that the ratings of Belarusian President Alexander Lukashenko dropped to 20.5% in the past nine months, the lowest in 17 years of tracking surveys, says the report. After the December 2010 presidential election, Lukashenko’s rating was 53%, though the election commission announced that he had won with even more impressive results.

The lifecycle of Putin’s personal brand is consistent with the same trend. Putin’s “fans” vanished from focus groups some time ago (in about 2005). Thereafter, his ratings grew due to the lack of choice but motivation continued to

decline, as did the ratings of United Russia, which were derived from ratings of Putin.

The decreasing number of voters was accompanied by growing size and motivation of angry anti-electorate. This trend is indirectly confirmed by widespread satirical video clips and political jokes that bring to mind the last years of the communist system.

In theory, further aging of the brand could be halted through rebranding, but the chances of success are limited given the challenges of political communications between the authorities and the public.

1.3. Political Rhetoric Comes out of Date

Apart from the aging of political brands, the existing political system is facing the problem of obsolete rhetoric and communication failures. A similar disconnection between communication style and the public aspirations was observed in the late communist period.

Between 1917 and 1970, communist ideology and rhetoric evolved in response to its audience and in some periods served as an effective motivating force. But during the 1970s and 1980s, when Russia was rapidly entering a phase of mass consumption that created demand for new forms of public dialogue, the official rhetoric virtually ossified. The old system of political communication had run its course, losing the ability to motivate the people and becoming an object of anger and mockery. Widespread political jokes were a sign of ineffective political communications.

Attempts to refresh rhetoric during Perestroika were only a partial success. The government's rhetoric had to compete with the language of informal opposition, which proved more effective as a social mobilizer. The mobilizing force of alternative rhetoric ultimately led to the fall of communism in Russia.

However, during the crisis of the 1990s, this new rhetoric quickly exhausted itself, resulting in its rejection by the public. Since that time, Russian society has gone through several cycles of changing rhetoric and crises of political communications, the latter having been caused by obsolete rhetoric.

Vladimir Putin came to power during the decline of the previous cycle. He successfully introduced new rhetoric style which enabled him to appeal effectively to the public as the nation's leader and contributed to the initial success of the new ruling party rhetoric. In the second half of the last decade, Russians grew accustomed to this discourse, which led to a cessation of emotional response.

One of the vulnerable aspects of Putin's rhetoric was that it developed in a relatively homogenous society. The economic crisis of the 1990s adversely affected and weakened the Russian middle class. The overwhelming majority of the population belonged to traditionalist groups and dependency culture prevailed. But by the end of 2000s, the middle class had become more entrenched and influential, whereas the traditional rhetoric of Vladimir Putin and the ruling party was addressed to other social classes and failed to meet the expectations of the

middle class. The initially successful attempts to use Dmitry Medvedev's rhetoric for this purpose were discontinued after the tandem swap.

The mass spread of political satire on the Internet, coupled with the revival of political jokes that seemed to have vanished into oblivion in the early years of Putin's rule is the writing on the wall for the authorities, demonstrating that they exhausted resources of initial political rhetoric. The government's rhetorical style has become obsolete, eliciting only negative emotions. The wave of rejection has come.

In order to renew effective dialogue with society, the government will have to radically change the content of communications. But it will hardly be possible without changing personalities. A rare leader during his lifetime can change his or her public communication style to ride a new wave of public expectation. Developing a new communication style is not easy, and is possible only through trial and error. For this to happen, the government would have to make an effective selection of the most successful politicians, along with rapid promotion to the top. However, the established system has pursued the opposite course of action, intentionally driving out the most successful communicators over the past ten years, with the exception of Putin and a few of his closest subordinates, all of them facing the same crisis of rhetoric. As a result of such policy, Thus far, the top echelons of power face a severe shortage of new effective communicators.

The top down renewal of rhetoric is complicated by a problem the Russian state hadn't faced in nearly a century: an impossibility to address the whole nation with a uniform political message. The emergence of two opposing political poles in society makes it necessary to diversify political rhetoric, which, in turn, is hard to achieve without allowing more political competition.

Under the circumstances, one could expect a repetition of a perestroika-like scenario in which new and effective communication content will be developed either by informal political opposition (the Internet will serve as a facilitator), or by parliamentary opposition parties (for example, in case of rejuvenation of the Communist Party leadership). In both cases, opposition enjoys an advantage of intense competition between potential leaders which allows much faster bottom up selection and promotion of relevant rhetorical styles than it could happen in a top bottom non-competitive process within the existing power vertical.

1.4. Manipulative Party Politics Becomes Less Effective

The party manipulation system – an essential feature of the existing power vertical – was originally devised as a flexible and informal system of political control. The keystones of its success during formation of the power vertical, included fast and informal decision making, absence of red tape and an ability to risky improvisations breaking political stereotypes.

But relatively smooth performance of this system during 2000s created repeating practices which, in turn, required the involvement of a broader circle of politicians, officials and advisors, producing routines, formalism and

bureaucratization. The inevitable price to pay for this institutionalization was lower risk tolerance, path dependency and a reduced ability to improvise. All this resulted in gradual desadaptation. In the face of social polarization the system began to lose its effectiveness.

Growing polarization requires more room to be given to opposition leaders and parties which appeal to ever more influential political minorities, but it also increases the risk that votes will be diverted away from the ruling party. Reduced risk tolerance undermined attempts to revive a right-wing party under the leadership of Mikhail Prokhorov – he was viewed as too independent. For similar reasons during spring and summer all the new opposition parties were denied official registration and A Just Russia Party was harassed at the left flank. Political representation of ideological poles is narrowing dangerously, resulting in growing pressure on the government from extra-parliamentary opposition forces.

Bureaucratic inertia is clearly manifested in the organization of United Russia's current electoral campaign. Within the campaign framework, the objectives to garner sixty or seventy percent of the votes for United Russia were set to regional administrations and the party machinery. However, in the changing social and political climate such a tactical success would lead to a strategic defeat. Seventy percent of the vote for United Russia would have been widely viewed as proof of an unfair elections rather than evidence of the party's popularity. Even forty percent of the vote could cast doubt on the fairness of the elections whereas twenty-five to thirty percent outcome would have been perceived as legitimate.

Because of the legitimacy problems, the new State Duma will lose much of its value as a political institution. In strategic terms, it would have been advantageous for the government to have a legitimate Duma even without United Russia's domination. Thus, the Duma could have played a role in the social dialogue during political transformation.

Under the new political circumstances, party manipulation has lost its original purpose. From an effective tool of political control, it becomes a risk factor to the system. It conspicuously undermines the ability to adapt to changing environment and increases the potential for the self-destruction of the non-competitive political system.

1.5. Political Representation of Opposition Groups and Protest Sentiments

Trends toward declining public support for Vladimir Putin, Dmitry Medvedev and United Russia are accompanied by a growing no-confidence rating, which is in "antiphase" to the confidence rating, and by the increasing potential for social protest. (*Figures 1.7 and 1.8*).

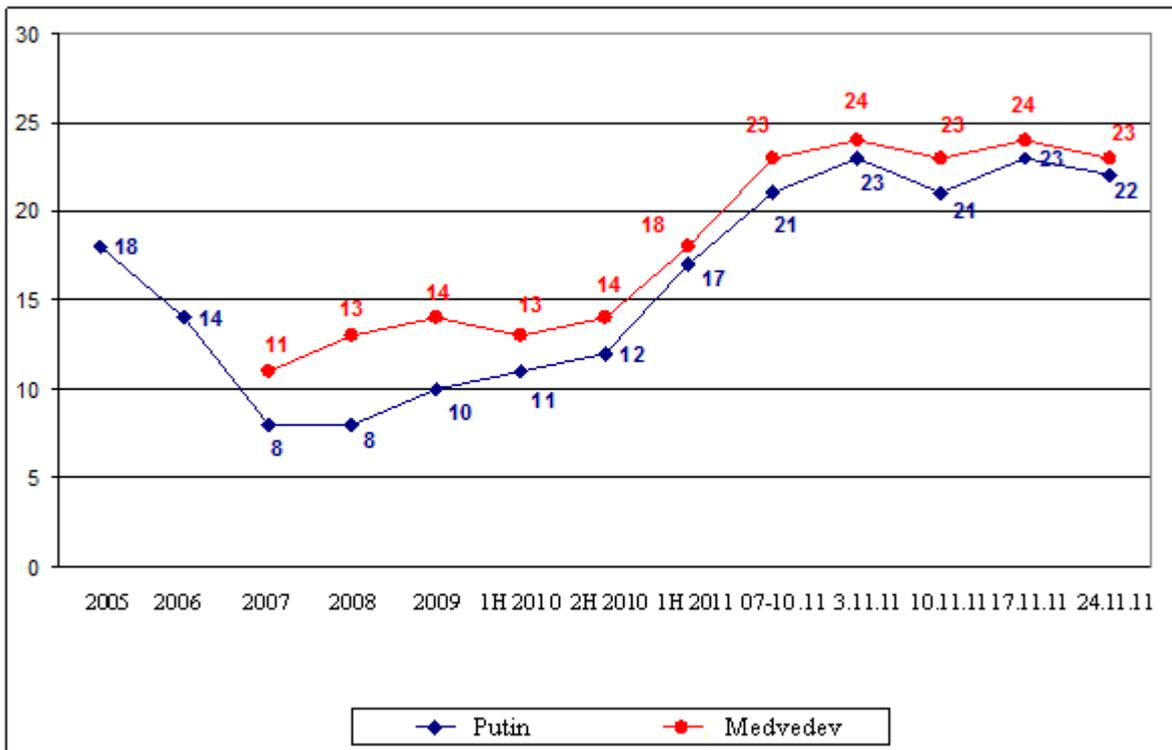


Figure 1.7. No confidence ratings for Vladimir Putin and Dmitry Medvedev (Source: FOM)

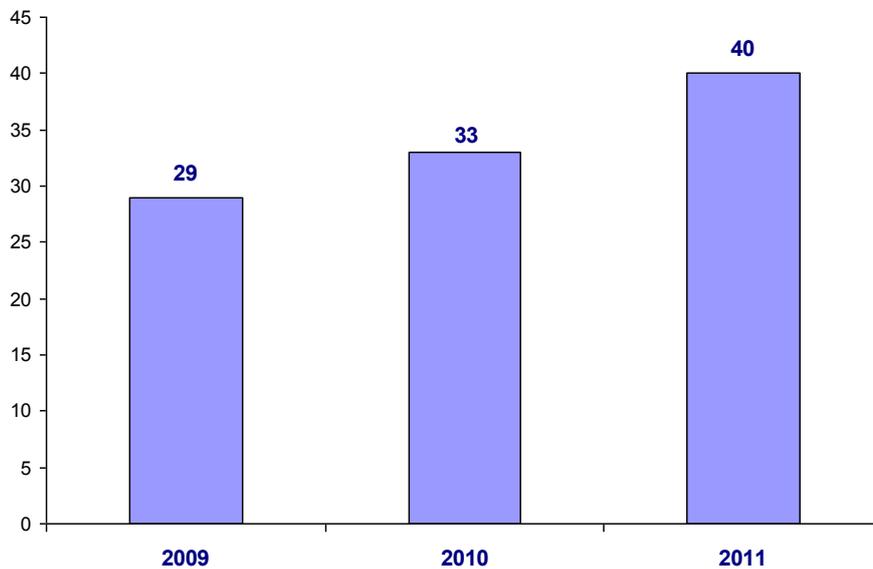


Figure 1.8. Proportion of Russians expressing discontent and readiness to participate in protest rallies, shown as % of those polled (Source: FOM)

Clearly, this process has been and will be further underpinned by the crisis of the tandem, the aging of personal political brands, exhaustion of official political rhetoric and irrelevance of the party manipulation system. Economic uncertainty is also contributing to social tensions.

Here, however, we want to draw attention to other important challenges for political *status quo*.

As we shall demonstrate in the second part of this report, by the end of the past decade two social poles had evolved with well established and, in many respects, incompatible values, behavioral patterns and political expectations. As a result, the once consolidated centrist electorate began to gravitate towards newly emerged opposition-minded political poles.

With growing social polarization, it is becoming increasingly difficult to reconcile conflicting interests within the non-competitive political setting.

The existing system of governance has failed to secure political representation for the emerging urban middle class. A considerable part of middle class voters driven by protest intentions is forced to vote for left-wing opposition parties, whose programs are not consistent with their fundamental economic interests.

In the left flank, voters with traditionalist value system are more likely to support the well-organized left-wing opposition, represented in the State Duma by the communists and A Just Russia.

Such behavior is typical for the pensioners who, despite the unprecedented rise in retirement benefits, are increasingly difficult to retain in the ranks of the ruling party's supporters. Even more so, United Russia's ratings are falling faster among retirees than among any other social group (*Figure 1.9*). Given the burden of unresolved long-term problems in the pension system and the lack of clear strategy to address them, such sentiments will increase. An electoral rebellion among pensioners is also likely. What form such a rebellion would take remains unclear, but mass protests, like those against the monetization of benefits in 2005, are quite possible. In 2005 Putin's confidence rating fell by six percent and returned to its original level only a year later, despite the government's attempts to shower money on retirees in order to mitigate social discontent.

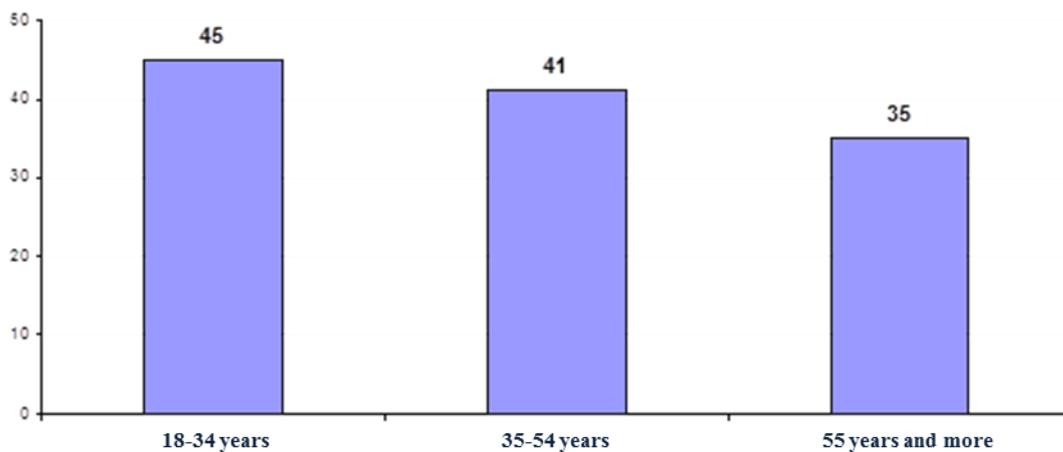


Figure 1.9. *United Russia's electoral rating by age. September 2011*
 Source: FOM



Figure 1.10. United Russia's electoral rating among the 55+ age group, shown as % of the number of groups (source: FOM)

In view of their mass character, uniform values and political views, both social poles are distinguished from the rest of the passive “centrist” population by increased consolidation and protest potential. This allows opposition forces to gain access to the best political assets that are easier to mobilize in parliamentary and non-parliamentary political struggle. It also means that social support for the government is eroding not just in quantitative, but also in qualitative terms. Thus far, the government can primarily rely upon the representatives of intermediate social groups distinguished by increased heterogeneity, ambivalence, unstable behavioral patterns and a limited potential for political mobilization. However massive, this political support is rather unreliable. Survey data presented in the second part of the report suggests that as political divide between the social poles deepens even further, a representatives of intermediate group may easily switch towards the opposition minded centers social poles that are stronger in conceptual, rhetorical and mobilizing terms.

Thus, growth potential for political opposition remains at both political poles, but their comparative advantages are asymmetric. Under the current circumstances this asymmetry serves to reinforce the combined power of political opposition.

Among the advantages of the traditionalist left-wing opposition electorate are the numerical superiority combined with high turnout at the elections and effective party representation. Even if challenged by massive voter fraud favoring the ruling party, the left-wing opposition would secure considerable representation in parliament and exert significant influence through the formal electoral process. This influence is what the authorities always take very seriously.

Conversely, the potential for non-systemic and protest influence on the left flank is limited. The left-wing electorate is relatively weakly represented in the mass media and in the Internet, and is dispersed outside major urban areas.

The urban middle class is smaller in numbers, its turnout rate is low, and it lacks effective party representation. Therefore, its formal electoral weight is much less significant, even if it were adequately represented in the Duma. But given the absence of formal political representation, the urban middle class is naturally pushed towards informal protest activity where it can leverage its key strengths. The vast potential for informal political influence offsets the limited electoral weight of the middle class. This is why it poses a much more serious threat to the government as a non-systemic protest force. The middle class is concentrated in the largest cities, provides most of the media content, dominates the Internet, enjoys considerable social capital and demonstrates impressive capacity for self-organization. Survey data demonstrates that, while political activity until very recently had been low, middle class propensity for non-political protests had been growing continuously since late 2000s. This potential for political protest represents a major challenge to the authorities.

The asymmetric nature of strengths and weaknesses of the left-wing and right-wing opposition electorates and their asymmetric political representation facilitates natural “specialization” and certain complementarity between the left-wing and right-wing opposition. Each of them accentuates “in a natural way” exactly those forms of political activity which reflect its relative strengths. This specialization reinforces the combined political influence of the opposition and further shatters the “vertical of power”. At the same time, the asymmetry of political influence of the two poles creates preconditions for future political stalemates that we shall briefly review in the second and third parts of this report.

1.6. The Role of the Passive Majority in Accelerating Political Change

The development of two sizable and distinct poles among the electorate composed of the right-wing and left-wing opposition is partially camouflaged by the fact that both poles exhibit a similar level of distrust to the existing political system and both demonstrate readiness to vote for the left-wing opposition parties.

This situation is unlikely to be sustainable for long. The two poles are expected to diverge over time in line with their distinctive social, political and economic interests. But thus far, the consolidation of the most motivated opposition electorate on the common ground of opposing the government leads to different consequences. This consolidation facilitated and accelerated the development of a “critical mass” of the populace discontented with the authorities. This, in turn, triggers the “voter swing” mechanism described by a German political scientist Elisabeth Noelle-Neumann.²

According to Noelle-Neumann, when an individual holds an opinion that is not shared by the majority, he is less likely to express personal views fearing social isolation or blame. At the subconscious level, individuals carefully observe those

² Noelle-Neumann, Elisabeth. *The spiral of silence. A theory of public opinion – Our social skin*, Chicago: University of Chicago Press, 1993.

around them, trying to identify dominant opinions. If the individual finds that the opinion he shares is less widespread or subject to denunciation, he is more likely to accept the opinion of the majority.

This mechanism suggests that the original formation of the “critical mass” of those discontented with the government usually goes slowly, since the opponents have to overcome the “resistance of social environment”, in which the majority doesn’t share the opposition view. At this stage, only the most motivated individuals join the ranks of the opposition; this transition is not rapid as it requires willpower and is fraught with risk.

As the number of opponents rises, the social balance changes. An environment develops in which some members of society are ready to speak out and advance their opposition views, while others keep silent and may be inclined to change their views. Within this environment, motivation to align with the opposition is growing. On the one hand, large scale involvement of opposition supporters creates a feeling of relative collective security and decreases the personal damage this alignment could entail. On the other hand, broad approval of this behavior by the opponents of the government serves as a moral reward for disloyalty to the authorities. At the same time, social pressure on non-aligned in the form of collective disapproval by numerous opponents, rises considerably.

A typical example of the psychological efficacy of collective disapproval by government opponents is an Internet discussion of a rock star Andrei Makarevich’s performance at a United Russia mass meeting in Kemerovo. Later on Makarevich had to make excuses in his blog, while one of the most insulting comments paraphrased a popular line from his song “Don’t bow and scrape before the changing world... just bow and scrape before the authorities.”

At this phase, numerous conformist and undecided voters begin to align with the opposition. For them such transition is relatively easy because a time consuming personal build up of motivation is no longer required as a precondition for a switch. At this phase, easier transition to the opposition camp creates the “snowball effect” that is manifested by fast realignment of conformist majority and by transformation of the formerly dominant opinion into a minority view. This accelerated process could lead to a sudden and dramatic switch in political equilibrium.

At an early stage of the formation of the “critical mass,” it is only highly educated individuals or better-off people and representatives of some ideological groups who speak out against the dominant public opinion. But at the “snowball phase”, they become leaders of the new mass trends (opinion leaders) attracting the passive majority to their side and transforming the society’s political mood.

The critical mass of opposition minded citizens in Russia has already been formed. The turn has come for conformists to switch the balance towards the new majority, and this process can evolve much faster than the initial formation of the critical mass. Now popular support for the government can rapidly swing towards protest. This process is not yet completed but is developing very quickly.

Opinion surveys indicate a rapid transformation in the political consciousness of Russian voters. According to Igor Bunin, in the second half of

2011 demand for political change began to prevail over the demand for stability (earlier this year, we observed a contrary situation). By mid autumn, 88 percent of respondents supported the idea of transition to more open and accountable political system.

Protest intentions are expected to be further radicalized first by the parliamentary and then by the presidential elections. Fraudulent elections can become catalysts of the shift towards opposition, leading to explosive radicalization in public sentiment. Political ideas that seemed too radical prior to such event would soon afterwards appear overly moderate or even commonplace in the eyes of pro-opposition majority.

The response of the authorities to the accelerated change will most likely fall behind the events. The increasingly passive and inadequate reaction of the government may itself contribute to acceleration of the political crisis. Intense election campaigns organized by the government and negatively perceived by the population will contribute to the growth of the anti-electorate rather than expand the ranks of the government supporters. In the language of advertising, the exposure value of official political messages has become negative and intensification of propaganda only amplifies this negative effect. Something of this kind happened before the very end of the Soviet era: obsolete rhetoric combined with intensive propaganda contributed to almost sudden collapse the Soviet system.

Rapid growth of political opposition will increase the probability of a split within the ruling elite. As happened to Boris Yeltsin shortly before the end of perestroika, a renegade high ranking official could rapidly gain political capital as an alternative leader. The first symptoms of this trend have already been manifested in the resignation of the finance minister Alexei Kudrin and the transition of spin doctor Gleb Pavlovsky to the opposition camp.

Over time the shift of the population towards the opposition will slow down again. This will happen as the potential for transition to opposition by undecided and conformist individuals exhausts itself. In theory, by that time the government will rely on motivated supporters who are less likely to change their views than the rest of the population.

However, the motivation of the ruling party's electorate is already relatively weak. As the survey data presented in this report indicates, many of the most motivated voters with stable value systems already belong to opposition minded social poles. The government has to rely upon support from unstable intermediate groups with much weaker values and conformist behavioral patterns. With time, such a fragile support base can drift away towards opposition gravity centers almost without a trace.

1.7. Economic Reasons for Growing Political Tensions

In our previous report, we pointed to the lack of clear sociological evidence that declining confidence in the authorities was triggered by the economic crisis.

But recently some of such evidence has become available. According to polls conducted by the European Bank for Reconstruction and Development (EBRD) in 2006 and 2010 in 30 emerging market economies and 5 advanced economies in Europe and Central Asia, the global financial and economic crisis in most of these countries turned populations against the existing political and economic systems. Importantly, the new EU member states that were far ahead in carrying out market reforms and building democratic institutions demonstrated worsening attitudes toward market and democracy³. In contrast, the former Soviet republics, with underdeveloped market systems and non-competitive political institutions, have shown increasing demand for free markets and democracy.

Unlike most other countries in the CIS region, in Russia in 2010 no significant changes of attitudes towards market or democracy were observed by comparison to pre-crisis period. These findings are consistent with some other sociological data from 2010 which was considered in the first CSR report.

However, in 2011 the first signs of changing attitudes appeared in Russia as well. Recent FOM surveys reveal that a number of Russians who prefer Western and/or Soviet economic models over the contemporary Russian economic system is growing rapidly (*Figure 1.11*). The data presented here demonstrates not only negative attitudes toward “bureaucratic capitalism” in Russia, but also continuing social polarization.

EBRD survey findings also confirm that the world economic crisis has strongly affected both social poles. According to survey data, reduced consumption in Western Europe was mainly due to reduced consumption of luxury goods, while in other countries sharp decline was reported not only for luxury goods, but for staple foods as well (the reduction was nearly four times larger than in Western Europe). In Russia, both the reduced consumption of staple foods and of luxury goods affected about one-third of households each. It appears that lower-income groups and the urban middle-class alike were forced to reduce consumption, resulting in their growing disillusionment with the existing economic and political system.

External factors may also serve as an impetus for political change. A deep economic crisis in Belarus has already led to weakening President Lukashenko’s position and a loss of public support. If the crisis in Belarus evolves into political breakdown and ends up with Lukashenko’s downfall, it could lead to further radicalization of public opinion in Russia, increasing the possibility of open political confrontation between the authorities and the mass opposition groups.

³ <http://www.ebrd.com/downloads/research/surveys/LITS2ec.pdf>



Figure 1.11. Comparative assessments of fairness of Russian, Western and Soviet societies

Source: FOM

Recent economic decisions by the government could also enhance political tensions. At President Medvedev's initiative, Russia plans a huge increase in defense spending from 2012. The political rationale behind this measure raises serious doubts. Vast majority of the population does not demand a large-scale increase in military spending. Conversely, focus groups express strong concerns regarding such move, in particular, with regard to corruption involved in defense procurement. The public attitudes towards the increase in military spending are in stark contrast to pension increases – such demands are overwhelmingly supported by the population. Only approximately 1% of the population would directly benefit from increased defense spending, whereas pensions directly affect almost a quarter of all population. Additional funds allocated annually for a hike in defense spending would be compatible with the amount of additional annual pension spending during 2010-2011 (about 2 billion rubles per year or nearly 4% of GDP). As in the case of an increase in pensions, higher defense spending would require tax increases (for example, increasing the VAT rate to the highest level in Europe). This move, no doubt, would cause strong resistance from both business and the general public.

There is a widespread opinion that by increasing defense spending, the authorities are consolidating their position in the face of a growing political crisis.

However, the armed forces in Russia can not be effectively employed against peaceful protesters. The last attempt to do so was made during the 1991 communist coup and ended in spectacular failure.

This is the case of a very costly decision, economically disruptive and fraught with political risk. It illustrates that the economy no longer plays a role of deterrent and neutralizer of political conflicts, as it used to be during most of 2000s. Moreover, there are new signs that economic factors contribute to political tensions and provoke new conflicts.

Key Conclusions

Current political situation is characterized by rapid aging and the declining effectiveness of traditional mechanisms of political control which until recently contributed to relatively smooth functioning of non-competitive political system.

The weakening of the ruling tandem by the reshuffle, the aging of political brands, obsolete rhetoric and failures in party manipulation are determined, in many respects, by the internal logic of Russia's political evolution which makes some of these changes irreversible. The opposition has competitive advantages in generating new political rhetoric and brands. As a result, the non-competitive political system is losing capacity for self-development at a time when the structural changes in Russian society create pressures for political transformation.

The weakening of the system is manifested not only in declining ratings and mounting protests. The system is also challenged by social polarization that would make increasingly difficult the task of balancing the interests within the non-competitive political model. Political opposition is gaining strength from the most consolidated groups representing the social poles. In today's political realities asymmetry of strengths of the two opposition poles becomes complimentary and reinforces combined potential of the political opposition.

The authorities have to increasingly rely on support from the intermediate social groups which lack homogeneity, consistent aspirations and established behavioral norms typical to social poles. This political base is unreliable because with time intermediate groups will gravitate towards opposition minded social poles. As a result, in the near term the process of political transformation in Russia could pass through three different stages.

The first stage involves the development of a critical mass of the opposition members representing mainly the two emerging social poles and their consolidation on a platform of political change. However paradoxical it may seem at first glance, many representatives of the urban middle class are set to vote in the parliamentary elections for the leftist opposition parties since they view this as the most effective way of political protest.

The second stage could involve rapid weakening of the authorities due to massive switch to opposition of the passive electoral majority representing intermediate social groups. At this stage, slow and irrelevant response by the authorities combined with the catalyzing impact of parliamentary and presidential elections could further radicalize the society. The consequences of the economic

crisis and ill-considered economic policy would lead to a further rise in public discontent accompanied by demand for political and economic change.

At the third stage, which will be analyzed more closely in the second part of this report, we expect the political opposition to diverge towards opposing ideological poles. At this stage asymmetric strengths and weaknesses of the two political poles could create systemic disruptions and dysfunctionalities in the competitive political process.

And finally, as we shall demonstrate in the third part of the report, the end of the current decade could see the convergence of the main political forces towards a centrist agenda reflecting mainly the interests of the then dominant urban middle classes. Such convergence will create the prerequisites for sustainable and well-functioning functioning democracy.

PART 2. SOCIAL POLARIZATION IN THE MEDIUM AND LONG-TERM

2.1. Russian Middle Class in 1990-2000

The rise of the middle class in Russia began in the 1970s. Its emergence contributed to the breakdown of the communist system that had been established in a completely different era, in a country with a predominantly rural population.

In the first post-Soviet decade (1990s), the Russian middle class experienced dark times, shrinking considerably in size and relying on the paternalistic state for survival. But in the first decade of the 21st century, the middle class began to expand again due to rapid economic growth.

The birth of the mass middle class dates back to Soviet times, between 1970 and 1990, when the foundations for consumer society were laid. One of the indicators of this process is the number of automobiles. Between 1970 and 1990 the number of vehicles grew tenfold – much faster than over the next two decades. (*Figure 2.1.*) The rate of possession of home appliances and other durable goods also grew at a rapid pace (*Figure 2.2.*). In combination with the spread of higher education, the rise in consumption created preconditions for the development of the influential middle class, which in terms of its social and property characteristics gradually converged with the Western European middle class of the 1950s – 1960s.

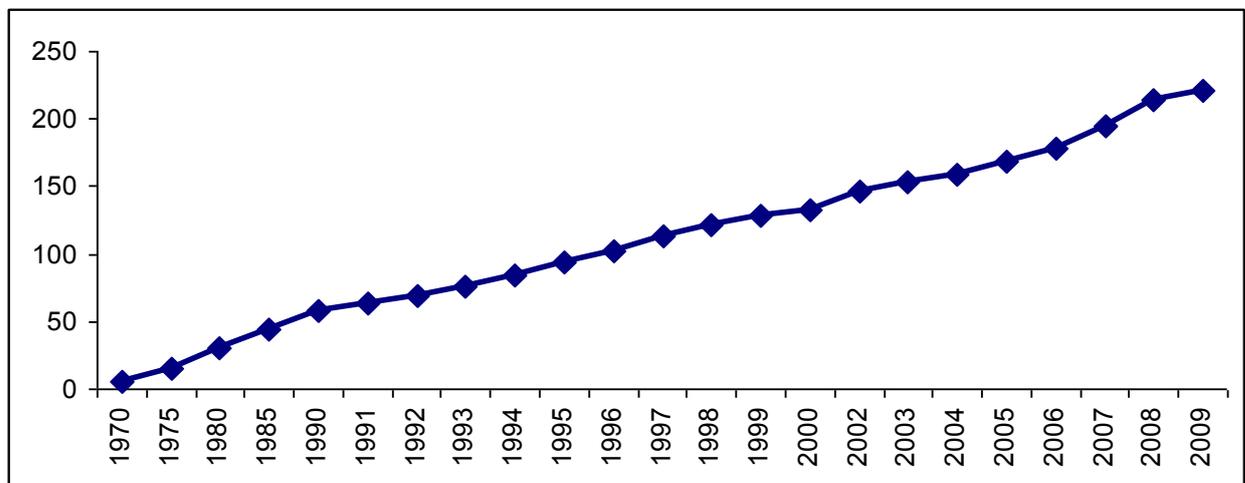


Figure 2.1. Ownership of private automobiles per 1000 persons in the Russian Federation regions (by year-end, pcs.)

Source: *Russian Statistical Yearbook: Statistics Digest*. Goskomstat Rossii, Moscow, 2001

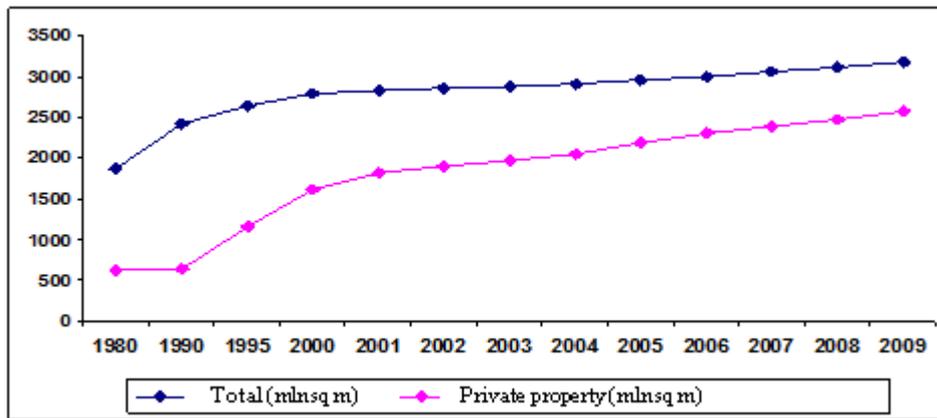


Figure 2.2. Housing stock

Source: Russian Statistical Yearbook. 2010. Statistics Digest. Rosstat.

Moscow, 2010

There are grounds to believe that the new Soviet middle class played a significant role in the perestroika process and in the downfall of the communist regime. The cradle of many new political leaders, it created a demand for a new vector of development realized in the course of the political and market reforms of the early 1990s.

But the deep crisis of the 1990s struck a serious blow to the middle class and weakened its social influence. According to Natalya Tikhonova's estimates (here and below we quote her 2009 monograph referred to in the introduction), the middle class of the mid-90s was formed by the core of the Soviet middle class. The position of the Russian middle class was significantly affected by the deteriorating condition of state-run economic sectors and high-tech industries, including engineering and the military-industrial complex. Other "proximity" social groups with characteristics similar to the middle class also saw their numbers decline.

The drop in real earnings in 1992 compared to 1990 was so deep that real income had not returned to the initial level even at the outbreak of the 1998/1999 crisis. A decline in consumption was also observed, although to a lesser degree than the decline in GDP and real earnings.⁴ The quality of the middle class was very low: it comprised employees of government-run organizations with low and falling wages and depreciating assets, the representatives of new forms of business, including trade and criminal business, with relatively high but unstable earnings. This composition strongly differed from the traditional middle class in developed countries. Middle class consumption patterns in the 1990s were characterized by a number of specific features. The lack of super/hypermarkets and distribution networks forced the middle class to buy food and clothes in retail markets and in street kiosks.⁵ The lack of affordable chain restaurants and the need to save against

⁴ See, for example: Uroven i obraz zhizni naselenia Rossii v 1989–2009 godakh: doklad k XII Mezhdunarodnoi nauchnoi konferentsii po problemam razvitiia ekonomiki i obshchestva. Moskva 5-7 aprelya 2011 g. / G.V.Andrushak, A.Ya.Burdyak, V.E.Gimpelson i dr. rul. Avt. Koll. E.G.Yasin; Nats. Issled. Universitet Vyshaya shkola ekonomiki. M. Izdatelskiy dom Vyshei shkoly ekonomiki, 2011.

⁵ См., Unlocking Economic Growth in Russia. McKinsey Global Institute. 1999.

a backdrop of low and slowly rising wages was the reason for low coffee-shop and restaurant attendance: as early as 2000 the middle class spent only 2 percent of consumer expenditures on food outside the home, according to Rosstat estimates. Undeveloped service industries (financial, housing, travel, entertainment etc.) and a lack of Internet-shopping were the underlying reasons for relatively high prices and lower consumption of services by the middle class.

Empirical studies concerning the Russian middle class are not numerous.

Elena Avraamova from the Institute for Social and Economic Problems of the Population of the Russian Academy of Sciences), used the following criteria to define the middle class: economic security, professional capacity, adaptability, and access to and use of technology, political involvement, lifestyle and self-identification. According to her estimates, in 1998 12.5 percent of families in Russia could be members of the middle class based on these criteria.⁶ In her later studies conducted in the second half of last decade, Avraamova refers to the middle class as every fourth family in Russia.⁷

According to Lyudmila Belyaeva's estimates, in 1998 9.4 percent of the Russian population could have been identified as middle class by criteria such as self-identification, economic security and education (higher/secondary).⁸

The Middle Classes in Russia: Economic and Social Strategies (edit. Tatyana Maleva)⁹ used the following criteria to define the middle class:

- Economic security, including current income, savings, movable and real properties, farming assets; 21.2 percent of households qualified
- The socio-professional criterion (higher education, regular employment, non-physical labor, managerial positions including small-sized entrepreneurs and excluding executives of middle-sized and large companies); 21.9 percent of respondents qualified
- The self-identification criterion – average for different scales of social identification for households and individuals; 39.5 percent of households qualified

In 2000, 20% of the population was referred to as middle class by matching at least two criteria, with 6.9% matching all three criteria.

Research employing similar methods was repeated in 2007 using a different sample. The study defined as middle class 20 percent of the population by matching at least two criteria (4.6 percent by three criteria), with the number of those defined as middle class based on material security having risen (up to 26%) and those defined by self-identification decreased (down to 30 percent).¹⁰

⁶ Avraamova, E.M. Formirovanie srednego klassa v Rossii: opredelenie, metodologiya, kolichesvennyye otsenki. In: Obshchestvennyye nauki i sovremennost. 2002, No. 1.

⁷ Avraamova, E.M. Sredniy klass epokhi Putina. In: Obshchestvennyye nauki i sovremennost. 2008, No. 1.

⁸ Belyaeva, L.A. V poiskakh srednego klassa v Rossii. In: Sotsiologicheskie issledovaniya. 1999, No. 7.

⁹ Avraamova, E.M. et al. Srednie klassy v Rossii: ekonomicheskie i sotsialnye strategii. T. Maleva (editor).; Moscow Carnegie Center. M. Gendalf, 2003. In 2008, within the framework of this research, an opinion survey was conducted that included 5000 households in 12 regions. The research was carried out based on the methodology representing the Russian Federation population at large.

¹⁰ Maleva, T.M., Ovcharova, L.N. et al. Rossiyskie srednie klassy nakanune i na pike ekonomicheskogo rosta. M., Ekon-Inform, 2008.

A study on the middle class by Leonid Grigoryev¹¹ presents an analytical survey of literature on this issue, and considerations on establishing criteria for assessing the middle class, its size, structure, financial behavior and a number of hypotheses for further study. The works by Leonid Grigoryev and Tatyana Maleva estimated the middle class to be approximately 20 percent of the population in 2000.

The Middle Class: Theory and Reality by Natalya Tikhonova and Svetlana Mareeva was published in 2009¹². This work is particularly interesting as, unlike other studies, it not only determined criteria to define the middle class (availability of at least a secondary education, socio-professional status, income and assets ownership, as well as self-assessment of social status) and estimated its size (26 percent of the Russian population in 2009), but also identified values of various social strata, including those of the lower classes. The study also identified groups of modernists¹³ and traditionalists¹⁴ (each having its own core and periphery) and demonstrated socio-economic characteristics of the groups sharing similar values. ***The study reveals that modernists mostly belong to the middle class, while traditionalists tend to relate to other groups.*** These assessments, including the estimations of size and value systems of the middle class, have been used in our report.

A joint study by the Center for Strategic Research and the Russian Presidential Academy of National Economy and Public Administration, conducted in 2010, defined 29 percent of the population as middle class based on the criteria of the income sufficient to buy a standard apartment with a mortgage loan for better-off individuals, or owning a second apartment or room for lower-income citizens.¹⁵

Thus, studies employing different approaches to define the middle class found that by the end of the first decade of the 21st century, the Russian middle class accounted for 20 to 30 percent of the population.

¹¹ Grigoryev, L.N. Vnutrennie protivorechia formirovaniya srednego klassa v Rossii. In: Diskussia o srednem klasse. M., INSOR, Nauchnaya kniga, 2008; Grigoryev, L.N. Interesy i problemy vo vremya mirovogo krizisa: otvetstvennost elit, ponimanie srednego klassa i terpenit bednyakov. In: Ekonomika perekhodnykh protsessov. Vol. 2. Chapt. 3.11; Grigoryev L., Salmina, A. Struktura srednego klassa v Rossii: gipotezy i predvaritelny analiz. In: Rossiyskii sredniy klass: analiz struktury i finansovogo povedeniya. M., INSOR, Ekon-Inform, 2009; Grigoryev L., Salmina, A. Struktura srednego klassa v Rossii: predvaritelny analiz dlya budushchikh isslenovaniy. In: SPERO. Sotsialnaya politika: ekspertiza, rekomendatsii, obzory. 2010. No 12; Grigoryev, L.M. Elity i sredniy klass. In: SPERO. Sotsialnaya politika: ekspertiza, rekomendatsii, obzory. 2010. No 13.

¹² M. AlfaM, 2009.

¹³ For definition of modernists, see p. 30.

¹⁴ For definition of traditionalists, see p.20.

¹⁵ Belanovsky, S.A., Dmitriev, M.E., Misikhina, S.G. Sredniy klass v rentoorientirovannoi ekonomike: pochemu Moskva prestala byt Rossiei? In: SPERO. Sotsialnaya politika: ekspertiza, rekomendatsii, obzory. 2010. No 13

2.2. The Development of a Bipolar Social Structure in the Second Half of the 2000s

The key result of accelerated economic development of Russia in the 2000s were structural changes in Russian society. Russian society entered the new millennium having had an almost unipolar structure in which the only dominant and electorally meaningful group were traditionalists with a relatively homogeneous value system and behavior patterns, represented mainly by a low-income population. With the exception of a highly secular mindset and norms of behavior, their value system was based on traditional attitudes, such as income-leveling, preference for stability over risk, the priority of collective over personal interests, lack of interest in personal achievement, low confidence in business, low demand for a rule of law, and dependency culture.

Other social groups, including the modernists represented in part by the middle class, were either outnumbered or poorly structured and heterogeneous and therefore had a lower electoral weight and limited social influence.

The unipolar social structure constrained the effectiveness of a multi-party system and parliamentary political competition. All parties were dependent on leftist populist voters. Such dependence resulted in convergence of the party system to the left flank and to the election of populist parliaments in the 1990s. The 1998 economic default revealed the enormous economic risks of such political disequilibrium and, effectively, put an end to the proliferation of this system.

The unipolar structure of Russian society facilitated transition to non-competitive political system. This transition was triggered by the default of 1998. It made possible to establish a broad political support base for the ruling party by appealing to the masses with a uniform message. The incorporation of other, diverse, outnumbered and politically marginalized social groups, into support base of the ruling party became easier owing to successful economic recovery. Very fast income growth diminished redistributive conflicts between social groups and offered win-win solutions. The number of losers was minimal, while the overwhelming majority improved their well-being either by earning income from economic activity or as a result of an active redistribution by the state.

But perhaps, the most significant outcome of successful economic development in the 2000s was the creation of very large, homogeneous and influential group of modernists, basically represented by the urban middle class, whose political weight by the end of the decade had been substantially inferior to its increased socio-economic influence. In the second half of the 2000s, the share of the middle class increased both within the core of the group of modernists and on its periphery. The 2008/2009 crisis saw the modernist cohort somewhat downsizing but also becoming more homogenous. Other classes were crowded out from modernists, leading to convergence of the modernist group with the core of the middle class. By the end of last decade the overwhelming majority of modernists belonged to the middle class. Since a number of characteristics of social and property status in Natalya Tikhonova's study apply only to the middle

class but not to modernists as a group, we shall use figures for the middle class as a rough proxy for modernists.

By the beginning of the 2000s, the Russian middle class had been weakened and constituted no more than 15 percent of the population while its political influence went down considerably by comparison to the late perestroika period. But by the end of the 2000s, the middle class had become one of the most numerous social groups due to rapid increase in living standards, higher educational level, changes in occupational patterns and other socio-economic developments. Now the middle class accounts for no less than 25 percent of the population, about one-third of the adult population, 40 percent of the employed population and nearly half of the employed residents of large cities (*Figure 2.3.*).

These findings were made by Natalya Tikhonova using based on the methodology described in the abovementioned publication. The criteria for referring the respondent to the middle class were:

- Assessment of socio-professional status – a criterion specifying the non-physical character of labor
- Assessment of human capital – a criterion requiring at least a secondary vocational education
- Assessment of economic status – a criterion specifying average monthly per capita incomes not lower than their median values for the given type of settlement or the number of durable goods, not lower than the median averages for the population at large
- Assessment of self-identification of status – a criterion specifying integral self-assessment by the individual in terms of his social position on a 9 or 10 point scale, with scores of 4 or higher

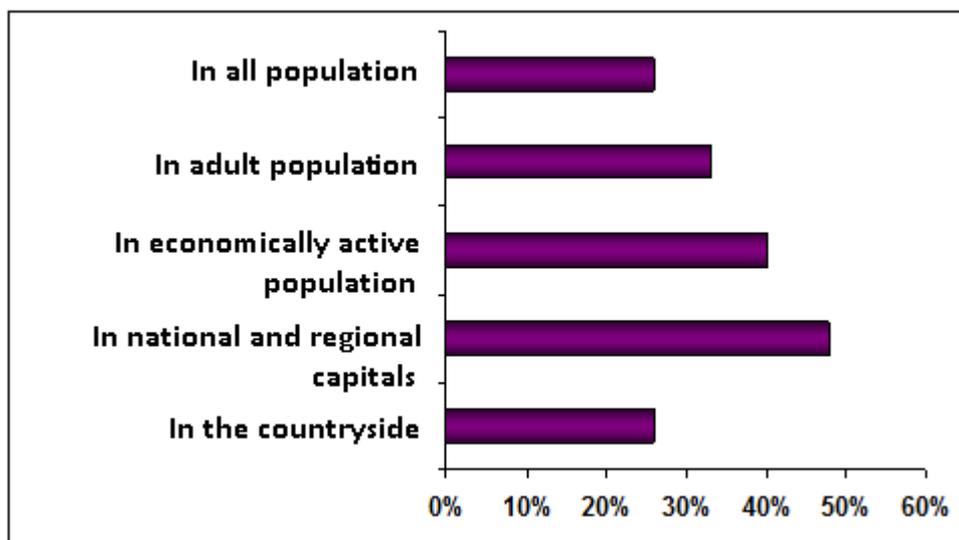


Figure 2.3. The Share of the Middle-class

Source: Natalya Tikhonova. *The Middle Class: Theory and Reality*. M. AlphaM., 2009.

The middle class of the late 2000s is in striking contrast to the middle class in the 1990s. The spread of chain restaurants has made it commonplace for people to eat in coffee shops and restaurants. Chain retailing and Internet shopping made it possible to improve access to quality consumer goods and to buy clothes, footwear and durables at acceptable prices. The development of consumer services infrastructure led consumers to spend more on services. For example, in the 2000s, according to Rosstat figures, the share of spending on leisure (vacation, entertainment events etc.) in the middle class consumer spending break down grew by a multiple of six. Consumption of the Russian middle class was rapidly converging with its peers in advanced economies.

Tikhonova's research makes it possible to take a closer look at some specific features of the social and property status of the middle class that distinguish it from other social groups.

In 2008, about 50 percent of the middle class was employed in the government sector, 19 percent in privatized firms, 21 percent in newly founded private firms, and 11 percent in cooperatives, public organizations etc. or were self-employed. In 2009, the share of those employed in the government sector dropped to 46 percent while the share of working in privatized businesses fell to 11 percent. In the newly founded private firms the figure rose to 23 percent.

^{Non-middle class} The middle class core is much better off than the majority of the population not only in terms of income but also in terms of car ownership (especially foreign models: by the end of the 2000s a gap between the number of cars per middle class household narrowed to approximately 50% of the U.S. figure), real estate (*Figure 2.4.*) and many types of durable goods (*Puc. 2.5.*). The middle class is significantly less restricted in spending money on current needs and is much more active in different types of saving behavior (*Figure 2.6.*). According to the findings of middle class focus groups, the basic types of long-term saving behavior include the acquisition of real estate (including real estate abroad) and – before the crisis – investment in securities, including those issued by foreign entities.

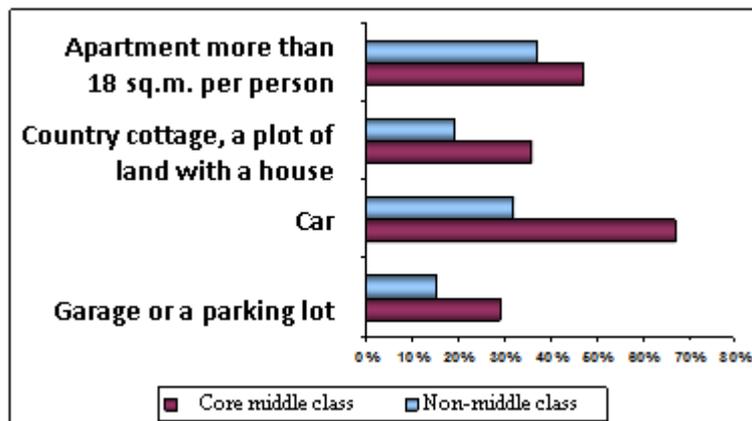


Figure 2.4. Types of property owned by different population groups (2008)

Source: Natalya Tikhonova. *The Middle Class: Theory and Reality*. M. AlphaM., 2009.

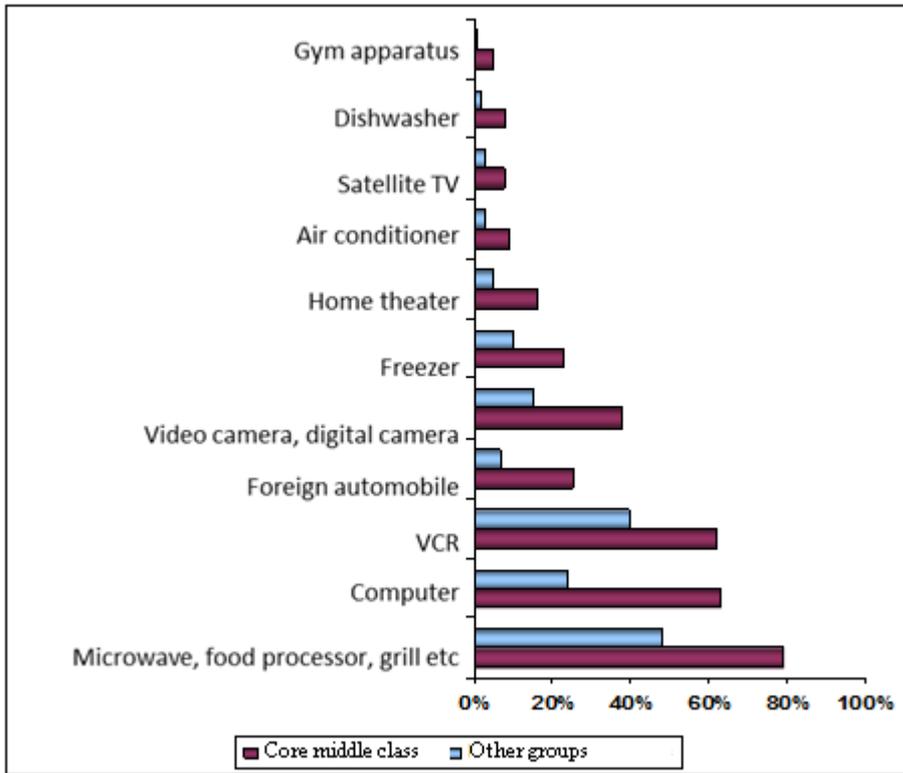


Figure 2.5. Durable goods ownership across different social groups (2008)
 Source: Natalya Tikhonova. *The Middle Class: Theory and Reality*. M. AlphaM., 2009.

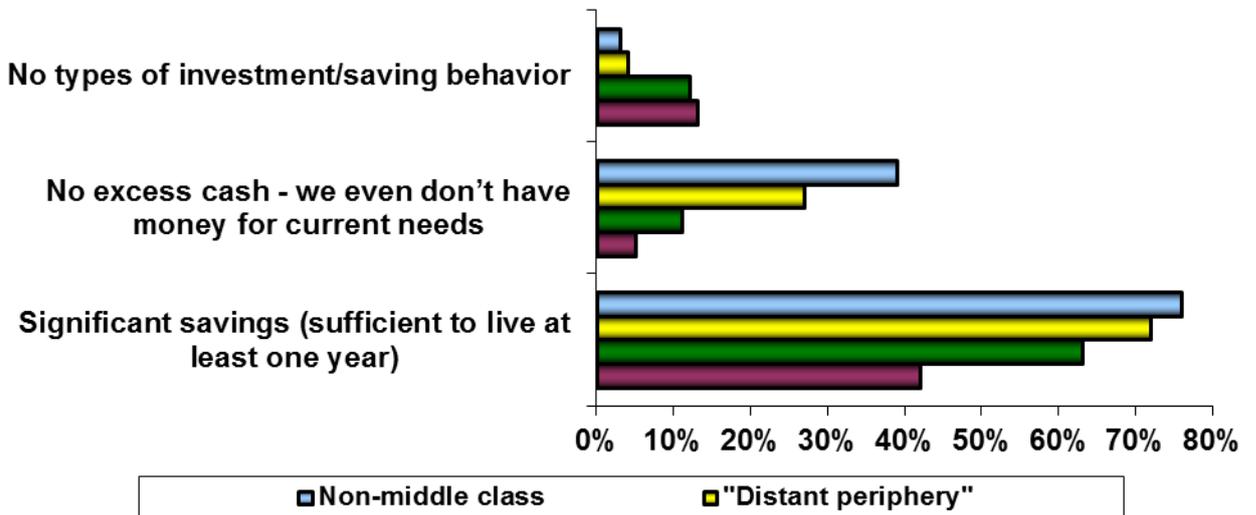


Figure 2.6. Assessment of financial situation across different population group
 Source: Natalya Tikhonova. *The Middle Class: Theory and Reality*. M. AlphaM., 2009.

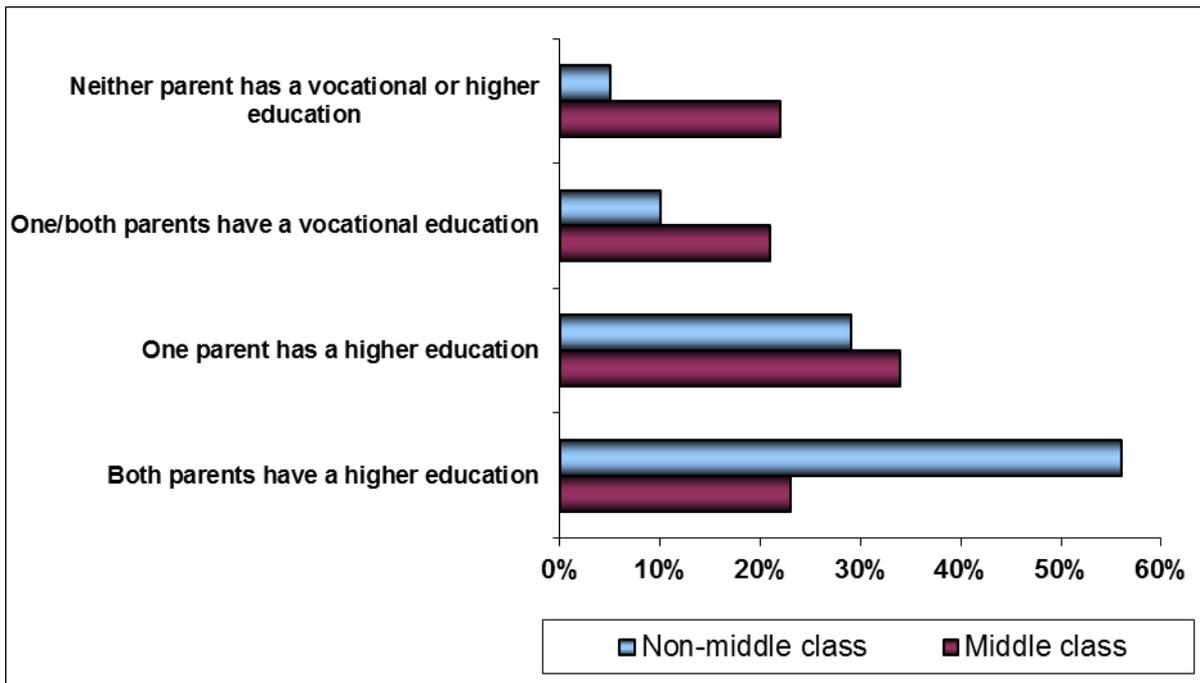


Figure 2.7. Parents' education

Source: Natalya Tikhonova. *The Middle Class: Theory and Reality*. M. AlphaM., 2009.

The middle class is not only better educated (education was counted as a qualifying criterion) but also originates from educated families (*Figure 2.7.*). Moreover, the middle class is more likely than other population groups to pursue self-study (*Figure 2.11.*).

The middle class is significantly superior to other classes in terms of social capital. Owing to this fact, a lower proportion of the middle class lacks any connections that can help in getting a better job, entering a good university, finding a good school for a child, accessing career opportunities, solving a housing problem or finding a good doctor or hospital (*Figure 2.8.*).

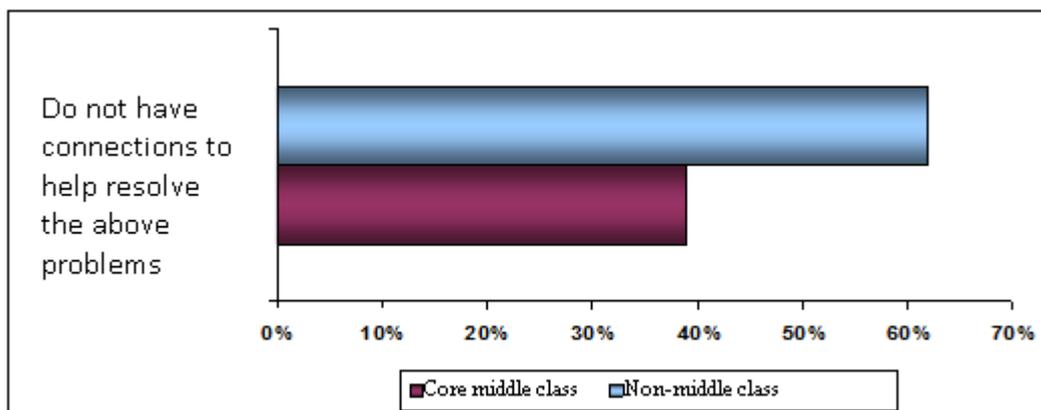


Figure 2.8. Using social connections

Source: Natalya Tikhonova. *The Middle Class: Theory and Reality*. M. AlphaM., 2009.

The middle class is more likely than other social groups to lead a healthy lifestyle (*Figure 2.9*) and use computers (*Figure 2.10*).

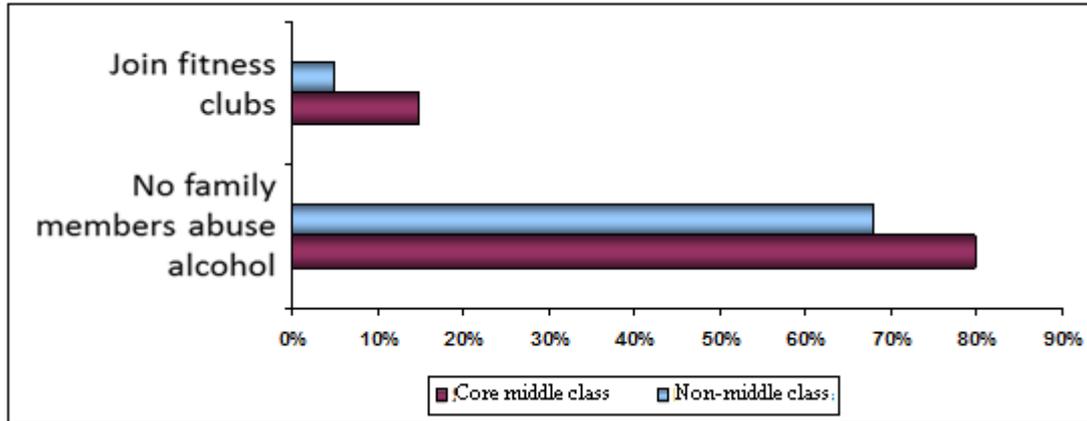


Fig. 2.9. A healthy lifestyle

Source: Natalya Tikhonova. *The Middle Class: Theory and Reality*. M. AlphaM., 2009.

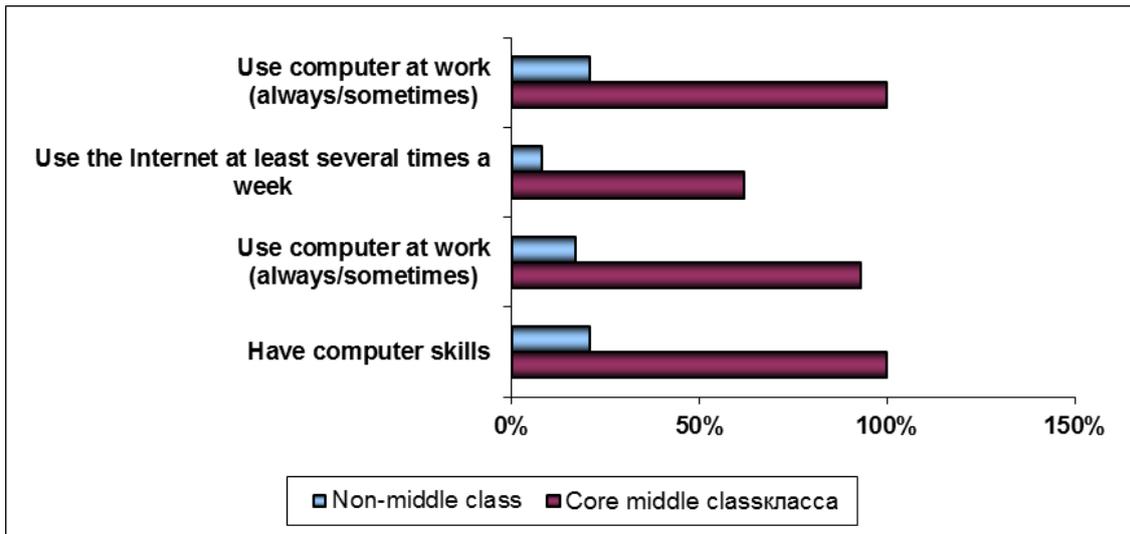


Figure 2.10. Computer use

Source: Natalya Tikhonova. *The Middle Class: Theory and Reality*. M. AlphaM., 2009.

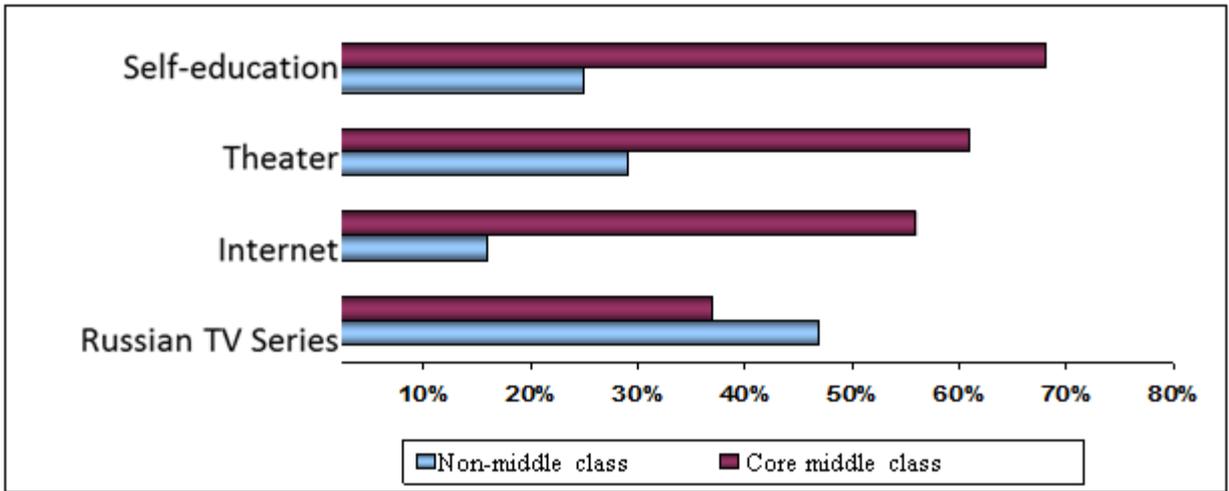


Figure 2.11. Cultural preferences
 Source: Natalya Tikhonova. *The Middle Class: Theory and Reality*. M. AlphaM., 2009.

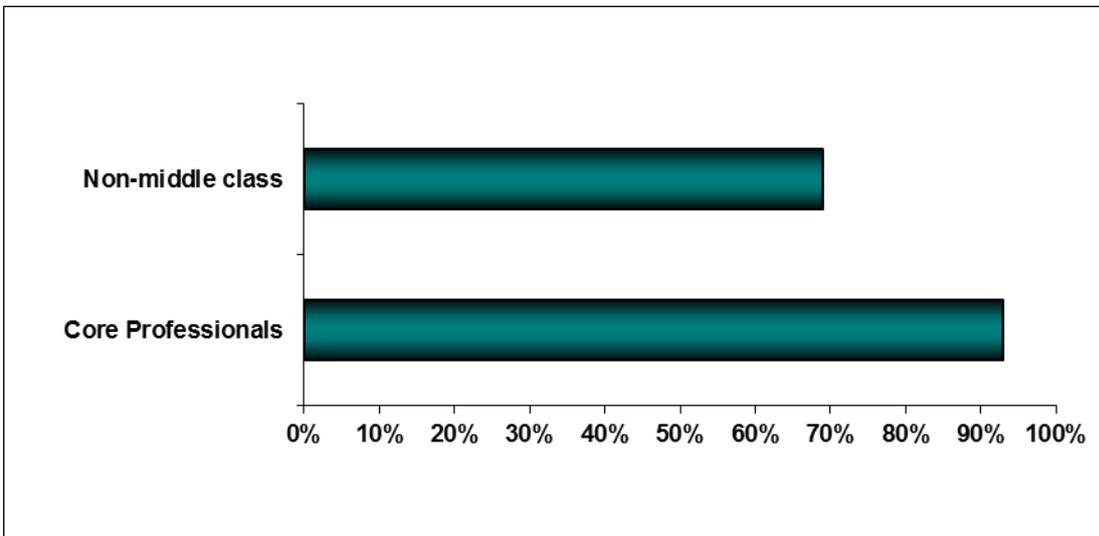


Figure 2.12. Middle class achievement motivations
 Source: Natalya Tikhonova. *The Middle Class: Theory and Reality*. M. AlphaM., 2009.

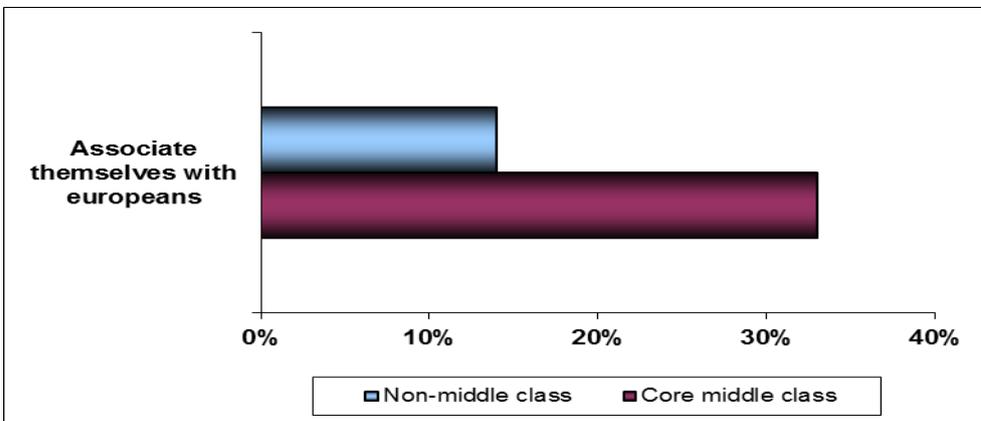


Figure 2.13: Orientation to European values
 Source: Natalya Tikhonova. *The Middle Class: Theory and Reality*. M. AlphaM., 2009.

The middle class is also noted for higher cultural preferences, and members of the middle class are more likely than other population groups to spend more time on self-study, the Internet and theater. Conversely, the middle class spends less time watching television (*Figure 2.11*).

The most significant political features of the middle class are manifested in values and motivational aspects. The middle class is characterized by an orientation toward personal achievement (*Figure 2.12.*) and adoption of European values (*Figure 2.13.*). The members of the Russian middle class are much more self-reliant, more engaged in intellectual work and want to stand out. Most oppose the re-distribution of property, income-leveling and favor the principle of equal opportunity. According to all of these characteristics they are in stark contrast to other population groups (*Figure 2.14*).

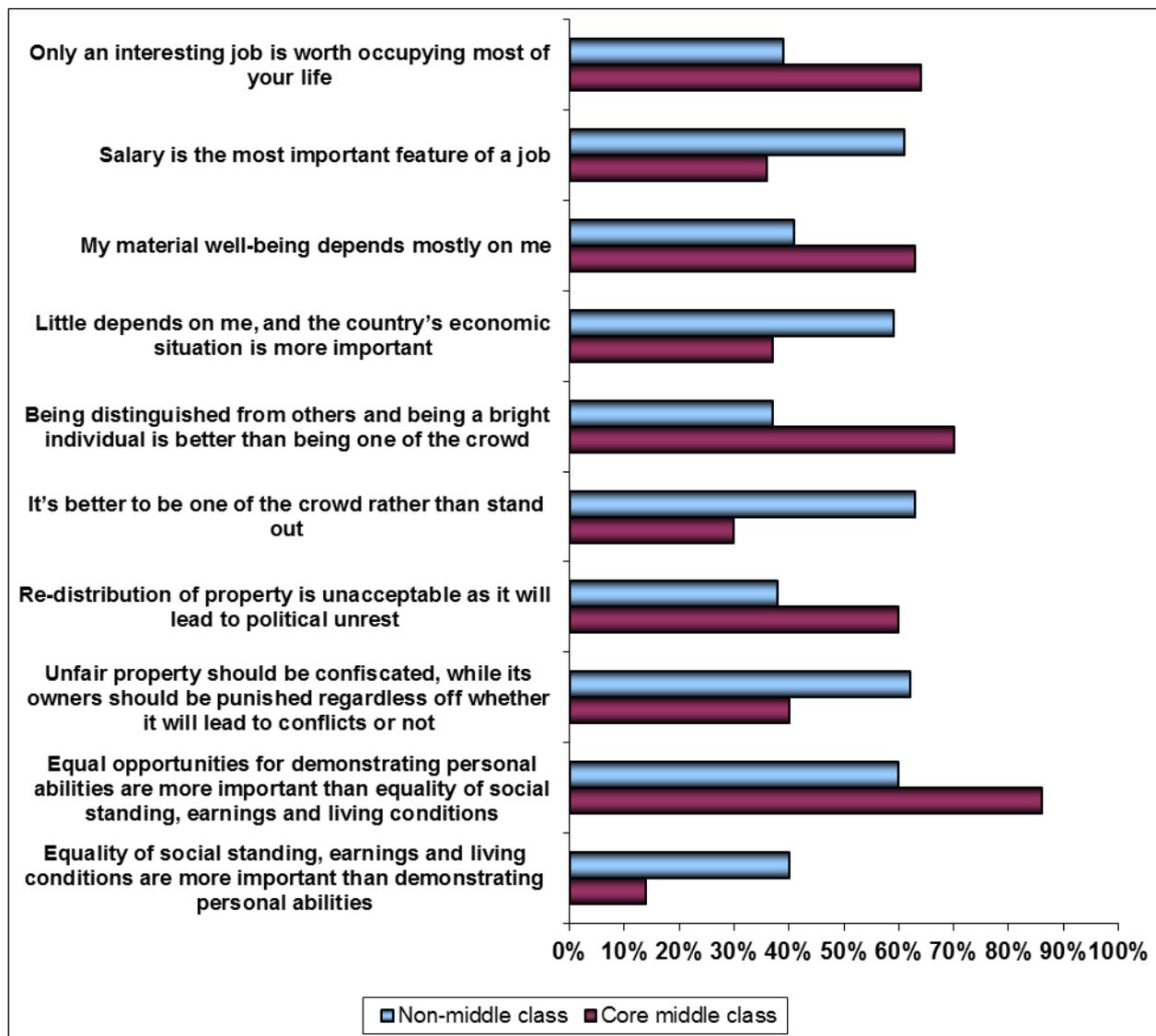


Figure 2.14: Values and motivations

Source: Natalya Tikhonova. *The Middle Class: Theory and Reality*. M. AlphaM., 2009.

The survey results find that middle class individuals tend to favor modernization and their behavioral patterns strongly differ from those of the rest of the population (*Figure 2.15*). The criteria include:

- An inclination for self-development, freedom and achievements
- Specifics of labor motivation
- A recognition of pluralism in the interests of individuals and social groups and a degree of tolerance for this pluralism
- Understanding democracy as a way to secure pluralism of interests
- Prevalence of rationally determined actions, primarily in the economic sphere
- A personal responsibility of the individual for his/her life and an internal locus of control
- The development of individualism and non-conformity
- The priority of individual interests in the “individual–society” dilemma and a growing awareness of the concept of human rights

Identifying the “modernist core” in the aggregate sample revealed that in 2008 nearly 50 percent of this group was represented by the middle class core, with the proportion of individuals not related to the middle class or its periphery accounting for less than 20 percent (*Figure 2.16*). Notably, the proportion of individuals not belonging to the middle class was twice as high in 2006. We tend to view this as the evidence of the growing structural convergence between the modernist pole and the middle class.

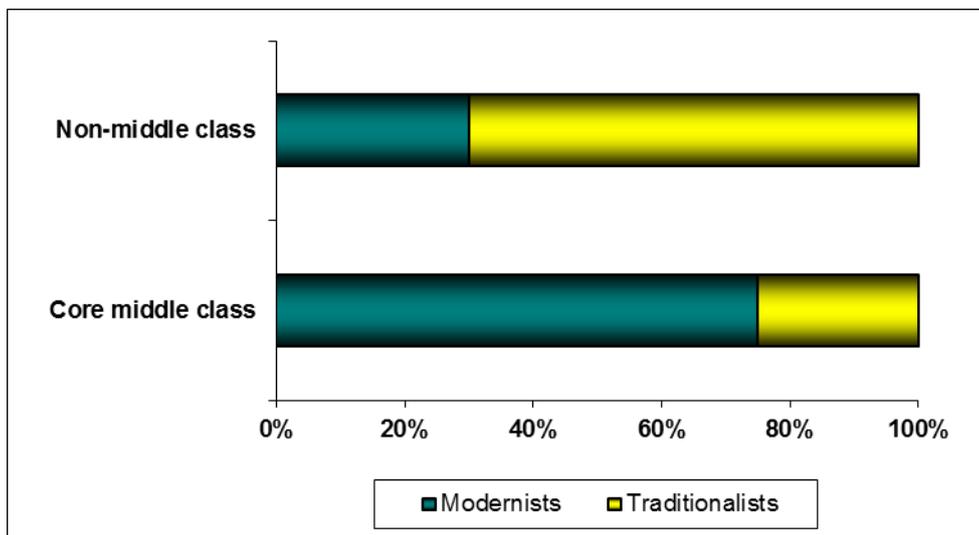


Figure 2.15. The level of positive orientation toward modernization and behavior patterns of the middle class

Source: Natalya Tikhonova. *The Middle Class: Theory and Reality*. M. AlphaM., 2009.

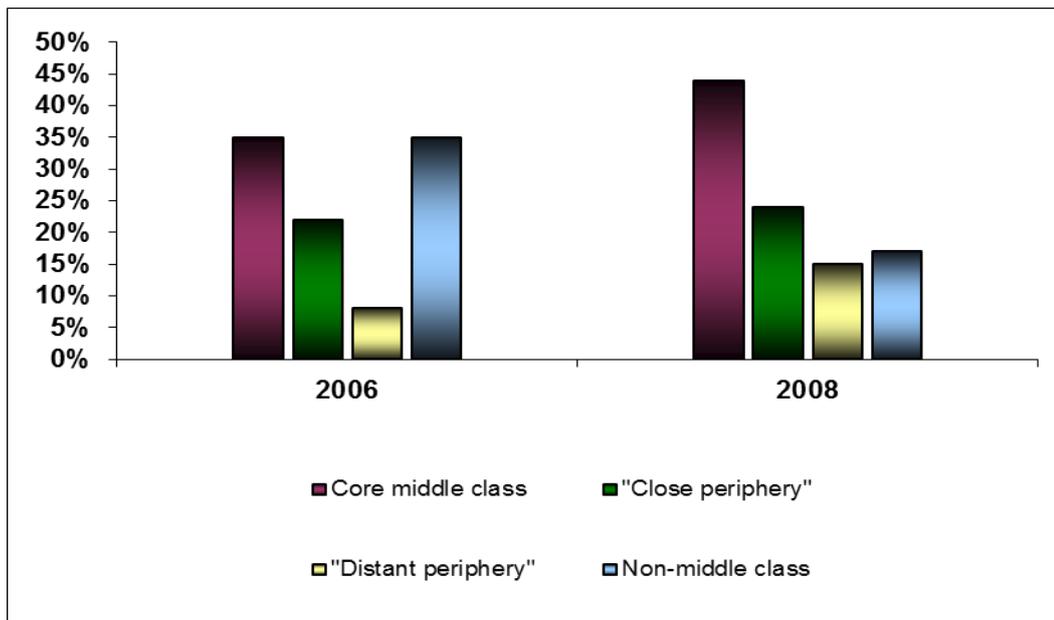


Figure 2.16. The modernist core

Source: Natalya Tikhonova. *The Middle Class: Theory and Reality*. M. AlphaM., 2009.

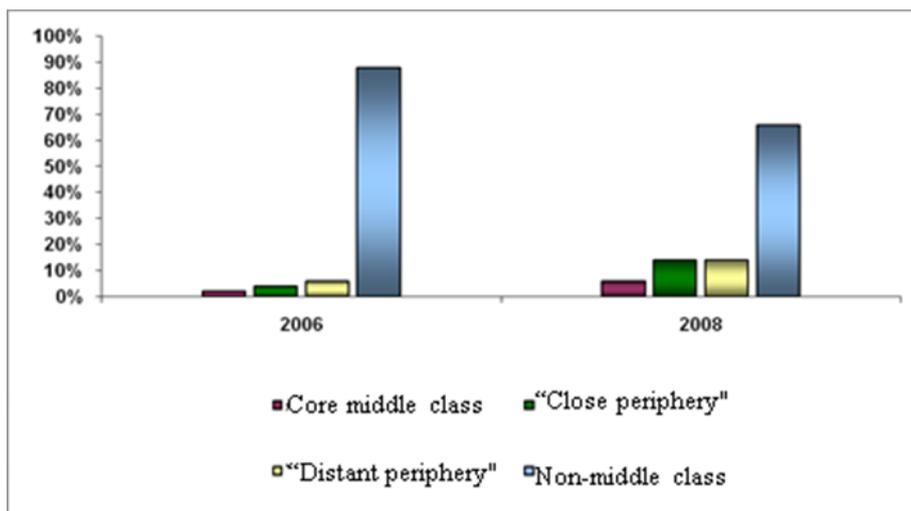


Figure 2.17. The traditionalist core

Source: Natalya Tikhonova. *The Middle Class: Theory and Reality*. M. AlphaM., 2009.

In contrast, the “traditionalist core” is largely represented by groups not related to the middle class, and particularly, to its core (*Figure 2.17*). This is the evidence of ongoing value and behavior divergence that is driving Russian society apart into the modernist and traditionalist poles. Both poles are characterized by homogeneous social attitudes and orientation to mutually exclusive values and motivations.

Income statistics and the findings from our focus groups conducted in large cities suggest that potential conflicts between the two poles assume not just an ideological but also a re-distributional character.

According to focus group findings, the middle class is distinguished by increased demand for a rule of law, libertarian views (extreme distrust of the state and an unwillingness to depend on it) and a pro-European orientation. Such attitudes are rare among other population groups.

Unlike other population groups, the middle class is not interested in state social transfers. For example, according to our estimates, the share of social benefits in the incomes of Muscovites, most of whom belong to the middle class core or its nearest periphery, accounted for less than 10 percent in 2008, and even fell to 6 percent in one of the previous years. The diagram in *Figure 2.18* demonstrates the plummeting share of social transfers in income for the upper decile groups, represented, to a great degree, by the middle class. According to Natalya Tikhonova's estimates, the middle class core plays the role of net donor in private transfers, receiving less aid from others, but more often providing it to other groups.

On the contrary, nationwide, over fifty percent of household incomes accounts for social transfers and wages (a considerable part of which is directly financed from the budget in the form of wages or indirectly – through subsidies, state orders and public investments). In Moscow, prior to the crisis, the average share of these sources was one-third lower. An increased demand for a state redistribution policy at the expense of an increased tax burden and loss of macro-economic stability is mostly expressed by the population groups not belonging to the middle class. This gives rise to persistent social conflicts. Given the large size of both social poles, such conflicts sooner or later will assume a political character and will be accompanied by ideological divisions of party and political structures.

Attempts to address the social polarization problem by reducing income inequality through higher social benefits and progressive taxes will not provide a solution since this problem is not confined to redistribution only. On the contrary, such a policy is likely to aggravate re-distributional conflicts between social poles and would easily assume a political character.

There are already examples of such conflicts. Among them was a 50 percent increase of pensions in real terms from 2008 to 2010. It was intended to attract more votes to United Russia in the parliamentary election, and to the ruling party nominee in the presidential vote. But the attempt to raise payroll taxes in order to cover additional spending was challenged by strong resistance from business community. For the first time in many years the government had to face small business demonstrations in the largest cities. Eventually, the authorities had to abolish initial plans to raise rates for small businesses, while pension growth slowed down in 2011. The political weight of a relatively outnumbered of small-sized businesses supported by other business groups was sufficient to neutralize the overwhelming electoral superiority of Russian pensioners.

Politically social polarization manifests itself by growing protest sentiments at the social poles. Propensity for protests is increasing faster than the government's ability to respond. Some signs of this polarization have been identified by opinion surveys.

As an indicator reflecting the political mood of society, we chose an indirect question about growth of public discontent with government policy. Responses to this question are less subject to distortion because it asks the respondent to voice “an expert” opinion – a position an individual regards as the least “threatening” for him or her. Conducting this research, we proceeded from an assumption that protest sentiments among the upper and lower social classes differ in nature, which affects the distribution of responses.

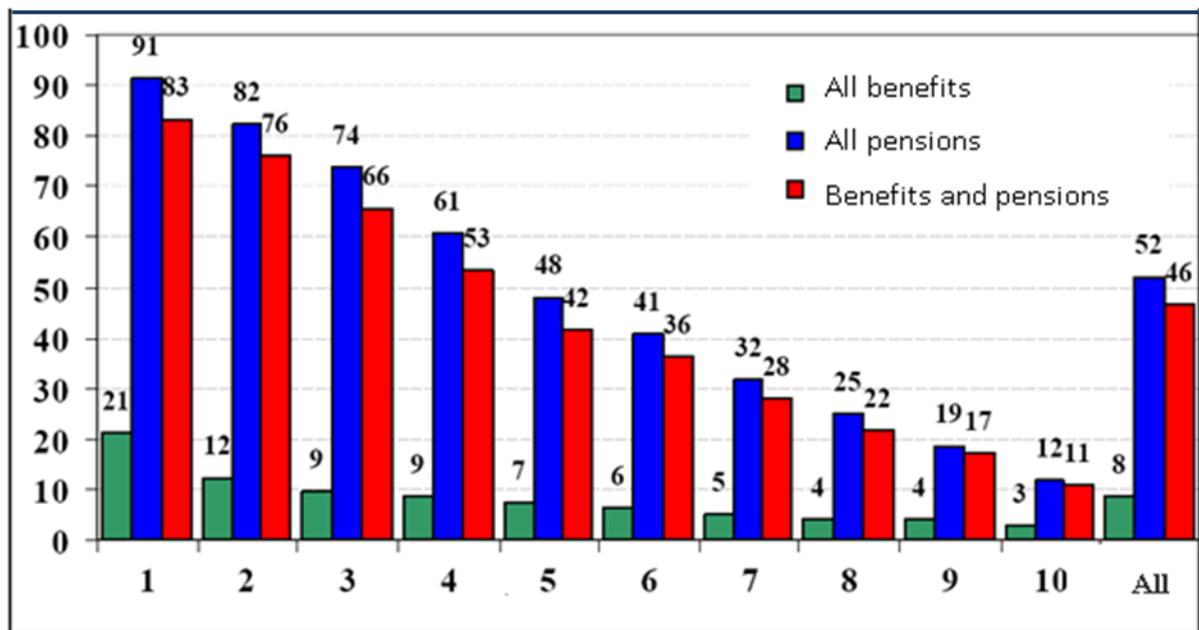


Figure 2.18. Share of social transfers in aggregate household incomes by income deciles.

Source: calculations made based on a nationwide opinion survey “The parents and the children, men and women in a family and society” 2007. M.A.Malkova. State social transfers. Conference “Family. Society. State.” Independent Institute for Social Policy. Dec. 17, 2009. http://www.socpol.ru/news/conf_17-12-2009.shtml

According to survey findings, in autumn 2010 34 percent of Russians (excluding Muscovites) said that public discontent with the authorities is mounting. Among lower income Russians, this view was held by 35 percent of those polled, while 32 percent of higher income Russians believed this is the case. The balance of opinion is 3%, within the margin of statistical error. The balance of opinion may be evidence of a weak negative correlation between income and perception of discontent, with lower income respondents more likely to say that public discontent is growing. Moscow exhibits a radically different picture: 46 percent of those surveyed believed that public discontent with the government is growing. Among lower income respondents, this view was held by 44% of those polled while the figure reaches 49% among higher income respondents, resulting in a

balance of opinion of 4% between the lower and middle classes. This demonstrates two trends.

First, Muscovites are considerably more likely than residents of other Russian regions (46 percent vs. 34 percent) to believe that public discontent in Russia is growing. The former figures coincide with plummeting ratings for Moscow Mayor Yury Luzhkov shortly before his ousting.

Second, higher-income Muscovites are significantly more prone to agree that discontent with the authorities is mounting. This small, though important, difference becomes even more meaningful given the fact that in other Russian regions the balance of opinion on this question is negative. While summing up the vectors in this case wouldn't be correct, there is an indication of the opposite trend totaling 7 percent, which is statistically significant.

If we break down indicators of public discontent, the results are even more striking. Gender has been proved to be a key determinant of the difference in perception of improving/worsening attitude toward the authorities. On a national scale, gender appears to have little impact on the perception of discontent – the higher the income level, the more widespread is the perception that public discontent is declining among both gender and age groups. This trend is particularly strong in the 35-54 age group. It is possible to conclude from the above that incomes (especially within the able-bodied population) in the Russian regions depend on people's connections to government officials, which increases their loyalty to the authorities

In Moscow, the picture is completely different. Female Muscovites demonstrate no deviation from the nationwide sample. The higher the income, the noticeably fewer respondents regard public discontent with the authorities as increasing, 42 percent down from 49 percent (delta = -7), with this trend observed across all age groups.

Male Muscovites demonstrate a completely different trend. The better off the respondents are, the more they tend to believe that public discontent with the government is growing, with this trend increasing depending on the level of income, from 40 percent up to 55 percent (delta = +15 percent). This trend is particularly strong in the 18-34 age group (delta = +24 percent) – for sociological research this value is very high. The figures indicate that discontent with the authorities among the lower and middle classes in Moscow has been proved to be correlated with gender: among women a higher level of protest is found among low-income groups, while among men the higher level of protest is found among higher income groups.

In absolute terms, it means that about half a million successful businessmen in Moscow believe that discontent with the government is mounting. Similar individuals can be certainly found in other large cities and among successful businesswomen, although the current statistics do not make it possible to identify these individuals.

To get the flavor of this social class, it is helpful to look at the news commentators (mostly men) on the RBC television channel. They best represent

the inherent features of this class: they are highly educated and competent, deeply understanding current events, rejecting extremist views, and capable for dialogue.

These conclusions correspond to the aforementioned trends showing that over the past decade, the economic interests of a considerable part of Moscow's population in general, and its middle class in particular, increasingly diverge with the policy of the Moscow authorities and of the federal government, particularly, in terms of development of institutions for the rule of law and protection of property rights.

The middle class is distinguished by an increased demand for social and political change that the government failed to deliver throughout the 2000s. First and foremost, the middle class is concerned with equality for all people before the law regardless of income or connections with the authorities. This is exactly what the reforms in law enforcement and the judicial system, as well as the fight against corruption and privileges for government officials, were supposed to deliver but failed. No less important a priority is the affordability of quality public and social services, particularly those, associated with the development of social capital. The middle class is gradually beginning to understand that much progress in any of those fields will be unlikely without radical change in the existing political system.

Growing discontent among the people representing the core of the country's elite, or the upper level of the middle class, is a fact that needs to be taken very seriously. Given the numbers, this group may seem not very significant, but its influence is not proportional to its size. Most importantly, the nature of this discontent is completely different compared to that of other population groups. This discontent concerns the business climate and the rule of law rather than the lack of social transfers, which this group does not require. It appears that the "rightist" agenda doesn't have adequate representation in the political system.

At the opposite social pole, trends for growing political discontent are better manifested through age differentiation. As we said in the first part of the report, the fastest decline in public support for United Russia has been observed recently among pensioners, who, according to survey figures, are more likely than other age groups to be found on the traditionalist pole.

A significant factor alienating this pole from the authorities is the illegal enrichment and conspicuous consumption of the powers-that-be and their cronies. According to political analyst Igor Bunin, the ruling elite publicly demonstrates defiance to the key principles of social solidarity that are fundamental to the traditionalist core of Russian society. Compensating for this moral rift by simply increasing social transfers will be no longer possible.

The awareness of social injustice (albeit differently understood by each of the poles) brings the traditionalists and modernists together, fueling their propensity for protests. In particular, this is manifested in the readiness of the modernist core to vote for leftist opposition groups in the forthcoming parliamentary election.

2.3. Two Generations of Baby-Boomers and Their Role in Social Change

If we compare the age structure of the Russian population in 2010 and 2020 (*Figures 2.19. and 2.20.*), the impact of two generations of baby-boomers is clearly visible. The first group is represented by baby-boomers who were born after the Second World War and will retire en masse during the next decade. We expect the 60-69 age group to increase by 1.5 times, from 11.3 to 17.3 million people.

The second group consists of children of the post-war baby-boomers who were born not long before the beginning of perestroika or during this period when measures to boost the birth rate were put into effect. This is the largest age group of all contemporary generations of Russians and will remain the largest during most of their lifetime (at least until 2050). All other generations will be smaller in size.

During the 2010s, the large second generation of baby-boomers will reach the most productive professional age, from 30 to 39 years old. The size of the population aged 30-39 is expected to increase by nearly 4 million, while the total population among all other groups will decrease by more than 11 million.

10-year cohorts		Year				
From	to	2009	2019	2029	2039	2049
0	9	14,3	16,5	14,0	13,3	13,8
10	19	16,0	14,6	17,0	14,6	13,9
20	29	24,4	16,2	15,0	17,4	15,2
30	39	20,5	24,2	16,4	15,4	17,8
40	49	21,1	19,8	23,5	16,3	15,5
50	59	20,8	19,1	18,4	22,0	15,5
60	69	11,3	17,3	16,2	16,0	19,2
70	79	9,6	7,8	12,7	11,9	12,0
80	89	3,5	4,2	3,6	6,3	5,8
90	99	0,3	0,6	0,7	0,7	1,2
100 and above		0,02	0,03	0,05	0,07	0,07
Total		141,8	140,3	137,6	133,9	130,0

Figure 2.19. Demographic forecast for 10 year groups

Source: Tatyana Omelchuk's own calculations and Rosstat forecast figures.

To date, the second generation of baby-boomers consists mostly of students and young employees, but within the next decade these people will come close to peak of individual economic productivity and will build families. Their share of the

population will be considerably higher than that of the retiring baby-boomers, i.e. 17.2 percent compared to 12.3 percent.

In the process of age transition, the social status of both generations of baby-boomers will change and so will their political demands.

The generation preparing to retire within the next 10 years does not possess any considerable financial assets, and they are excluded from the mandatory retirement savings plan. Less than 10 percent have savings sufficient to live for one year. Owing to equitable character of the of the pay-as you go pensions, most of them will receive a retirement benefit not significantly exceeding the regional subsistence minimum. The individual replacement rate (the pension/wage ratio) is considerably lower for the high-income segment of the middle class than for low paid employees (*Figure 2.21.*). For employees whose salary is 3 or 4 times higher than the national average, individual replacement rates are expected to fall down by 2022 to 10-12 percent against 40 percent for the employees with salary levels of half the average national wage. Many of those who can be considered part of the middle class before retirement will downshift after retirement. This is one of the reasons why, even today, the share of the middle class in the 60+ age group is just about one third of that for the middle-age group (*Figure 2.22.*).

Russia's Population by Age and Sex (as of January 01, 2009)

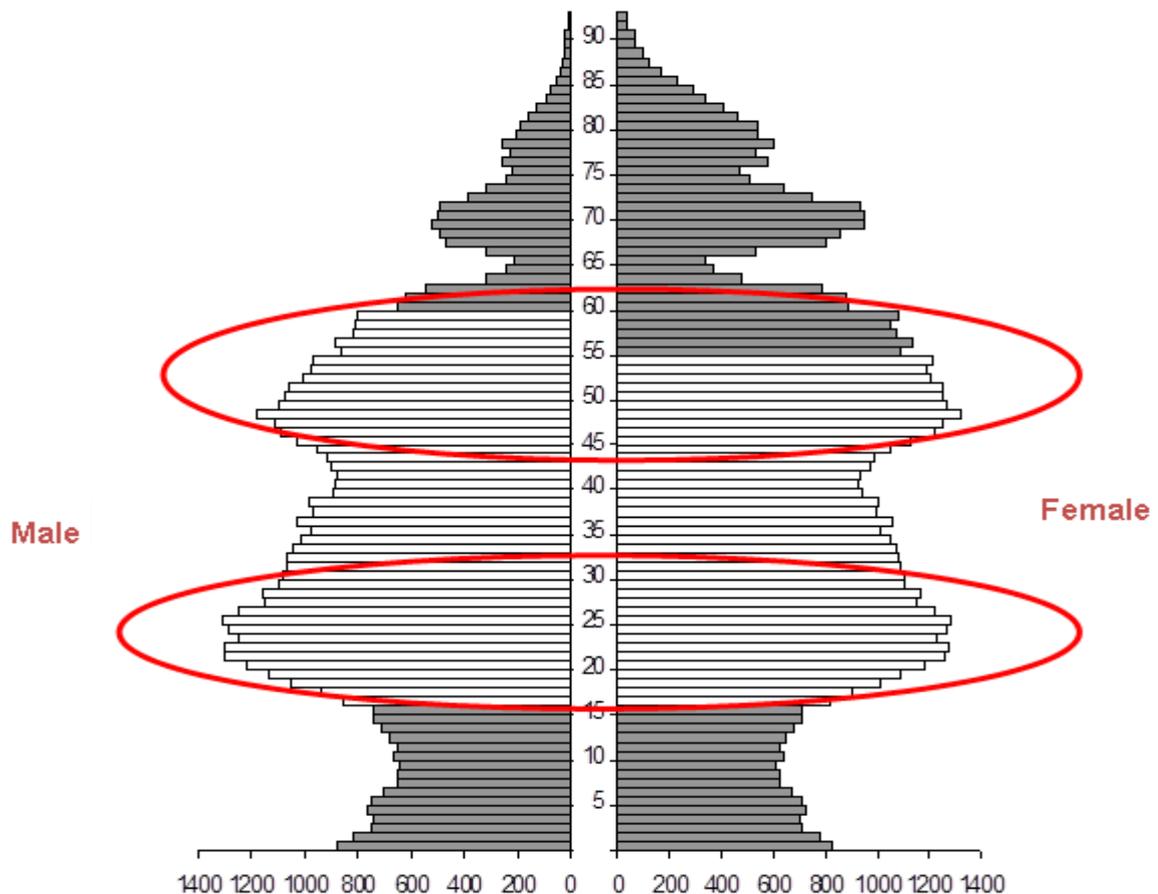


Figure 2.20: Two generations of baby-boomers

Source: Rosstat

The exit of the baby-boom generation from the middle class at retirement will increase the number of elderly who are not engaged in any investment or market activity and whose political motivation will depend on redistributive policy alone. They will more likely lean to the leftist political parties.

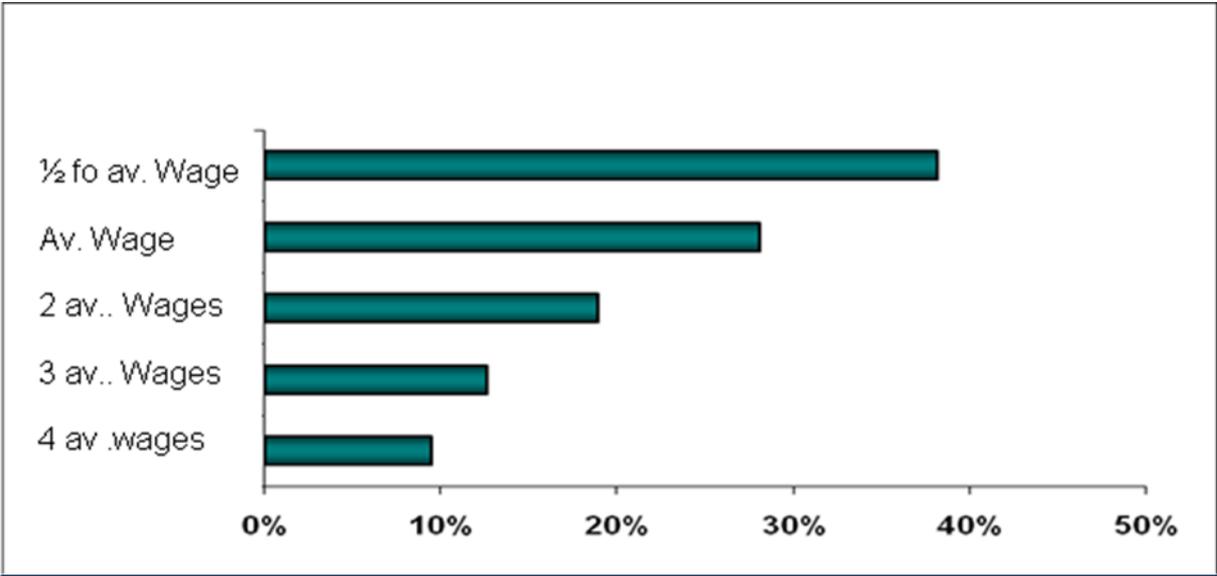


Figure 2.21. Individual replacement rates for different wage levels against the average national wage.

Source: Tatyana Omelchuk’s calculations

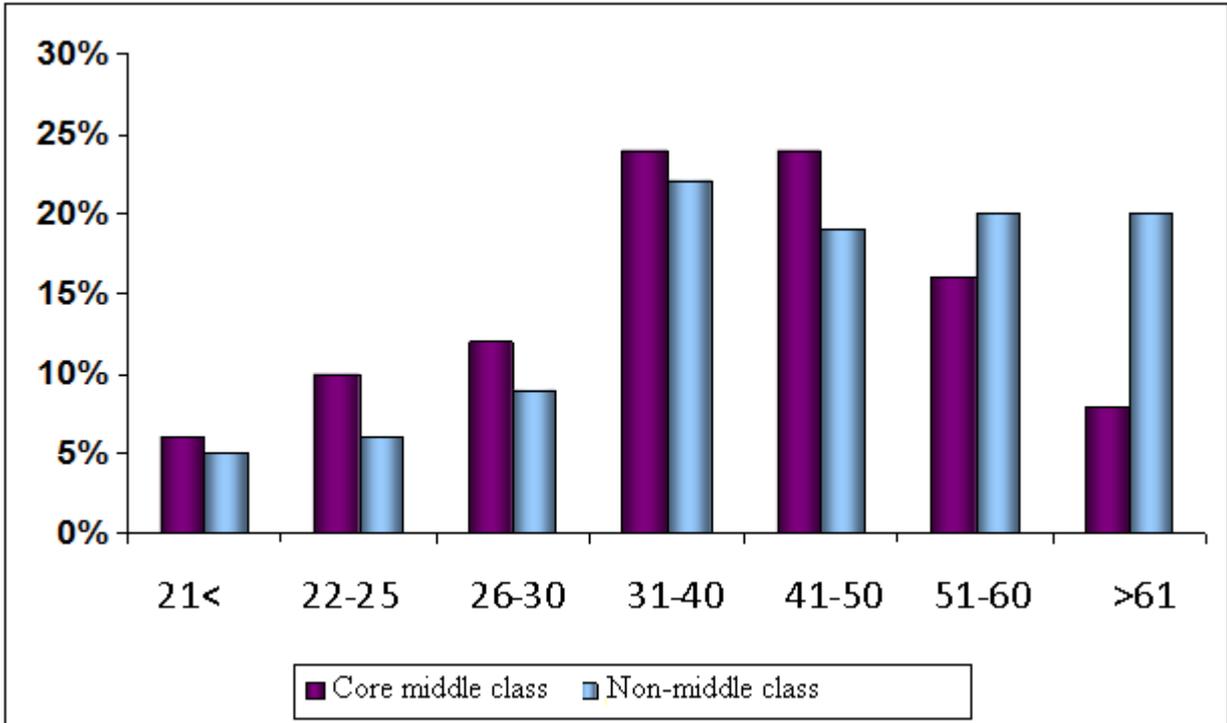


Figure 2.22. Age distribution of the middle class and other social groups
 Source: Source: Natalya Tikhonova. *The Middle Class: Theory and Reality*. M. AlphaM., 2009.

As for the younger generation of baby-boomers, estimates made by the Center for Labor Research of the National Research Institute at the Higher School of Economics demonstrate that the share of university graduates among them will reach 65-70 percent in 2020, doubling today's average. This group is reaching active employment age against a backdrop of tightening labor market conditions. The size of the working age population will be decreasing on average by about 700,000 annually, causing overall decrease by 7 million in 10 years. According to age profile of labor incomes by Rosstat, earnings peak between the ages of 30 and 34 (*Figure 2.23*). Given the abovementioned trend on the labor market, the financial return on labor will increase. Better educated individuals at the peak of their professional careers will be able to maximize the rate of return on their human capital by translating it into higher earnings during a period of labor shortage.

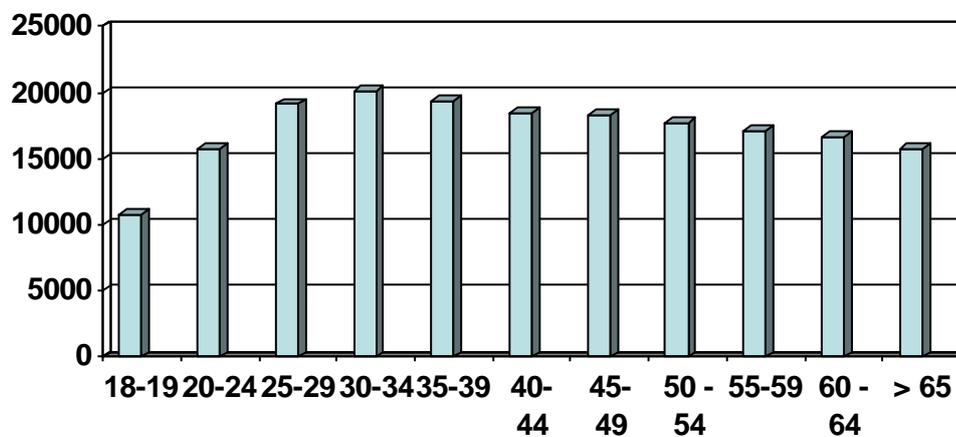


Figure 2.23: The age-wage profile in 2009.

Source: Rosstat

Therefore, during this decade a considerable part of young baby-boomers will become high-income professionals whose social status and earnings will provide easy entry into the middle class.

Sociological studies of attitudes and expectations among Russian youth have led to somewhat pessimistic conclusion that the only aspect distinguishing this generation from Soviet citizens is that today's young people display much higher sophistication as consumers. No other distinctions were revealed. Many social scientists and psychologists notice that the new generation remains in a period of extended adolescence resulting from delays in child-bearing, continuing financial support from parents, good health and a longer period spent in education.

However, the lives of these young people may radically change in about 10 or 15 years. Some of them will not be successful, but majority will build families, have children, acquire professional skills and join the middle class. Others will enjoy less success. According to Levada Center polls of those between the ages of 20 and 25 in 2001, only about one quarter report lower financial status in 2011, 15 percent remain in the same financial position, while 60 percent are better off now than in 2001.

Even more optimistic in this respect are the results of the studies in the U.S. John Miller, co-author of the recently published Generation X report, writes that the generation stereotyped by many as insecure, angst-ridden and underachieving, turned out to be family-oriented workaholics and active readers. According to findings of a large scale tracking survey first launched 25 years ago, Generation Xers are more likely to lead active, balanced and happy lives. They intensely participate in community life and effectively balance work, family and leisure.

The major stereotype dispelled by this study is the perception of Generation Xers as lazy and professionally unaccomplished. In fact, the case is exactly the opposite: compared to the older generation, Generation Xers proved to be workaholics, working and commuting significantly more hours than the typical U.S. adult above 45 years old (*Figure 2.24.*). The study also dispelled the myth that Generation Xers are unable to build stable families: two-thirds of Generation Xers are married, with 71 percent having small children at home. These families are well-to-do rather than “dysfunctional” – another word describing the family atmosphere of the “Simpsons generation”: three-quarters of Generation Xers help their children with homework, while 43 percent providing five or more hours of homework help each week.

One more myth put to rest by the study is civil and social inertia of Generation X: for many years, 30 percent of those polled have been active members of professional, business and union organizations.

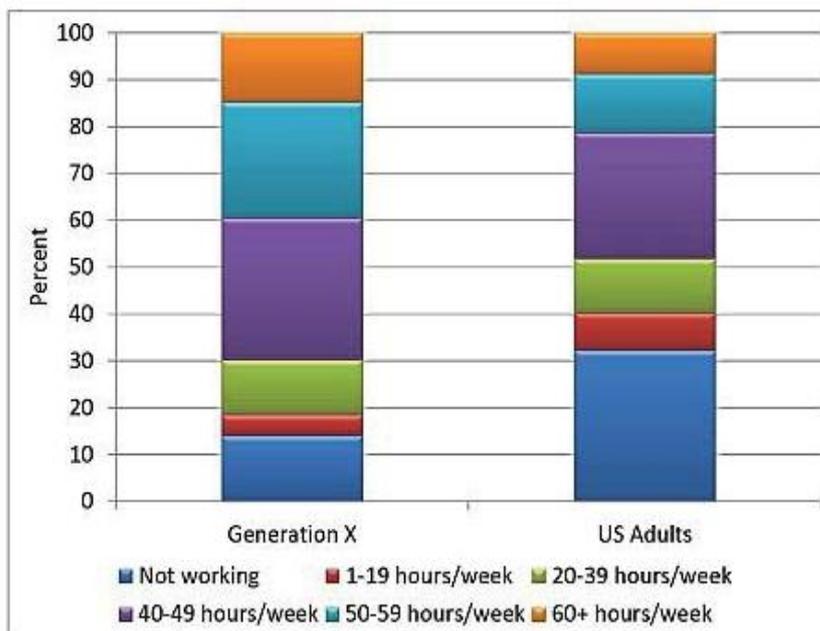


Figure 2.24: The employment pattern of Generation X and US adults

Source: http://www.gazeta.ru/science/2011/10/26_a_3812970.shtml

As Russian and foreign studies indicate, there are grounds to believe that a new generation of Russians reaching employable age will not be a lost generation but will become members of a full-fledged middle class with active lives, high professional skills and high levels of income.

As a result, by the end of the decade the social polarization of Russian society will assume an even more pronounced intergenerational character. Spatial polarization is also expected to increase. *Figure 2.25* demonstrates the migration intentions of young baby-boomers from small and medium-sized towns. Most of them report intentions to leave their native towns, largely for educational purposes, and do not expect to return. Upon receiving degrees, most will remain in large cities where the core of the middle class concentrates now (*Figure 2.26*).

Until recently, young residents of large cities have not been revealing any political activism. Within this group support for United Russia is higher than average, but voter turnout is very low. Meanwhile, isolated political actions by young people, such as the nationalist youth protest on Manezhnaya Square in Moscow on April 4, 2011, indicate that youth may radicalize very quickly. This is also proved by the fast radicalization of active Internet users, mostly represented by the younger generation. If the tendency for political radicalization of urban youth continues, youth protest may become a key element in opposition pressure on the authorities.

One should bear in mind that today, contrary to common perceptions, the population of Russia's largest cities is relatively young. Over 1/3 of adult population in major metropolitan areas is below 35 years old. This happens due to combined impact of second baby-boom generation and education-driven migration to big cities. In such environment, "Arab spring" scenarios for Russia should not be dismissed too easily.

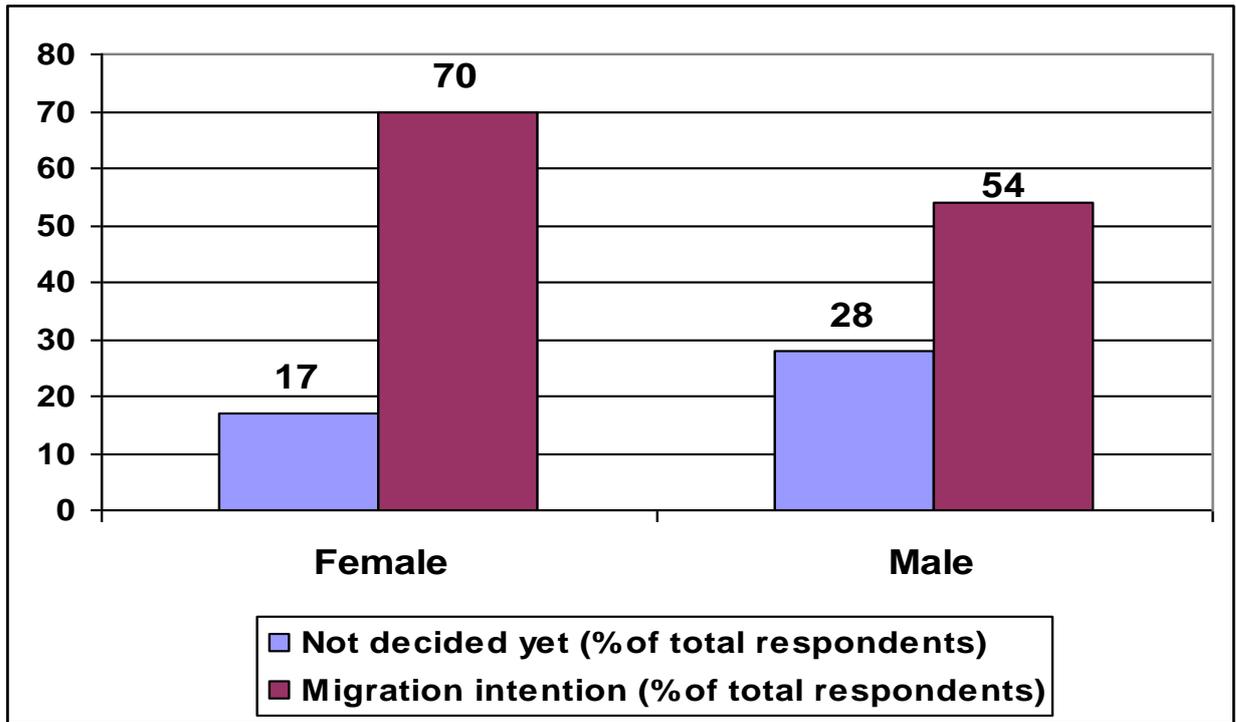


Figure 2.25. Migration intentions of young baby-boomers from small and medium-sized towns

Source: Florinskaya Yu.F., Roschina T.G. (2005) *Migratsionnye namerenia vypusknikov shkol malykh gorodov Rossii. Monitoring obshchestvennogo mneniya. Nr 2(74), April-June 2005, p.81*

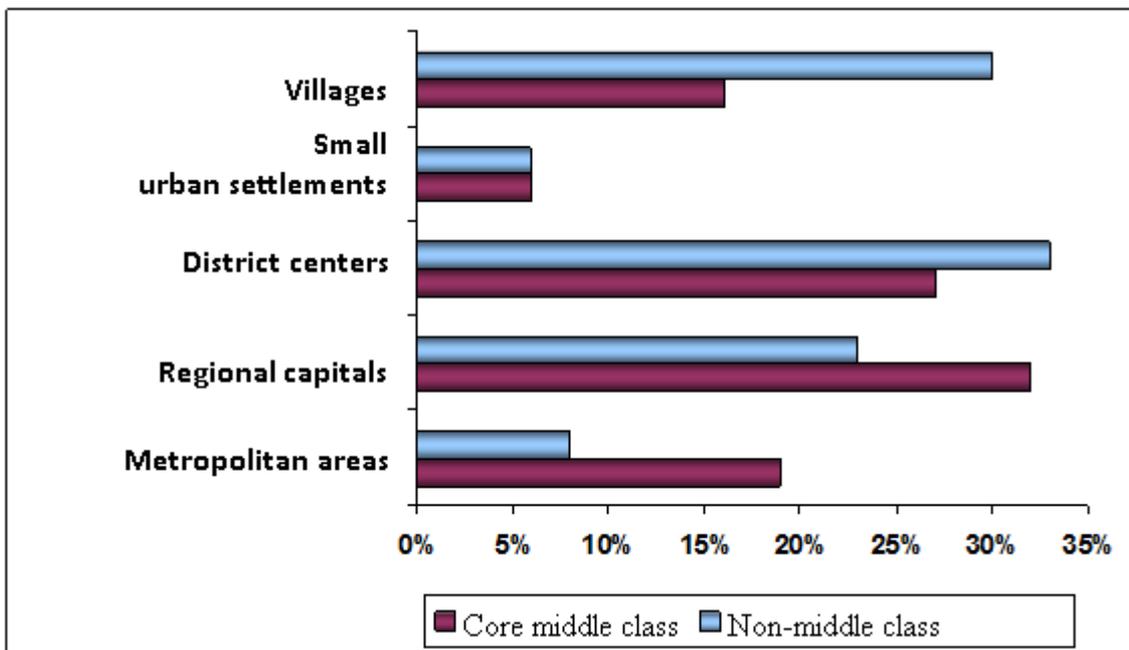


Figure 2.26. Distribution of middle class and other social classes by types of residence.

Source: Natalya Tikhonova. *The Middle Class: Theory and Reality. M. AlphaM., 2009.*

Taking into account the described intergenerational trends, we developed our own projections for the middle class on the basis of a relatively conservative scenario of income growth¹⁶. According to our estimates, by 2019 the proportion of the population characterized as middle class will have risen from 26 to 33 percent (up from 33 to 45 percent of the adult population). Exit from the middle class towards the lower classes by the retirees from the first generation of baby-boomers retirees will be generously offset by fast growth of the middle class among the younger workforce. As a result, by 2020 the overwhelming majority of adult urban residents (60-70 percent) will become middle-class, whereas more than 50 percent of all Russian adults will join the middle class or its nearest periphery.

It should be noted that these estimates do not take into account a rise in the retirement age that could take place over the period. If the retirement age is gradually increased, it will delay the retirement of the old baby-boomers and allow the government to increase retirement benefits. This will reduce the exodus of the retirees out of the middle class and will result in even faster growth of the middle class before 2020.

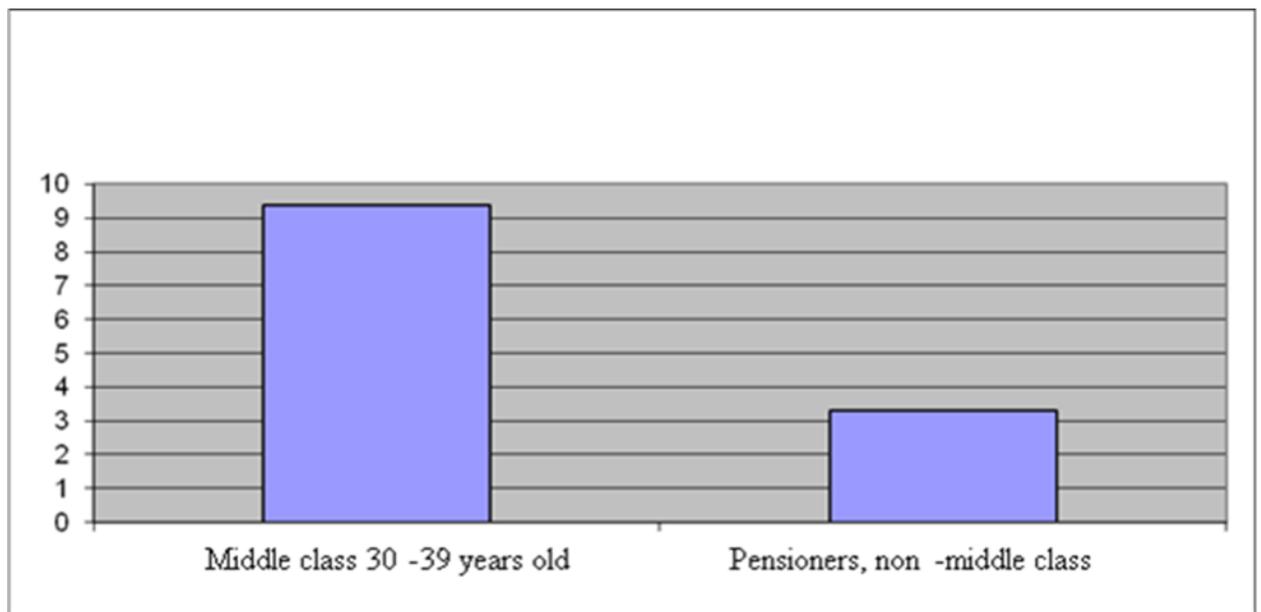


Figure 2.27. Projected increase of the middle class and non-middle class within two generations of baby-boomers (millions)

Source: Svetlana Misikhina calculations

¹⁶ The estimates consider a drop in oil prices in 2018 leading to zero (in case of an innovation scenario) or even negative (in case of energy scenario) rates of real GDP growth, forecast in the Russian Ministry of the National Economic Development's *Concept of a Long-Term Socio-Economic Development of the Russian Federation*. But the long-term crisis will produce an insignificant effect on middle class growth rates.

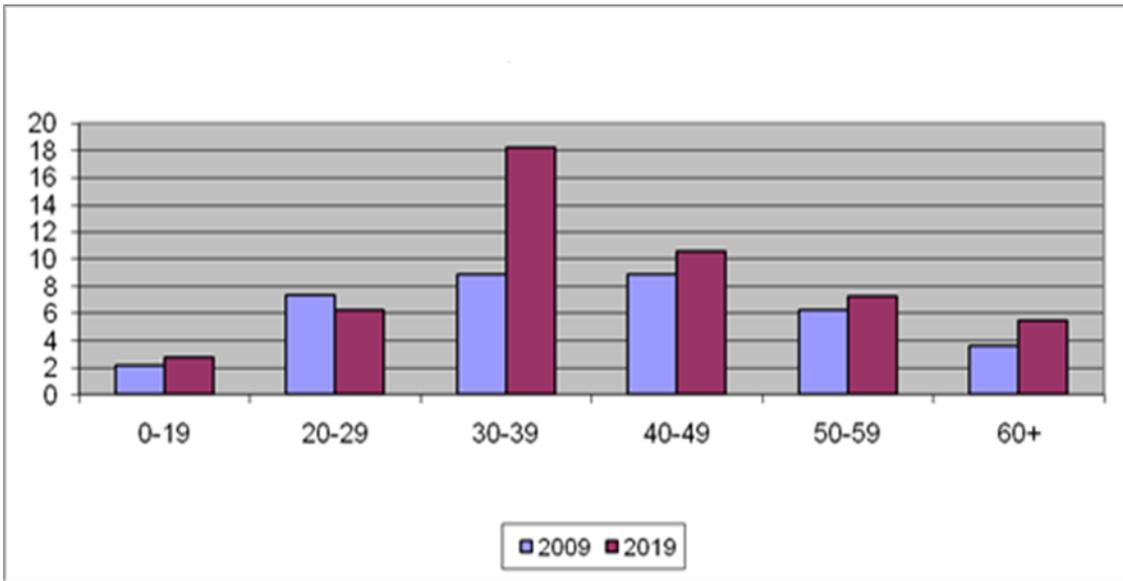


Figure 2.28. Forecast of the middle class by age group

Source: Svetlana Misikhina calculations

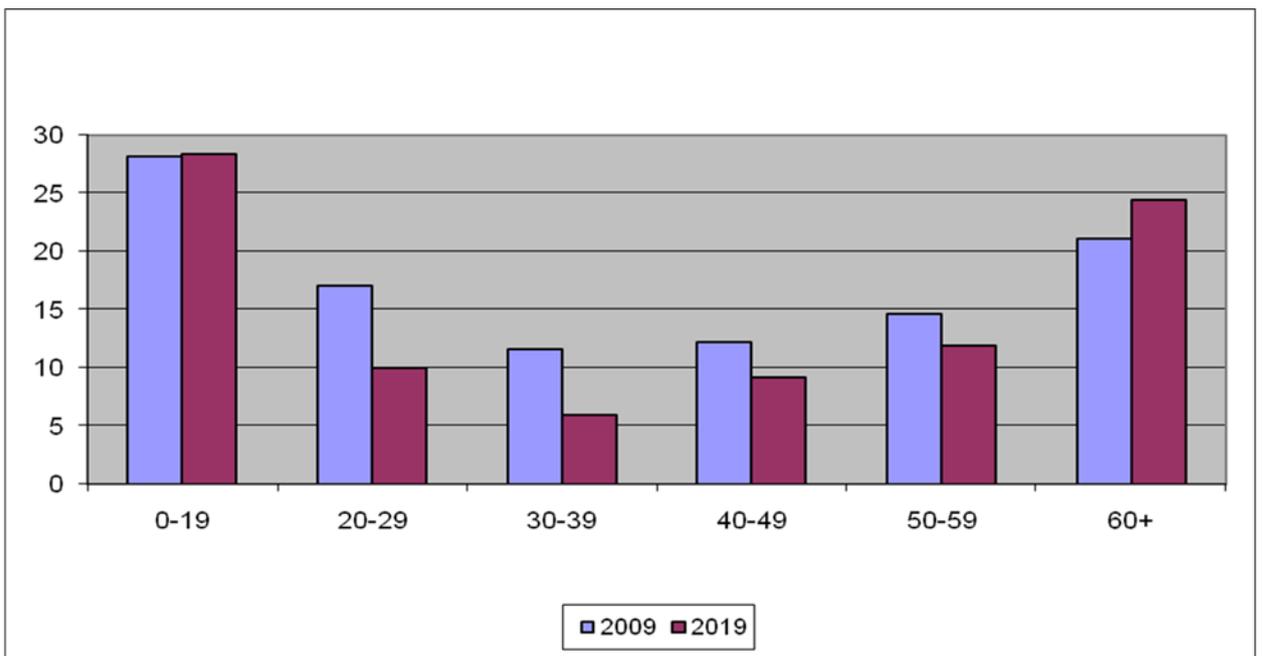


Figure 2.29: Forecast change in population size excluding the middle class, by age group

Source: Svetlana Misikhina's calculations

Key conclusions

By the end of the past decade, Russian society experienced a structural change having lost unipolarity which had been maintained during the second half

of the 1990s and the first half of the 2000s. Unipolarity was a consequence of the economic crisis of the 1990s accompanied by the weakening of the middle class which emerged in the late Soviet era. The unipolarity of Russian society was defined by overwhelming domination of low income groups with traditionalist mentality and dependency culture. It contributed to the crisis of Russian parliamentarianism in the 1990s and facilitated monopolization of the political system in the first half of the 2000s.

However, the economic growth of the past decade boosted the rise of the second social pole represented by mass urban middle class, which now accounts for one-quarter of the country's population and one-third of the adult population.

Economic growth combined with a long-term demographic transition affected by two generations of baby boomers will cause the social structure of Russian society to radically change by the end of the next decade.

The social polarization that had developed by the end of the previous decade will be sustained. But, for the first time in the nation's history, the middle class and its allied social groups will constitute the absolute voter majority. In large cities, the middle class will account for over 60 percent of adult Russians.

These tendencies will facilitate the transition to sustainable competitive political system and deepen the convergence of political forces around a dominant social pole by the end of the decade. In this regard the political environment at the end of the 2010s could look strikingly different from what could be observed during the first half of the decade. The first half of 2010s will probably be characterized by a shaky balance of conflicting political forces leading to continuous dysfunctions of any system of governance, whether monopolistic or competitive.

PART 3. THE PROSPECTS FOR POLITICAL TRANSFORMATION

3.1. Political Transformation in the Medium Term

This section is not intended to present a full scenario analysis of political change. We only want to examine the extent to which the current political changes considered in the first part of the report, and the social trends presented in the second part may affect the progress of political change.

As we have demonstrated in the previous sections, the existing non-competitive political system is gradually losing the ability to self-adjustment while its political foundations are being weakened by the growing social polarization. The traditional mechanisms of political control are losing effectiveness, thus contributing to further weakening of the system.

Mounting protest sentiments at the social poles is a key medium-term systemic risk. Especially dangerous for the system is further growth of the informal protest potential of the middle class. But this trend will not pose an immediate threat to the political system until middle class protest activities assume a political character.

While the protest activities by the population of Russia's largest cities are hard to predict, there are two medium-term scenarios to consider.

The first medium-term scenario would be possible in the case of increasing discontent, when middle class protests become much more politicized. If this happens, a "bottom up" rise of mass opposition movements could be expected. The rise of mass political movements will be facilitated by the social capital of the middle class, combined with experience in informal network activities, access to Internet, influence on the mass media and extensive intellectual capabilities.

The existing system in its present weakened state, with aging brands and obsolete rhetoric, low potential for self-adaptation and insufficiently flexible political control mechanisms will not be able to resist mounting pressures for long.

This scenario suggests early parliamentary, and, less likely, early presidential elections. Free parliamentary elections would substantially expand the formal political representation of the middle class through new political parties. But an even more significant outcome of this vote would be the realization of a quantitative electoral advantage by the traditionalist pole resulting in a landslide victory for left-wing parties in the Duma elections.

The government formed on the basis on this election results is likely to pursue active re-distributive policies, particularly if economic growth remains sluggish. Such policies are incompatible with the interests of the middle class. Outnumbered in Duma, the middle class would have to resort to informal pressure to prevent the least acceptable of redistributive initiatives. As a result, the political process risks to degenerate into protracted positional conflicts paralyzing executive power.

Moreover, if we assume that open and competitive presidential elections are held, the numerical superiority of the leftist electorate will clear the path for a radical left-populist leader, as it often happened in similar circumstances in Latin America and in transitional economies (Hugo Chavez in Venezuela, Evo Morales in Bolivia, Alexander Lukashenko in Belarus). Such an outcome would slow the modernization of the political system and the economy and is fraught with the potential to aggravate political conflicts arising from informal political activism of the middle class.

It should be noted that the Russian political elite would be unlikely to accept this scenario with enthusiasm. The core of the elite demonstrates the signs of moderate political convergence underpinned by common experience of life in emerging market economy and by the reality check which it imposes on economic and social policy. Social and party polarization will somewhat artificially split the elite into two poles and initiate a conflict that will overrun the trend toward convergence.

Under these circumstances, preservation of a tandem with the prime minister appealing largely to the middle class and the president leaning toward the opposite social pole may play a positive role as a balancing mechanism. This is what Russian sociologist Leonty Byzov meant by saying that there is only one political configuration that can be sustained in Russia: a right-centrist government and a left-centrist president. This mechanism could, to some extent, compensate for the dysfunctional conflicts between the social poles that arise from the asymmetric nature of their political influence.

Given the aging of Prime Minister Putin's personal brand, the almost complete destruction of President Medvedev's political brand and outdated political rhetoric of the authorities, effective performance of the "president and prime minister" tandem would require the replacement of at least one of its current members.

This means that the efforts of the Russian president and prime minister to overcome dysfunctional political conflicts between the two poles are likely to be ineffective. Hence, a scenario suggesting rapid politicization of the middle class increases the possibility of large-scale political crisis with highly destabilizing consequences which we partially reviewed in our previous report.

The second medium-term scenario envisages slowdown of protest activity from both political poles. If this happens, pressure on the authorities for political change will weaken. Given the limited potential of the top-down political adjustments, the system will preserve its current principal features in the medium-term. Any significant political transformation will be postponed until the end of the next decade and will be influenced by long-term structural changes in Russian society, the political consequences of which we review in the next section.

3.2. Political Transformation in the Long-Term

If moderate economic growth is maintained, the middle class and its allied social groups by end of this decade will dominate the political scene. This structural shift will change the political balance dramatically.

The left-wing electorate will not be able to compensate for the loss of numerical superiority over the middle class by exercising informal political pressure. Concentration in large cities, influence on the mass media, and increased social capital – all these advantages in applying informal political pressure -- will be retained by the middle class and will remain inaccessible to the left-wing electorate, which will see its political influence slipping at all fronts.

This will create the necessary preconditions for a well-functioning competitive political system, including a competitive model of multi-party parliamentary democracy and an open competitive model of presidential elections.

Under these conditions, free parliamentary elections will secure a majority in parliament for only those parties that fully or partially represent the interests of the middle class. A victory by left-wing parties would only be possible if they appeal to the political center represented by the middle class and its periphery. This will cause convergence of all major political forces towards an agenda of the middle class voters.

In turn, candidates at the presidential elections will be forced to appeal primarily to the middle class. The election of a radical left-populist candidate like Hugo Chavez or Alexander Lukashenko in a competitive presidential vote by the end of the current decade will become unlikely given the diminishing number of traditionalist voters. The victory of such a left populist leader is still conceivable in Russia today and would have slowed down social and economic progress for years to come.

We shall consider two long-term scenarios for political transformation.

In either scenario, the dualism of the tandem format would lose its former relevance. In parliamentary elections the majority will win parties appealing mainly to the middle class. Competitive presidential elections would also assure the victory of the candidate who appeals to the middle class and who is able to pursue more or less responsible economic and social policies consistent with the expectations of the middle class. Competitive and transparent presidential elections will become possible as early as 2018, just like they have already evolved in major Latin American countries including Mexico and Brazil.

The problem of appealing simultaneously to both social poles and assuring a political balance between them will remain. But, unlike the medium-term prospect, it will be of a secondary importance. But contrary to the situation that had developed by 2011, a strongly pronounced asymmetry of political influence by the two social poles which leads to prolonged political stalemates will no longer be the case. By that time, the middle class will have gained both electoral superiority and superior capacity for informal influence due to its enlarged size, concentration in large cities, social capital and influence on the mass media.

Differences between the two scenarios largely concern the development of a party system.

The first long-term scenario could develop as consequence of realization of the first medium-term scenario. If the middle class forms a party representation by the mid-2010s, the United Russia ruling party will face the disintegration of its centrist political base. In this scenario the ruling party will eventually be forced out to the periphery of the political process and is likely to be disbanded or absorbed by other parties, as it already happened many times in modern Russian history.

The second long-term scenario assumes that the middle class fails to establish effective mass party representation by the first half of the 2010s as an alternative to the ruling party. It will open an opportunity for the ruling party to evolve into a middle class party and leave the voters from the opposite social pole primarily to left-wing opposition parties. In such a case the ruling party will maintain the strong chances of gaining an electoral majority – independently, or in coalition with other parties representing the interests of the middle class.

Key Conclusions

Today, Russia's middle class is not a dominant group but represents a significant and rapidly growing social force demanding political change. However, the specific feature of Russia's contemporary development is that the influence of the low-income, state-dependent population with paternalistic attitudes remains very strong.

This creates the prerequisites for transition from a largely unipolar social structure with a predominantly paternalistic values to a bipolar structure with mutually conflicting expectations and value systems. In the medium term, finding a balance between them would be a challenge for any government.

The government attempting to rely mainly on the urban middle will face an electoral defeat from the sizeable traditionalist majority. But the government leaning towards left-wing parliamentary majority would inevitably face growing informal resistance from the politically influential urban middle class.

Over the medium term (5 or 6 years), polarization of the social structure will be increasing rather than decreasing. This will happen not only under the influence of further economic growth (even if growth rates remain moderate), but also under the influence of two generations of baby-boomers – the post-war generation and, more numerous, generation of the 1980s. The former awaits mass retirement and the problem of declining incomes. The latter, on the contrary, will reach employable age and, as a result of decreasing labor supply and mass retirement of the elder baby-boomers, will occupy key positions in the economy and enjoy steep increase of incomes.

Changes in the political system under these conditions will become inevitable. Attempts to preserve the current political system, which is becoming

increasingly inadequate in the face of the problems it is intended to address, can postpone the crash but will exacerbate the ultimate consequences. Time has come to move towards more competitive political model which will ensure that the interests of the middle class are represented adequately with regard to its growing size and influence.

Scenario analysis demonstrates that the coming decade will be divided into two radically different periods.

In the first half of the 2010s, against a backdrop of growing social polarization and party division between the social poles, the political system will be very unstable. This period will be characterized by positional re-distribution conflicts between the social poles in which the numerical superiority of the traditionalist electorate will be neutralized by the increased extra-parliamentary influence of the opposite social pole. Uncertainty, dysfunction and limited opportunities for structural and institutional transformation will be typical for both scenarios of political evolution we have considered –one considering transition to a more open model of party and political competition, and another envisaging preservation of the existing political system.

By the end of the 2010s, economic growth, combined with the aging of generations of baby-boomers will have radically changed the balance of power between the two social poles. For the first time in Russian history, the middle class will be the largest social group and gain electoral superiority. The middle class will retain its traditional advantages in the sphere of extra-parliamentary political influence.

The social changes during current decade will mark the historic end of the non-competitive political system. Owing to the electoral dominance of the middle class and its allied modernist pole by the end of decade, the political parties will begin to converge towards the middle class dominated political center. All parties and presidential candidates will in one way or another appeal to the interests of the mass middle class and the modernist pole, and will avoid radical leftist populism. For the first time, it will be possible to hold truly competitive presidential elections without fear of victory by a left-populist radical. A competitive political system will stabilize, opening opportunities to pursue a responsible socio-economic policy.

Conclusions

The analytical findings presented in this report suggest that the chances of a dramatic political transformation in Russia within the current decade have increased. Before the beginning of the 2020s, the country will have a real chance of moving from an ailing non-competitive political model to a full-fledged democracy.

The political transition is underpinned by profound structural changes in Russian society. Growing urban middle class represents a newly emerging social pole which counterbalances the previously dominant traditionalist pole recruited mainly from low income groups. An analysis of incomes, assets, behavioral norms, values and political expectations of middle class indicates its high integrity and homogeneity, whereas its value system is incompatible with the values of the opposite social pole.

Contradictions between the poles are mounting and sometimes assuming an antagonistic character. With ongoing economic crisis and stagnation of incomes, these rifts develop into redistributive conflicts typical for a zero sum game.

Opinion surveys indicate that population groups outside the two social poles are less homogeneous. In terms of their social characteristics and values, they occupy an intermediate position between the poles and will eventually lean towards the poles.

Now the monopolistic political system must appeal to both poles. But given the incompatibility of their interests, balancing between them is becoming increasingly difficult. The established political system is unable to provide for political representation of the middle class, while the electorate, not belonging to the middle class, appears more likely to vote for the left-wing opposition parties.

Protest sentiments are mounting and tend to concentrate on social poles that in total account for about 50 percent of the adult Russian population. Both poles are aware of injustice in the current system, but understand it in their own ways.

For the modernist core, injustice is manifested primarily in the dependence of the judicial and law enforcement systems on the powers-that-be. This *status quo* is perceived as impediment for ordinary people to advance their legal rights, to protect their property leading and to obtain adequate access to basic public services. For the traditionalist core, injustice is largely manifested in conspicuous consumption of government officials and their and their cronies, which is inconsistent with the officially declared principles of social justice and equality.

Injustice draws both poles together in their protest sentiments. In particular, the modernist core is more likely than ever to express readiness to vote for left-wing parties.

Given the political radicalization of the social poles, the political support base of the ruling party is increasingly recruited from the population of undecided voters. This base is unstable due to its amorphous character and propensity to gravitate towards the opposition minded poles. This creates the social preconditions for crisis and transformation of the noncompetitive political system into a democracy.

A further process of political transformation is fraught with the risks caused by the asymmetric character of political influence by the poles and by development on this ground of almost irresolvable re-distributive conflicts.

High social capital, Internet access, a dominant presence in the mass media and concentration in large cities – all this raises the middle class potential for self-organization and for informal pressure on the authorities. Represented in neither the party nor the political system, the middle class will increasingly resort to extra-parliamentary pressure on the authorities to realize its interests.

Conversely, the opposite traditionalist pole does not have similar means at its disposal. It exerts political influence primarily through its numerical electoral strength and high turnout rates by voting for well-organized left opposition parties.

In this environment, a dysfunctional political equilibrium may emerge. Under this equilibrium the increased electoral influence of the leftist parties will be blocked by strong and growing informal protest potential of the middle class, which in the medium term will remain an electoral minority.

But by the end of this decade the political environment may be transformed once again. By that time the urban middle class may become a dominant social force, sufficient to form the electoral majority in parliamentary and presidential elections.

To conclude, the political transformation during 2010s can evolve in three different stages.

In the short-term (2012-2013), the rate of political change is expected to assume a snowball effect. By the end of 2011, partly due inability of the government to meet challenges in a timely fashion, the critical mass of opposition has coalesced around two social poles, thus driving the passive majority of the population to support one pole or the other. This has created conditions for the rapid growth and consolidation of extra-parliamentary opposition.

The modernists' increased informal protest potential will be asymmetrically reinforced by electoral weight of opposition-minded traditionalist who are much better represented in parliament by the left opposition parties. Elections, mistakes in economic policy and other events could serve as an impetus to radicalize the anti-government opposition, thus increasing the risk of open political confrontation.

In the medium-term, at least until the middle of the current decade, a decline in effectiveness of the political system can be expected, with limited opportunities for the government to pursue responsible socio-economic policies. This will happen regardless of whether the current crisis ends in transition to a more competitive political model or the existing non-competitive model sustains.

Growing social polarization makes the monopolistic political system more vulnerable and increases the chances for democratization. But, as political competition heightens, political parties will divide along social poles. This, in turn, boosts the risk of stalemate situations in which the increased electoral influence of

the traditionalist core will be blocked by the extra-parliamentary protest potential of the modernist core, which remains outnumbered in electoral terms.

In the long-term, by the end of the current decade pre-conditions may appear for a full-blooded and effective democratic system to take root, including an opportunity to hold open competitive presidential elections as early as 2018.

For the first time in Russian history, economic growth in combination with the transition of two generations of baby-boomers to older age cohorts will make the middle class the dominant social group. The modernists will gain numerical electoral superiority while retaining their traditional informal political influence.

The electoral dominance of the modernist pole will lead political parties to converge towards its preferences. For the first time it will be possible to hold truly competitive presidential elections with minimal risk of victory for left-populist candidate. A democratic system will stabilize and become more effective, opening better opportunities for responsible socio-economic policy.

Thus, by the end of the current decade Russia will have a strong chance of crossing a milestone beyond which a non-competitive political system will become a matter of the past.