

## Middle Class in Romania: Fiction or Reality?

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### Abstract

*Social and economic specialists have widely debated on the importance of an intermediary category, as solid as possible, between the rich and the very poor, with the role of ensuring sustainable economic development, and the political stability of the respective regime.*

*In Romania's case, the analysis of the middle class is more focused on our exceptionalism: during the interwar period, the process of transformation of the peasants' class into a capitalist one unfolds, whereas the communist time signifies annihilation of the interwar middle class and the construction of a middle class reaching its deep roots in the industrial development process. After 1989, the reconstruction of the middle was made under the sign of political and economic hesitations, as well as deep crises in the Romanian society.*

*Therefore, the Romanian middle class is still fragile as far as numbers are concerned and in terms of the homogeneity of its constituent groups.*

**Key words:** middle class, income, education, welfare, Romania

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### 1. Introduction

The middle class is the catalyst of any modern capitalist state's economic development, as well as the support for a consolidated democracy. The last two hundred years' economic and sociologic theories have shown that financial resources are accrued at middle class level, such being the funding sources for new investments (for which reason, in absence of a prosperous middle class, it is necessary to create one through funding from foreign sources), the human resources' quality is enhanced, and the incorporation and the development of new technologies are more easily performed. The final outcomes are the stability and the satisfaction of a big part of the population, which provides more stability to the regime.

The Romanian middle class underwent a century filled with fluctuations, triggered by the double process of passing toward a capitalist economy: the former was marked by the accelerated passing from a feudal economy to an incipiently capitalist one during the interwar time, followed by the annihilation of the middle class during the communist time, as well as the transition from communism to the new capitalism after 1989. These fluctuations triggered the rise and fall of the middle class, with its future in the new Romanian context as European Union Member State still uncertain.

### 2. Theoretical considerations on the middle class in the capitalist societies

According to Grusky (Grusky, 2001, p.2), social stratification is a set of social institutions, i.e. a process establishing the kind of social assets which are deemed valuable in the respective society; a set of rules determining the manner in which the respective resources are allocated to the various social positions; not least, mechanisms by which individuals have access to such positions and control these unequal resources.

As far as the first key-component identified by Grusky is concerned – i.e. valuable social assets, at all times, in the case of all human societies, wealth is unequally divided among the society's members. Throughout history, wealth has been closely connected to land ownership, - the land being the main source of ensuring survival (together with the control of the labour force necessary to cultivate it).

In developed capitalist societies, land ownership has lost its importance as the trading and industrial sectors were developed; a concentration of wealth can be noted in these new sectors, to the detriment of the agricultural one. Thus, wealth has become more capital and money-related than real estate-related, which triggered transformations in modern societies. The industrial world implied the accelerated development of the production of goods intended for consumption at the level of big masses of people; this development implied also the growth of the labour force; we are witnesses of increased incomes and enhanced life standards of the labourers, of their education, the amendment of their lifestyle, impacting also other social sectors. The importance of technologies and of people who can handle them has triggered the enhanced role of education, and the possibility of educated people moving up the social ladder, and, thus, experiencing enhanced social mobility.

Thus, another important source of social stratification – income, i.e. the reason why social researchers of the 20th century were concerned with an analysis of occupations, and divided populations into occupational aggregates, which they more or less placed in connection with the meaning of class and the manner in which it relates to the possession of production goods. In industrial societies, occupation is closely related to wealth, as well as to social position, very well illustrated by occupational prestige. The analysis of occupations raises yet another series of issues (Crompton, 1998, pp.56-57): firstly, occupational analysis does not include the whole structure of a society, since not everyone is economically active, and their identification based on the head of the family, although useful, does not illustrate the whole picture; secondly, in addition to the production and market relation factors, further factors occur which need to be considered, such as gender, race, and age; thirdly, occupations are not indicative of the wealth of individuals; lastly, occupational analysis tells us absolutely nothing about social relations between individuals or groups.

One aspect worthy of being mentioned is related to the prestige of occupations (Rothman, 2005, pg.125-127), which is as important as the level of incomes an occupation generates: the level of income is obviously particularly important as far as prestige is concerned; however, education is far more important, which is why teachers and priests benefit from special authority despite their low incomes. The relation between occupation, education, income and lifestyle is complex, and it is closely related to status and social class.

In contemporary societies, occupational achievements are triggered by educational ones, as occupation is directly correlated with an individual's incomes which most obviously determines a person's lifestyle.

### **3. The interwar Romanian middle class: lots of owners, few employees, really rare members of the bourgeoisie**

Upon speaking of the interwar middle class, one needs to be aware that it is a social group including families, not individuals, they are speaking about; the head of the family determines the social position of the entire family. This is all the more true about interwar Romania, when the man was the provider of the family, the factor triggering the family's social position, in the context of women rarely having a job.

The existing synthetic data regarding the respective time (Axenciuc, 1992, p.38) highlight the high number of people working on their own (approximately one third of Romania's active population), both in the rural, and in the urban areas. Another important aspect worth mentioning (at least in the rural environment) is related to the majority of auxiliary family members (44.1% of the total active inhabitants in the urban environment and 51.1% in the rural environment). The high number of people working on their own, and of the auxiliary members, explains why during the interwar period, we face economic inefficiency and poverty: even if the latter were also providers, their income was not big enough to ensure the well-being of the whole family.

One of the most comprehensive and pertinent analyses regarding Romanian bourgeoisie is made by Mihail Manoilescu, whose vision regarding Romanian middle class is in line with the theoretical analyses of his time. According to the aforementioned, middle class included people who were neither bourgeois, nor proletarian or peasants. Middle class included the direct auxiliaries of the bourgeoisie (trading and industrial servants), small traders, small real estate owners, craftsmen and small industrialists, village school teachers and priests. Moreover, Manoilescu utilises the qualification criterion associated with school attendance: the middle class involves those people in the urban area having an average education level. The conclusions of the aforementioned study (Manoilescu, 1942/2002, pp.129-132) speak for themselves as far as the frailness of Romanian middle class in the interwar period is concerned: the number of people who could be deemed to be middle class members (whom Manoilescu calls the bourgeois wannabes) was as high as approximately 101,000 individuals, which means that, upon considering an average of 4 individuals in a family, there were 400,000 individuals out of a 20-million inhabitants' population (i.e. 2% of the entire population); a second aspect – which is a trait of the middle class in present-day Romania, also, is dependency on the public sector (the number of state employees was three times higher than that of freelancers); in fact, the number of people included in the middle and high, capitalist class during the interwar time acquiring income from the Romanian state was prevailing; the majority of middle class categories were related to the economic activity in the urban environment, whereas the rural only had a minority consisting mainly of teachers, doctors and priests; not least, these individuals' education level was very low, most of them having graduated from elementary or middle education.

Another important category which could be assimilated to a solid middle class consisted of people owning more than 10 hectares of land, which allowed them to make certain investments in their properties and to use the wage labour of other peasants. This meant approximately 7% of the rural population. It is certain though that between 20-100 ha could come close to the requirements of middle class (although in this case also there are very big differences between the two ends of the range), but this category included 2% of the total of agricultural exploitation works, joining together 10% of the country's total agricultural surface (Enciclopedia României, 1938, p.304). These are those categories of the so-called "wealthy peasants" or "kulaks", which were the most dynamic categories at the level of Romanian villages.

Office holders represent another important middle class segment, with the Romanian red-tapists being a pretty extended social category, or, as some interwar researchers put it, much too vast considering the needs and possibilities of the Romanian state at that time. This group is not homogenous either, given the significant salary incomes discrepancies. The Romanian state's employees were as many as 310,000 individuals, plus 45,000 county and communal level employees. The 310,000 included also employees of autonomous administrations, trading administrations and other special directorates; together, these categories included 100,000 persons, 50,000 of whom worked for the Romanian Railways (Measnicov, 1938, p.23).

According to the above mentioned author, 40% of all office holders earned a monthly income ranging from 2,000 to 3,000 lei; under 4,000 lei, 72% of all office holders). The statistics of prices and the living cost in 1934 reveals that a family of 5, 3 of whom were children, had the following monthly expenses: in Bucharest, lei 10,596; in big towns, they would spend lei 7,500-9,000; in towns where the living cost was lower: lei 5,500-6,000. The data indicate without a doubt that this category was poor, which made the office holders to be on a permanent lookout for additional income sources, including "gifts" for illegal services (Measnicov, 1938, pp.24-25).

The analysis of the interwar middle class shows that the segment included a relatively small number of individuals characterized by economic vulnerability, particularly in terms of their dependence on the Romanian state. The entrepreneurial component was underdeveloped and the promising categories as far as development under the western model was concerned were removed during the communist time.

#### **4. The destruction of the middle class during communist period**

As soon as the communist regimes took over power in Eastern Europe, they enforced programs for the systematic destruction of society's capitalist elements, including the middle class; the

outcome was that a whole social class was obliterated, and its obliteration exceeded the economic area, as it focused also on extra-economic aspects, such as pressures on families and friends, going as far as physically terminating high numbers thereof.

In Romania's case, one of the most abused categories, against which total destruction was aimed, was the rural middle class, i.e. the "kulaks". As seen before, it became a more and more economically and socially dynamic class, an elite in the rural environment, which was an evident obstacle to the communist party. One of the means used to discriminate against this social class was the replacement of the original meaning of the word by conferring it defamatory, derogatory connotations (Larionescu *et al*, 2006, p.94-95). The process was accompanied by the physical termination or forced relocation, as well as land misappropriation of this profoundly anti-communist category (most of the communist opposition came from this social category). The destruction process was slow, unlike the misappropriation of production means in the case of big industrialists, which took place overnight, in the form of nationalization.

The communist regime determined a new middle class to emerge, as a result of industrial development during this time, doubled by the development of the Romanian education system, having direct effects on the general education level, which included mainly two social categories: technocracy and the intellectuals.

Lenski (Lenski, 2001, pp.78-79) proves that the communist systems allowed us to have a better understanding of the causes and consequences of stratification systems, given that many of the issues of communist systems resulted from inadequate motivations, with the lack of motivation impacting labourers and the directors of enterprises and office holders of central authorities alike. The absence of salary differentiation based on qualification resulted in the lower qualification of labourers, absenteeism, no discipline, corruption, alcoholism in some cases, which triggered a much lower work efficiency, illustrated by the famous line: "They pretend to be paying us money, we fake working." Income levelling and the consequences thereof proved that rewards should reflect the social utility of performed work and that such need to be differentiated.

## **5. The remaking of the Romanian middle class in the new capitalist society**

The remaking of the Romanian middle class was carried out by way of several means, depending on the economic activity type: thus, in agriculture, the choice made was the retrocession of lands owned before World War II, which meant the perpetuation of the disintegration of farming lands based on the model existing during the interwar time. It was only after the accession to the European Union and the utilization of financial funds made available by the same that a process of concentration of agricultural exploitation in associative market-oriented forms started. The rural population involved in such activities is the essence of a true rural middle class; however, this category is small in size, as the rural population is mostly poor, and does subsistence farming.

The transformations which affected the middle class in the twentieth century may be noticed also at the level of developed capitalist states: namely, the United States entered capitalism as a nation consisting of small owners, but the transformations undergone by the American society at the beginning of the twentieth century triggered an increased number of employees to the detriment of freelancers. The fast decline of the former middle class was doubled by the spreading of employed work, so that at the end of the fourth decade, four fifths of the active population was employed and working for the 2 or 3 percent of the population owning half of the private property in the United States. These four fifths include also the new middle class, for which the market, not the control of property, is the opportunity to attain a higher income, to achieve social reputation or to enhance their qualification and social ascension (Mills, 1956, p.63).

In a study dedicated to the Romanian middle class (Larionescu *et al*, 2006, pp.119-120), the authors deem that a particularity of the emergence of the middle class after 1989 is represented by the utilisation of political capital from the communist era to generate economic capital: the former communist technocracy utilises the information and its networks of personal/professional relations inherited from the communist time, to turn them into an economic resource. The resulting difference here compared to the classic model of middle class emergence and development in Western Europe and in the United States (based on private initiatives, the undertaking of market-afferent risks, etc.) is that the forming of the class of entrepreneurs in our country is made in an

environment where the state generates and protects (and even finances) the emergence of a class of entrepreneurs (all the more true as we look at the top of the pyramid of business made based on national capital).

In a recent study, Cătălin Zamfir (Zamfir, 2015, pp.31-36) makes an analysis of the transition time in Romania; one of the conclusions of his study is that in Romania we are dealing with a "neo-feudal" state: just like the classic feudal state, the transitional Romanian state ensured the creation of a rich class in Romania; the difference from the classic feudal state is that enrichment was not made solely with the population's resources (by creating the rich class in an upward movement, although such phenomenon was also encountered), rather by the utilisation of the economic and financial resources of the state, inherited from the communist period. According to the aforementioned author, the ways in which this was achieved were most diverse: from the defective privatization of state property (fast privatisation, by any means, in very many cases to the detriment of economic efficiency and of economic development), the inclusion of private management interested not in the efficiency and the development of the respective enterprises, but in the identification of ways to achieve their own personal enrichment, the utilisation of state funds for investments whose main purpose was to benefit individuals or groups of individuals, and, not least, the financial plundering of a large category of the Romanian population.

In most cases, these economic policies, allegedly meant to achieve economic growth and sustainable development in Romania, had outcomes to the contrary; as shown in a recent study by the Institute of Research of Life Quality (ICCV, 2017, pp.11-17), the amendments with negative impact were numerous: the rate of the employed population in Romania is almost half the historic numbers (from 8.1 million in 1990 to approximately 5 million in 2015); the rate of the active population out of the total population has also declined, which means the substantial cutting down of incomes in the case of a significant percentage of the population; the numbers of freelancers and of non-remunerated family workers are very high (i.e. 17.3%, and 7.3%, respectively) which triggers a very high level of poverty characterising a high level of the population, particularly rural inhabitants; the level of incomes, which is an essential indicator of the population's living standard, places Romania at 61.1% of the EU 8 average level (former communist states) and at 25.9% of the EU 15 level, which provides a bleak perspective on the time needed to bridge such gaps; according to the quoted study authors, this is caused by the low weight of salaries against the newly-created value (Romania's GDP had grown 400 times during 1990-2015, whereas salaries were only increased by 143.3%).

All these were reflected in the population's education and health levels, as expenses with these fields are at the lowest level in the European Union. These are the reasons why the current middle class is very frail (both in terms of income, and number), as can be seen in the data below:

Table no 1 Middle class categories in current Romania (2012):

No.	Major Occupation Groups (ISCO-08)	The average number of full time employees working the entire month	The achieved gross average salary (lei)
<b>0</b>	<b>TOTAL:</b>	<b>3,645,061</b>	<b>2,052</b>
1	Members of the legislative, the executive, high commissioners of public administration, top management and clerks	258,198	4,887
2	Specialists in various fields of activity	819,195	2,869
3	Technicians and other technical practitioners	332,073	2,258
4	Administrative clerks	247,316	1,731
5	Workers in the service field	521,751	1,076
6	Qualified workers in agriculture, forestry and fishery	16,627	1,189
7	Qualified and assimilated workers	548,557	1,657
8	Installation and machine operators; machine and equipment assemblers	465,675	1,624
9	Unqualified workers	435,669	1,014

Source: Tempo-online, [www.insse.ro](http://www.insse.ro) (Accessed on 2 May 2017).

The chart data prove the discrepancies between what the specialized literature calls the *upper middle class* and *lower middle class*: the first chart category, illustrating the upper middle class,

includes under 10% of our country's employees (5% of the total active population); the following two categories, characterizing the intermediate middle class, brings together approximately one third of all employees, with average incomes, whereas categories 4-6, which include the lower middle class, represent 25% of all employees, with their incomes barely reaching half the average.

Regarding the incomes, the best qualified categories earn an average of 4.5 times more than the lower middle class; however, it is not the difference that matters, it is the fact that people working in the service field earned an average income in 2012 (latest available data from the National Statistics Institute), i.e. 1,076 lei (approximately EUR 200), which brings them closer to the categories with poverty risk. The abovementioned study show (ICCV, 2017, p.14) that compared to other European Union Member States, Romanian population average earnings place us on the last position: half compared with the average level of the EU 8 (former communist countries), and six time lower the EU 15.

## 6. Conclusions

In none of the historic periods analysed in the case of Romania can we speak of a well-developed, homogenous middle class, given that, in addition to the underdevelopment of a common lifestyle (work, consumption, formal and informal association), there is also a social gap, highlighted by the differences between the urban and the rural segments, or between certain categories included in the middle class.

The most important aspect to be underlined if we are to see the progress of this social class is that it was dominated by cultural capital, with the economic capital relatively decreased at the Romanian society level; this led to downsizing the role of this social class which actually means the cancellation of its so important political and economic role.

In the next few decades it is absolutely necessary to consolidate this important economic, social and political group, otherwise the gap between our Romania and the developed countries of the world will increase; as showed in a recent study (Burrows, 2016, p.61) the middle class will become, in most of the countries around the world, especially in the new developed world (South Korea, China, Brazil, India etc.), larger, highly-educated, using on large scale latest technologies.

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