THE DISTRIBUTION OF SOCIAL CONSUMPTION IN SOCIALIST COUNTRIES

by

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ABSTRACT

In socialist countries, social consumption refers to the free goods and services such as public housing, education, health care, and transfer payments, which are distributed through administrative allocation mechanisms.

Social consumption is a very important part of income distribution in socialist countries. However, there are very few studies on the distributional mechanisms of social consumption and their results. Most scholars assume that social consumption has a strong equalizing effect on the overall distribution of income in socialist countries.

In this thesis, the author examines the distribution of social consumption in detail by analyzing the distributional mechanisms of public housing, education, health care, pension, and price subsidies, in the following three countries: China, Hungary, and the Soviet Union. The author compares the distribution of social consumption with that of wages and salaries, to see which is more unequally distributed.

All evidence in this study shows that social consumption is not more equally distributed than wages; therefore, it does not carry out the assumed function of equalizing the overall income distribution.

Thesis Supervisor: Lance Taylor

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Chapter 1

Introduction

In socialist countries, social consumption refers to the free goods and services such as public housing, education, health care, and transfer payments, which are distributed through administrative allocation mechanisms.

For many years, scholars both inside and outside socialist countries have been engaged in numerous studies on the income distribution under socialist system. Most of these scholars, however, concentrate their studies on the distribution of wages and salaries[1] (see Wiles, 1974; Morrison, 1984, Bergson, 1984, Flakierski, 1986). They believe that because there is no private ownership of means of production, and personal income from capital gain and rent should be absent in socialist countries, at least in the public sector, therefore, wages are the main household income (Bergson, 1984; Flakierski, 1986; Zhao, 1985). As Chilosi claims: "inequalities in the structure of earnings are in principle the basic source of inequalities of personal incomes" in socialist countries (Chilosi, 1980, p. 3).

Based on such a common belief, those scholars tend to

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[1]In the rest of the thesis, we will use "wages" to refer to both wages and salaries.

ignore the impact of social consumption on the overall socialist distribution. Up till now, very few scholars have paid attention to the mechanisms of social consumption distribution and their results. Most of them assume that in socialist countries social consumption are more equally distributed than wages. Some people even claim that it has an egalitarian tendency (McAuley, 1979; Chilosi, 1980; Bergson, 1984; Flakierski, 1985; Vinokur and Ofer, 1987).

In this thesis, the author challenge the above common belief. The author argues that social consumption is a very important part of socialist distribution, which deserves full attention of research. In socialist countries, social consumption is not more equally distributed than wages. As we will see later, some items of social consumption are distributed as unequally as the wage distribution, and some other items are distributed more unequally than wages.

The structure of the thesis is as follows. In the second chapter, we will discuss some common features of distributional mechanisms in most socialist countries. Then we examine the composition of total consumption fund in socialist countries to see the importance of social consumption in the overall socialist distribution. In chapters 3-7, We discuss one by one the distributions of major items of social consumption: housing, education, health care, pension, and price subsidies. Our emphasis will be on comparing the distribution of social consumption with that of

wages in socialist countries, and to see which one is more unequally distributed. In the final chapter, conclusions will be presented.

Chapter 2

Composition of Socialist Distribution

In most socialist countries, national income is divided into two parts: consumption and accumulation. Total consumption usually consists of households' personal consumption and social consumption. The personal consumption includes wages and other work-related earnings (bonus and work-related subsidies) from state-owned and collective work units. The social consumption includes social, cultural and welfare services (such as education, health care, free housing, and cultural and entertaining facilities), government administration expenditure, and national defense. Transfer payments, such as pensions, social relief payments, and stipends, are also included in the social consumption funds. (Chu, 1978).

Total accumulation fund is divided into production-related accumulation and consumption-related accumulation (Bor, 1974; Chu, 1978). The latter is capital investment on non-productive sector, such as capital investment in hospitals, schools, and public housing. Because in socialist countries, health care and education are free, and public housing are distributed free of charge, consumption-related accumulation is in fact an extra part of social consumption

Table 2.1 National Income Distribution in Socialist Countries

Accumulation	Consumption
A. Capital construction investment including: 1. productive capital investment 2. non-productive investment a. housing construction b. constructions on: education, health, and cultural facilities c. others B. Working capital C. Inventory and loans from banks	A. Personal consumption including: 1. wages and salaries 2. bonus and work-related subsidies B. Social consumption including: 3. education 4. health care 5. house rent-subsidies 6. price subsidies of consumer goods 7. social relief funds 8. pensions 9. amenities 10. national defense 11. government administration 12. science 13. propaganda (state-run newspaper, radio & TV)

Note: Based on Chu, Cheng-Ping, 1978, "The National Economic Balance Table," in Lardy, Nicholas R., White Plains, New York: M. E. Sharpe Inc., pp. 122- 27.

* All the underlined items are household related consumption.

fund. Table 2.1 shows the main components of total income distribution in socialist countries. In the table all the underlined items are household related consumption. The study of income distribution in socialist countries should cover all of them. As we already noted, the distribution of wages in socialist countries has been studied by many scholars, so that in this thesis, we will concentrate on the distribution of

social consumption.

From Table 2.1, we can see that the social consumption fund has two sources. One is from the consumption sector, and the other is from accumulation sector. These social consumption funds are controlled and distributed by central planners in housing plan, education plan, health and cultural plan (Lardy, 1978; Bor, 1967).

The ratio between the wages and social consumption expenditures differs in different socialist countries. In most countries, however, wages account for 50-60 percent of total consumption fund, and social consumption is about 40-50 percent. Table 2.2 shows the composition of total household consumption fund in the USSR (Union of Soviet Socialist Republics) in 1970. The ratio between wages and social consumption was 58:42. Table 2.3 shows the ratio in China in 1983 was 53:47 for urban population.

Compared to the social welfare expenditure in the Western industrial countries, the social consumption in socialist countries is very different in nature. First, while the social welfare programs in the West, such as unemployment-insurance, low-income public housing projects, medicaid, and food stamps, are exclusively provided for the poor people (SAUS, 1989), the social consumption in socialist countries is distributed to the entire population. Second, the social consumption plays a far more important role in the total household consumption in socialist countries than the social

Table 2.2 Composition of Consumption Fund in the USSR, 1970

Income Categoties	Rubles (billions)		Percent	
	Total (1)	State Sector (2)	Total (3)	State Sector (4)
A. Earnings from Labor	138.0	123.0	58.5	58.1
B. Social consumption fund	97.9	88.8	41.5	41.9
1. Transfer payments	32.7	29.5	13.9	13.9
a. Holiday pay	9.1	8.2	3.9	3.9
b. Pensions	16.2	14.6	6.9	6.9
c. Allowances	6.1	5.5	2.6	2.6
d. Stipends	1.3	1.2	0.6	0.6
2. Consumption in kind	65.2	59.3	27.6	28.0
e. Subsidies	18.8	18.8	8.0	8.9
i. Housing-rent	3.5	3.5	1.5	1.7
ii. Food	14.8	14.8	6.3	7.0
iii. Others	0.5	0.5	0.2	0.2
f. Free goods and Services	46.4	40.5	19.7	19.1
iv. Education	18.7	16.8	7.9	7.9
v. Housing	16.3	13.4	6.9	6.3
vi. Health	11.4	10.3	4.8	4.9
Total	235.9	211.8	100.0	100.0

Sources: Column 1: line ii: Treml 1978; line v: Dimaio, 1974; line vi: Dobson, 1988; all the others: McAuley, 1979.

Column 2: line A, McAuley, 1979; Line v: Dimaio, 1974; other figures are derived by assuming that state employees received the following share of the total: line a, b, c, d, iv, vi: 90 percent; line i. ii. iii: 100 percent. In 1970, Soviet state employees account for 84.8 percent of total labor force. Study in our later chapters indicates that they obtain social consumption more than national average.

Table 2.3 Composition of Consumption Fund in Urban Sector, China 1983

Income Categories	Yuan (billions)*1	Percent
A. Wages (including sick leave) among which:	93.5	53.2
Bonuses, piece-rate wages and above-quota payments	12.1	6.9
B. Social consumption fund	82.4	46.8
1.Labor insurance & welfare	21.0	11.9
a. Retire-pension	8.7	4.9
b. Welfare expenditure*2	1.7	1.0
c. House-rent subsidies	4.6	2.6
d. Health	6.0	3.4
2.Relief funds for natural disasters	0.4	0.2
3.Consumption in kind	61.0	34.7
e. Price subsidies	32.8	18.6
f. Housing investment	17.8	10.1
g. Education expenditure from state budget	10.6	6.0
h. Education expenditure from state-owned firms	2.9	1.6
i. Capital investment in Education & Health	3.9	2.2
j. Deduction of wages from education & health	-7.0	-4.0
Total	175.9	100.0

Sources: SSBP, 1984, p III-6, 14, 15, 36, IV-58; SSBP, 1987, p. 556, 557, 559; except: line a: Zhuan & Li, 1985, p. 27; line c: based on SSBP, 1984, p. III-81, and Zhu & Wang 1988 p. 59; line 5: residue.

*1: All the data in this column are originally stated for urban sector. Except lines g, i, j. For line j, and i: in 1983 total state expenditure on education was 15.1 billion yuan, capital investment on education and health was 4.9 billion yuan. We assume that urban sector receives 70% share of total educational fund and 80% of investment in E & H. For line j: in 1983 total wages in the sector of "science, education, health, and cultural activities" was 11.0 billion yuan, we assume that 80% of the total went to E & H of which 80% in urban sector.

*2: Including allowances, social relief and others.

welfare programs in Western countries. In the United States, for example, the ratio between total personal disposable income and the public social welfare expenditure was 79.6 : 20.4 (SAUS, 1989, p. 334, p. 414). In China and the USSR, as we see from Tables 2.2 and 2.3, this ratio is almost half to half.

From the above comparison, we learn that the distribution of social consumption is a very important part of total socialist distribution, therefore it has a great impact on the total inequalities in socialist countries.

There are only a few studies available on the distribution of social consumption, which are conducted by Western scholars. These studies tend to show that social consumption is very equally distributed in socialist countries. Adam and Nosal (1982, P. 195), for example, conclude that the distribution of transfer payments among household-income groups within each social stratum continues to favor low-income groups, which "contributed to a narrowing of household income differentials for the whole country."

To date, the most comprehensive study on distribution of social consumption in socialist countries is conducted by Ofer and Vinokur (1988). They did a sample survey of Soviet immigrants who went to Israel during the mid1970s. Ofer and Vinokur found that the distribution of the social consumption fund was very equal in the Soviet Union. Data presented in Table 2.4 show that although the households in the highest

decile receive wages 6.6 times as much as that received by those in the lowest decile group, the former only receive 1.6 times as much as social consumption fund that received by the latter. Among all items of social consumption, retirement pensions and educational fund are distributed particularly in favor of low-income groups. Households in lowest income decile received twice as much retirement pensions and educational fund as that received by households in the highest decile group. Health services and housing subsidies are also distributed much more equally than wage distribution; only food subsidies are distributed in favor of higher income families, but it is still more equal than wage distribution. In general, according to Ofer and Vinokur, the social consumption fund has a great redistributive impact on overall distribution, which reduces the ratio between the top and bottom deciles from 6.6 in wage distribution to 3.6 in overall distribution.

Moreover, the Hungarian official statistical data also demonstrate an extremely equal distribution of social consumption among all the household income deciles. Table 2.5 shows the distribution of social benefits in Hungary in 1972 and 1977. According to the table, the social consumption is distributed very flatly among the entire population.

On the other hand, many scholars in socialist countries as well as from the West, such as Szelenyi (1983), Daniel (1983), Lane (1982), and McAuley (1979), have examined

Table 2.4 DISTRIBUTION OF INCOME AND SOCIAL CONSUMPTION PER HOUSEHOLD MEMBER, FOR ACTIVE POPULATION, USSR 1973

	Deciles of Household Members (rubles)*2						Ratio between Top and Bottom Deciles
	1	2	4	6	9	10	
1. Total public income	72.6	79.5	109.6	120.8	172.0	258.3	3.56
2. Public earnings	31.2	48.4	68.1	87	134.1	206.3	6.61
3. Social consumption fund	41.4	31.3	41.5	33.8	37.9	52.0	1.26
a. Money payments	18.2	12.4	17.3	11.5	8.9	13.1	0.72
i. Retirement pensions	11.4	1.3	0.3	5.9	2.4	5.4	0.47
b. Nonmonetary services	23.2	18.6	24.2	22.3	29.0	39.0	1.68
ii. Education*3	4.5	4.6	5.2	5.5	2.5	2.2	0.49
iii. Health care	2.9	3.4	3.3	3.1	4.1	3.7	1.28
iv. Housing subsidies	5.5	3.0	3.3	3.4	7.2	9.0	1.64
v. Food subsidies	10.3	7.6	12.4	10.3	15.2	24.1	2.34

*1: Active population is defined as all households with heads working in the pubic sector.
*2: Deciles are based on monthly earnings per household member.
*3: Part is subsidies and part is free services; stipends are excluded.

Source: Gur Ofer and Aaron Vinokur, 1988. "The distributive effects of the Soviet consumption fund in the Soviet Union," in G. Lapidus and Guy E. Swanson, ed. State and Welfare USA/USSR, Berkeley, California: Institute of International Studies, p. 226.

Table 2.5 Distribution of Social Benefits In Kind In Selected Years, Hungary

Year	Decile of Households (in percent)									
	1	2	3	4	5	6	7	8	9	10
1972	9.0	9.8	10.2	10.3	10.6	10.1	10.2	10.1	9.7	10.0
1977	9.0	9.7	10.0	10.6	10.4	10.8	10.2	10.0	9.8	9.6

Source: Flakierski, Henryk, 1986, Economic Reform and Income distribution: A Case Study of Hungary and Poland, Armonk, New York: M. E. Sharpe, Inc. p. 105.

inequalities in one or several items of social consumption, such as public housing, free education, pensions, and free health care. Most of these studies show that there are serious inequalities in the distribution of social consumption. Furthermore, contrary to Hungarian statistical data, official statistical data from China (as shown in Table 2.6), indicate that at least the monetary part of social consumption, i.e., transfer payments, is distributed more unequally than wages. In 1986, the ratio between wages received by the top 10 percent per capita income households and that by the bottom 10 percent is 2.7:1, while the ratio between the retirement pensions received by the two groups is 3.4:1, which is greater than the wage ratio.

Why is there such a controversy? Why do Hungarian and Chinese data differ so much? Do the Hungarian and Soviet data represent the truth, or do the Chinese data? Is it because the distributions of social consumption are very equal in

Table 2.6 Distribution of Urban Wages, Pensions, and Subsidies by Households Per Capita Income Deciles, in Both Public and Collective Sectors, China, 1986

Income Category	Household Deciles (yuan)				Ratio of Top/Bottom Deciles
	1	2	9	10	
Wages	355.4	469.0	835.1	970.9	2.7
Retirement pensions	36.4	31.8	79.9	121.9	3.4
Subsidies	46.6	60.6	119.3	134.4	2.9

* Including both state-owned and collective sectors.

Source: SSBP, 1986: State Statistical Bureau PRC. A Survey of Income and Expenditure of Urban Households in China, 1985, Beijing: China Statistical Information and Consultancy Service Center, p. 25.

Hungary and the Soviet Union, and more unequal in China?

In the following chapters, we will search for the answers to the above questions by examining in detail the distributional mechanisms and results in the allocation of major items of social consumption: public housing, education, health care, pensions, and price subsidies. Each chapter deals with one of the items. We will mainly concentrate on data from the USSR, China, and Hungary, for the reason that data from these countries are much easier to obtain than from other socialist countries.

Chapter 3

Public Housing

Housing is a large item of consumption in kind in socialist countries. In the Soviet Union in 1970, the urban public housing expenditure, which including housing investment and rent-subsidies, was 13.8 percent of total earnings in urban public sector.[2] In China in 1983, it was 23.8 percent (SSBP, 1984).

In most socialist countries, housing is a public good to be built and allocated through the administrative allocation system. Each year, the state puts a portion of the national investment fund into housing construction, and distributes it to people through administrative allocation mechanisms (DiMaio, 1974; Daniel, 1983; Zhu and Wang, 1988).

Because in socialist countries, wages and salaries are set to exclude the cost of housing (Szelenyi, 1983), housing has to be distributed to people virtually free. Housing rent is very low in all the socialist countries. In China, for example, it was only 2.6 percent of average household income in 1961. It decreased to 1.4 percent in 1981, and further decreased to 0.9 percent in 1986 (SSBP, 1987). In Eastern Europe and the USSR, rents for public housing are only 1-3

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[2] This figure is computed based on data from McAuley (1979), and DiMaio (1974).

percent of average family income (Suranyi-Unger, 1972). Such low rents cannot even cover the housing maintenance cost. The state not only has to provide free housing, but also has to pay the most part of the housing maintenance cost.

Such a low wage, free housing policy is the main cause for the chronic housing shortage in socialist countries. There is an insatiable demand for housing, because everybody is entitled to get housing from the state, and the more housing one gets, the more benefits she or he obtains. On the supply side, the state does not have incentives to build more housing, because housing investment is actually regarded a heavy burden--it cannot generate direct revenue for the state (Zhu and Wang, 1988). Even when under social pressures, the state does want to increase housing supply, there is a limited amount of capital available. It is acknowledged by the governments of the socialist countries that under the administrative allocation of housing, the conflicts between the limited supply of housing and the insatiable demand for it can never be solved (Conner, 1979; Daniel, 1983; Liu, 1989).

One solution now being adopted by many socialist countries is to allow private ownership of housing property and to encourage private housing investment. In the USSR, this policy was adopted as early as in 1947 (Dimaio, 1974). In China, it was started only in the mid1980s. This policy, as we will see later, has a strong negative impact on income distribution, because under such a policy, public housing is

only distributed to a part of urban population. Thus, those who get public housing receive a large share of the concentrated public housing fund, and others who do not get housing receive nothing, they have to build housing on their own resources.

Take China as an example. According to the official 1985 statistical data, the average cost for building a 55 square meter flat of apartment type housing was 30,000 yuan, and the basic maintenance and repair cost for the flat was 240 yuan a year (see Zhu and Wang, 1988). Residents had only to pay 55.8 yuan for housing rent, and the state subsided the remaining 184.2 yuan of maintenance cost. Now let us consider two households with the average annual income--748.9 yuan per capita in 1985 (SSBP, 1986). One family receives a 55 square meter flat from the state, so it receives not only the 30,000 yuan investment free[3], but also the 184.2 yuan of maintenance cost. The other family, on the other hand, is unable to get public housing, and it has to build a house of the same size and same cost on their own. Thus, while the first family can enjoy free housing and rent-subsidies forever, the second family not only has to invest 30,000 yuan from their own pocket, but also has to spend 240 yuan (184.2 plus 55.8) to maintain it. From this example we can see the distributive

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[3]Once the family obtain the flat, they usually can live there for decades, and leave to their children, unless they move to better public housing. Therefore, in fact they own the flat.

impact of public housing. For an average income family with 748.9 yuan per capita annual income, the 30,000 yuan investment and several hundred yuan annual cost would be an extremely heavy burden.

Now, the question is who gets the most from public housing? Does most public housing stock in socialist countries go to the poorest groups in society, as is the case of the public housing projects in Western industrial countries? Or instead, do those who have power, status, and high income have the priority in obtaining public housing? To find the answers, let us examine how the public housing is distributed in China, Hungary, and the Soviet Union.

China

In China, everybody working in the public sector relies on the government to provide housing. Public housing is built and distributed by work units, which receive housing investment funds and subsidies from the government, and build and distribute housing to workers and staff within the work units (Liu, 1989).

There are two levels of inequalities in housing distribution. First, there is an inequality among different work units. According to Zhu and Wang (1988, p. 27), large industry enterprises, government agents, and all those work

units with political or economic power usually get more housing funds from the state than others, so that, on average, people working in these units have better housing conditions. Other work units, such as most work units at local level or remote areas, small enterprises, collective-enterprises, middle and primary schools, etc., usually get few or no housing funds. People working in these "peripheral" units suffer the most from the housing shortage.

The second level of inequality is within work units, where housing is officially distributed according to a criteria which is based on a person's seniority, performance, need, and administrative ranks[4]. In the circumstances of housing shortages, however, the administrative rank is usually the only criteria observed (Zhu and Wang, 1988, p. 23).

Table 3.1 shows the official regulation on housing standards for different administrative ranks, which allows people in higher positions to have better housing. We note that the regulation only sets standards up to middle-level cadres. For those at higher levels, such as managers of large enterprises, high-level military officers, and cadres at provincial, municipal, and ministerial levels and higher, there is no restrictive regulations of housing standards.

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[4]In China, all the occupations are attached to an administrative rank. We have "monk with branch-director's rank," or "monk with county-director's rank"; "restaurant-director with county-governor's rank" or "with department-director's rank"; and "professor with province-governor's rank." Each rank corresponds to a specific level of privileges. (Chen, 1988)

Table 3.1 Urban Housing Standards, China, 1983

Social Group	Type of Apartment	Housing Area Per Flat (Sq.M.)
1. Ordinary Workers and Staff	A	42-45
	B	45-50
2. Country-Level Cadres, Branch-Level Cadres, and Middle-Level Intellectuals	C	60-70
3. Prefecture-Level Cadres, Department-Level Cadres, and High-Level Intellectuals	D	80-90

Source: The State Council, 1984, "The State Regulation on Control of Urban Housing Standards," Almanac of China's Economy, Beijing: China Statistical Information and Consultancy Service Center.

In fact, the above regulation has never been well-observed. As one state government document points out, many provinces and ministries ignore the state regulation and set their own higher housing standards freely, and they build increasingly larger and higher-standard housing for leading cadres (SSBR, 1984). Study by Zhu and Wang (1988) also shows that many not-so-privileged cadres and those who have connections with powerful cadres usually obtain more housing by occupying two or three flats, each within the standards of the state housing regulation. For cadres, housing is a symbol of power and social position, so they often compete with each other to show off who has the better and larger housing (Zhu and Wang, 1988).

On the other hand, the majority of population are not able to obtain housing even at the lowest standard of the state regulation. Because the total public housing investment is fixed for each year, when those who have power try their best to obtain more housing, ordinary people will inevitably have less housing. According to the data from China's first urban housing census in 1986 (see Zhu and Wang, 1988; Liu, 1989), 1.28 million urban households had no housing at all, i.e., they lived in warehouses, corridors, workshops, classrooms, office rooms, and basement year after year; another 4.15 million households were "inconvenient households," i.e., three generations living in one bedroom, parents and grown-up children living in one bedroom, or two couples living in one bedroom. These two types of households accounted for 13.7 percent of China's total urban households.

Tables 3.2 and 3.3 show the housing distributions among

Table 3.2. Average Per Capita Housing Distribution by Social Groups, Beijing 1986.

Social Groups	Average Housing Building Area (Sq.M./Person)
1. Ordinary Workers	3
2. Employees at municipal level	6
3. Employees at the Central government level	9

Source: Zhu, Jienghong, and Wang, Guozen, 1988, Housing-Housing, (in Chinese) Shengyang: Liaoning People's Publishing House, p. 28.

Table 3.3 Average Per Capita Housing Distribution by Social Groups, Shanghai 1982.

Social Groups	Average Housing Building Area (Sq.M./Person)
1. Cadres at and above Branch Level	8.17
2. Average-staff	6.22
3. Primary- and middle-school teachers	5.58
4. Manual Workers	4.49

Source: Zhu, Jienghong, and Wang, Guozen, 1988, Housing-Housing, (in Chinese) Shengyang: Liaoning People's Publishing House, p. 25.

social groups in Beijing and Shanghai. According to the data in the two tables, people with higher ranks in the hierarchical structure have more housing.

In terms of the overall distribution of housing, in 1986, 25.7 percent of China's urban population had a per capita housing building area below 4 square meters, 21 percent above 8 square meters (SSBP, 1987). In order to compare with the wage distribution in China, we assume that the average housing area received by the bottom 20 percent of population was 3 square meters per capita in 1985, and that received by the top 20 percent was 10 square meters per capita. Then the ratio between the housing received by top 20 percent households and the bottom 20 percent households was 3.3:1, which is much higher than the ratio of wages received by the top 20 percent

and the bottom 20 percent, which is 1.8:1 (see SSBP, 1988). If we further consider the differences in housing quality and facilities, the disparity will be much larger.

To sum up, from the above analysis, we may conclude that the public housing is more unequally distributed among the population than the wages. Public housing does not equalize the overall income distribution, instead, it further increases inequalities in the Chinese society.

Hungary

Housing policy in Hungary is the same as in China in that the state only provides housing for urban population. Although in the urban areas, the proportion of privately owned dwellings has been increasing, the prevailing form of dwellings is still state-owned apartment houses. In 1980, the ratio of state-owned dwellings in Budapest was close to 60 percent (Daniel, 1985, p. 392).

In Hungary, due to the dualistic housing system, i.e., the co-existence of public free housing and private housing market, inequality in public housing distribution has become "one of the most important differentiating factors of the society" (Daniel, 1985, p. 393).

In the late 1960s, Szelenyi and Konrad made a housing survey in two Hungarian cities. Their data show that the state distribution of housing in Hungary systematically

favored the higher income groups, both in quality of housing and rent subsidies. The overwhelming majority of the working class has to house itself by building or buying at market prices. Consequently, "the richer classes get better housing for less money and effort, while poorer classes get worse housing at the cost of more money or effort, or both" (Szelenyi, 1983, p. 63).

As Szelenyi further points out, this inequality of housing distribution is caused by the socialist distribution policy. Because wages are set to reward those with higher status and position in the social stratification, and wages do not cover the cost of housing and other public goods and services, then the distribution of housing and other public goods can only be determined by people's position and status. Reward, instead of need, is the basic criteria for housing distribution.

More recent studies further reveal the inequalities in public housing distribution in Hungary. According to the 1976 household statistics, low-income households not only lived in low quality housing, but also received much less in rent subsidies than average households. The rent subsidies received by households in the two lowest income brackets[5] were 12% of their low annual income, while the households in the two highest income brackets, covering 8 percent of total

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[5]The population was classified into ten income brackets, according to their household per capita income.

households, received rent subsidies that amount to 13-15 percent of their high annual income, in addition to their high housing qualities, better facilities and more spacious dwellings. In terms of the absolute amount of the subsidy, households in the second highest income bracket received 7.6 times as much as that received by the households in the lowest bracket (Daniel, 1983, p. 95).

Table 3.4 compares the disparity in the distribution of earnings to that in housing distribution in Hungary. The first line in the table shows the earning difference between "workers" and "intellectuals and managerial," the ratio between the latter and the former is 1.29:1. The data in the third line indicate that the ratio of housing received by the two groups is 1.64:1, and the data in the next line show that the ratio of rent subsidies received by the two groups is 1.84:1. Apparently the public housing and rent subsidies are more unequally distributed than wages[6].

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[6]Some people may argue that the disparities on both wage distribution and housing distribution are not very significant between the two groups. However, we are only comparing two aggregate groups. In fact, the "intellectual and managerial" group includes both low-income rank-and-file workers and high-income bureaucrats and managers. if we break it down, both the earning disparity and the housing disparity would be much greater. For example, in 1977, the ratio between the average earnings of the top 10% and the bottom 10% household per capita income groups was 4.1 : 1 (Flakierski, 1986, p. 91). Our purpose here is not to show how unequal the distributions are, but to compare the inequalities in housing distribution to that of wages distribution, and to see which one is more unequally distributed.

Table 3.4 Redistributive Effects of Rent-subsidies According To Social Groups, Hungary, 1980.

Subject (A)	Workers (B)	Intellectuals Managerial (C)	C/B (D)
1.Average Annual Earning (Ft/Person)	23819	30792	1.29
2.Average Number of Rooms Per Person	0.52	0.74	1.42
3.Average Quality Number of Rooms Per Person[7]	1.21	1.99	1.64
4.Annual Average Subsidy (Ft/Person)	2802	5150	1.84
5.Subsidy in Percentage of Income	11.80	16.70	1.41

Ft: Frionts.
Source: Daniel, Z., 1983, "Public Housing, Personal Income and Central Redistribution in Hungary," Acta Oeconomica, Vol. 31 (1-2), p. 97.

Apparently, the advantaged social group is further better off through the housing subsidies. Then, what is the overall distributional effect? According to the 1976 survey, the ratio of per head household earnings between the highest and the lowest deciles was 4.5:1, with the public housing supply indicator (see the footnote to Table 4.6) taken into account, this ratio rises to 12.5:1 (Ibid). In a separate study,

[7] This indicator combines both quantity and quality of dwelling. It expresses quality as an "additional number of rooms," Thus the room of a dwelling with a bathroom is valued twice as high as a flat without bathroom, and modern heating is worth a further half-room (Daniel, 1983).

Flakierski (1986) also noted the serious inequality in public housing distribution. As Daniel (1985, p. 408) concludes: "The allocation of apartments or flats does not reduce but, on the contrary, increases inequality within our society."

USSR

The public housing policies in the USSR are very similar to those in China. The state takes full responsibility of providing housing for people. During 1981-1985, state capital investment accounted for more than 70 percent of total housing investment (Sherer, 1987, p. 299). As in all other socialist countries, there is a constant shortage of housing supply. According to Sherer (1987), the Moscow News reported that in 1986 there were 90 million people waiting for housing, which would need 27 million apartments, so people on the waiting list have to wait more than ten years on average for obtaining public housing.

In the Soviet Union, public housing serves as a valuable tool of rewards. The Soviet housing law explicitly states that the authority should give housing priority to people with outstanding performance, or high skills and any person specifically designated by the government (Dimaio, 1974). Thus, the policy not only justifies unequal distribution, but also give a high degree of flexibility to those in charge of

housing distribution to use housing for patronage purposes. In 1985, for example, the Frunze city executive committee distributed 1862 new public apartments, only 216 of these apartments (11.6%) were available to people on the waiting list, 88.4 percent were distributed through other channels (Sherer, 1987, p. 299). Matthews (1978) also noted the privileges received by the Soviet elites in housing distribution in the USSR.

To sum up, first, it is very clear that public housing distribution in socialist countries serves as an integral part of socialist distribution. It does not serve the same function as public housing projects in Western countries, which is to help the poor. On the contrary, in socialist countries, it is the people who have political power and position that tend to have priority in obtaining public housing, and the poor people tend to live in private housing. Second, in most socialist countries, not only is public housing very unequally distributed, but also this unequal distribution of housing increases the overall economic inequality.

Chapter 4

Education

Education is the second largest in-kind distribution in socialist countries. In the USSR, the educational fund amounted to 13.6 percent of total wage bill in 1970 (see Table 2.2). In China, it amounted to 16.5 percent of total wage bill in 1983 (see Table 2.3).

Education is free in all socialist countries. Common wisdom is that free education tends to have a strong equalizing impact, because it helps the children from low-income families to obtain education. In this chapter, we will test this common belief by examining the education systems in the Soviet Union, China, and other socialist countries. The main question we ask here is whether the educational fund is more equally distributed than wages, or vice versa.

The Soviet Union

Although education in the Soviet Union is tuition-free, many low-income families still find it an economic burden to let their children to go to school. According to a 1973 general survey of education conducted in six regions of the Soviet Union, half of the first-graders and two-fifths of the eighth-graders reported family per capita monthly incomes of

50 rubles and less, which is less than the amount needed to maintain the minimal standard of living estimated by Soviet economists[8]. Many Soviet families need their children to earn money as early as possible. Contrasted with the tangible rewards afforded by employment, it is too costly for many families to allow their children for two or three more years of high-school study or five more years of college. Besides this opportunity cost, there is also a direct cost. Although in recent years, seven out of ten college students received state stipends, and more than half lived in state-subsidized dormitories, most families still have to contribute to their children's support. If a student received a stipend and lived either in a dormitory or at home, his or her family still has to provide some 15-25 rubles a month to make ends meet (Dobson, 1988). The burden was considerable for poor families with per capita monthly income below 50 rubles. If the student did not get a scholarship or had to rent an apartment, the cost become excessive for many.

On the other hand, families in the upper strata can afford these economic costs. To them, not having their children to go to college is a risk too high to take, because in the USSR, as well as in all other socialist countries, to be educated is

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[8] See Dobson (1988, p. 42). According to him, in the Soviet six-region survey, the first-graders' teachers collected information on income from the parents, while the eighth-graders were asked to report their families' income themselves. The data are subject to the biases of under-reporting.

the necessary condition for climbing up the social hierarchy, though it may not be a sufficient condition (Lane, 1982).

Consequently, free education in the Soviet Union is not equally distributed among all social groups. The data in Table 4.1 are from the 1973 six-region survey, with which we find two phenomena. First, the data show different chances of

Table 4.1 USSR Social-occupational Characteristics of Eighth-graders', Tenth-graders', and College Students' Parents. Six-region Survey, 1973

Parents' Occupational Status		Percent of Students			Index of Disparity	
Father	Mother	Eighth-Grade	Tenth-Grade	College	Change[a]	Index[b]
Specialist	Specialist	13.1%	19.1%	36.3%	278	647
Specialist	Employee	5.4	6.4	9.6	178	414
Employee	Employee	2.7	3.5	3.4	126	293
Worker	Specialist	7.7	6.3	8.3	108	251
Worker	Employee	12.0	14.7	9.8	82	190
Worker	Worker	24.6	20.1	12.0	49	114
Farm-worker	Farm-worker	20.6	16.1	8.8	43	100
All others		13.9	13.8	11.8	--	--
Total		100.0	100.0	100.0		

Source: Dobson, Richard B., 1988, "High Education in the Soviet Union: Problems of Access, Equality, and Public Policy," in G. W. Lapidus & G. E. Swanson, State and Welfare USA/USSR, p. 27.

a. Index of Change: the proportion of each student group in college compared to its proportion among eighth-graders (eighth-grade = 100).

b. Disparity Index: the degree to which the chances for becoming college students for eighth-graders from various strata when the children of farm workers is taken as the reference point (= 100).

becoming college students for children of different social origins. The "disparity index" reveals that the offspring of both-specialists parents were 5.7 times as likely to enter college as urban manual workers' children at the eighth-grade. Moreover, since the specialists include occupations as diverse as scientists with postgraduate degrees and elementary-school teachers, chief-engineers and rank-and-file technicians, high-level party officials and minor administrators, a more finely differentiated breakdown would magnify the differences. Nonetheless, the data clearly reveal the overall unequal distribution of free education. Second, the table also shows that there were many high school drop-outs in the lower social strata. At the high school level, for example, the proportion of children from farm-families to the total student body dropped from 20.6 percent at eighth grade to 16.1 percent at tenth grade, and children from workers' families dropped from 24.6 percent to 20.1 percent.

Table 4.2 shows that in the late-1960s the distribution of college education was very unequal among different social groups. The data show that although "specialists" only accounted for 14.2 percent of the employed population, their children consist of one-third to one-half of the student body of different universities. The children from the working class, which made up some 75 percent of the employed population, only accounted for about 30 percent of the student

Table 4.2 Occupational Status of Soviet Students in Different Universities, Late 1960s

Occupational Status of Parents	% of Employed Population	% of Student Body	Index
Specialists	14.2	31.5-51.0	2.17-3.59
Nonspecialist employees	10.6	9.1-29.5	0.86-2.78
Workers	60.0	25.3-29.4	0.42-0.49
Collective farmers	15.2	0.9- 4.2	0.06-0.28

Source: Yanowich, Murray, 1977, Social and Economic Inequality in the Soviet Union, White Plains, NY: M. E. Sharpe. pp. 88-89.

body of these universities[9].

In the beginning of this chapter, we mentioned Ofer and Vinokur's study of the distribution of Soviet social consumption in Table 2.4. Ofer and Vinokur claim that the distribution of education favors low-income groups rather than high-income groups. The ratio between the top and bottom decile groups in terms of receiving education benefits is 0.49:1, which means that people in the lowest income decile receive twice as many the educational benefits as those in the

[9]Some people may argue that it is not necessary for the working people to have college education. However, here what we are interested is the distributive effect of the free education policy, i.e., who gets the most benefits from this free education policy, and whether this policy increases the overall inequalities in society. The free education is actually financed by everybody in the nation. If, as those argued, it is not necessary for working people to go to college, then it is also not necessary and not fair for them to bear the economic burden of the free education.

top income decile. However, from the above analysis the Soviet educational system and the social structure, we would conclude that Ofer and Vinokur's data are very unlikely to be correct.

China

In China, due to the shortages of state education funding, only a small proportion of primary school graduates can go to junior high school, of which a small proportion go to senior high school, and an even smaller proportion to college. The figures below show the total numbers of students at different levels of education in 1985. From the data, we can see clearly the serious shortages of educational opportunities in higher levels of education in China (SSBP, 1986).

Primary School students:	133.70 million;
Junior high school students:	40.11 million;
Senior high school students:	11.56 million;
Undergraduate students:	1.70 million;
Graduate students:	0.09 million.

Another character of China's educational system is that the free education is basically concentrated in urban areas. In the rural areas, the state only provides limited financial support for primary and junior high schools, which basically rely on farmers' collective funding (Ji, 1985). Children of farmers can go to urban areas to attend senior high school, through competitive entrance-examinations. However, many farmers' children cannot afford to live and study in urban

high schools, so even if they are able to compete with urban students, the chances of going to senior high school are much smaller for rural population than for urban population. Needless to say, the chances of going to universities are even much lower for farmers' children. In 1984, only 26.5 percent of undergraduate students in China were from rural areas, although about 80 percent of total population were farmers (SSBP, 1986). Thus, we estimate that more than 70 percent of state expenditures on education is concentrated in urban sector.

The education system in China's urban areas has developed a very complex, elite-promoting hierarchical structure. Even in the urban areas, the chances of any student in primary school to go through all the levels to university are very slim and the competition for education opportunities is very strong. Consequently, the main criteria for judging the quality of a school is based on the proportion of its graduates entering schools of a higher level. The whole Chinese education system is geared to reward those schools that have higher rates of graduates entering higher levels of school (Zhang, 1982). Take secondary education for example, in China both junior high and senior high schools are classified into two different qualities: key schools and ordinary schools. The key schools usually get more funding, better facilities, and higher quality teachers, and the ordinary schools are usually down played by the government,

with much less material supports. When students graduate from primary schools, they face two different futures. Those in the upper level can go to key junior high schools, which means they will get higher quality education and much better chances to go to senior high schools; and those in the middle and lower levels go to ordinary schools, a few in the bottom may not even be admitted. Then, after they graduate from junior high school, this selection procedure happens once more.

Furthermore, within each senior high school, key or ordinary, students are classified into "advanced class" and "slow class" according to their grades in the examinations. The former are those considered more likely to make their way to college, and the latter are those considered to have few chances to go to college (Zhang, 1982).

This hierarchical elite-selecting structure tends to discriminate against children of lower income and lower educated families. One study found that there is a high correlation between parents' educational levels and students' performances in primary and middle school, and most repeaters were found from manual workers families (Wu, 1984).

According to the author's knowledge, in China, going to school is also considered by many low-income families as an economic burden. Student drop-outs in elementary and middle schools is a well known phenomenon. A study on student drop-outs in junior high schools in the city of Tianjin shows that in 1986 the drop-out rate in junior-high school was 2.8

percent for first-graders, 8.2 percent for second-graders, and 6.0 percent for the third-graders. Most of the drop-outs were from low income workers' families, mainly because their parents want them to work to help support families (Tianjin Ribao, April 18, 1986).

On the other hand, children from intellectuals' families and from bureaucratic officials' families are much favored by this system. The former usually have a strong family tradition of higher education, and their children tend to do very well in school; and the latter have privileges of access to school. Elites' children can go to the best high schools that are especially set up for them (Parish, 1981). In a speech in 1982, the Chinese minister of education reported that many cadres used their power to make their not-so-good children get into key schools and "advanced class" (Zhang, 1982).

Given such an elite-selecting structure of secondary school, naturally the college education in China is very unequally distributed among different social groups. There is strong evidence that children from low social strata are much less represented in college level education. Take a rural county for example, in 1978, 231 college applicants in the county were admitted to colleges and universities. Among them only 48 were from workers' families, and 73 from farmers' families. Together they represent 52.4 percent of the total applicants being admitted, although over 99 percent of the 1

Table 4.3 Occupational Status of Chinese Students in Colleges and Graduate Schools, 1977-87

Occupational Status of Parents	% of Employed Population	% of Undergra. Student Body	% of Graduate Student Body
Bureaucrats	1.5	26.8	38.6
Intellectuals	2.9	33.8	31.6
Non-manual employees	4.1	11.8	12.3
Manual Workers	16.4	17.3	8.8
Farmers	75.0	10.2	8.8
Total	99.9	99.9	100.1

Source: Column 1: State Statistical Bureau PRC. 1988, Statistical Yearbook of China 1987, Hong Kong: Longman.
Column 2: based on the author's survey.

million population in this county were workers and farmers (Fei, 1978). The data in Table 4.3 are from a survey conducted by the author, concerning the distribution of college and graduate education among different social groups (see Appendix). The table shows that the majority of university students are from bureaucrats and intellectuals families. While bureaucrats and intellectuals only account for less than 5 percent of total employed population, their children make up 60.6percent of total college students and 70.2 percent of total graduate students. Manual workers and farmers account for 91.4 percent of total employed population, their children only represent 27.5 percent of total undergraduate students and 17.6 percent of total graduate students.

Other socialist countries

Data on education systems in other socialist countries are very scarce. However, from the limited data available, we can find the same kind of unequal distribution of education. According to Flakierski (1986), for example, in 1970s, the top 10 percent of per capita income households in Hungary received four times more university education than the bottom 10 percent. The children of the managerial and intellectual group received eight times more university education than the children of unskilled workers.

From the above analysis, we may conclude that in socialist countries, education is not equally distributed. First, because of the low wage and low living standard, for many families in the low social strata, going to school is still considered to be a burden, instead of a free opportunity. Second, in terms of distribution of education, there are serious disparities between rural and urban population and between different occupations. We are not able to make an accurate estimate of size distribution of educational benefits from data available; however, we can be sure to conclude that the distribution of education is not more equal than the wage distribution.

Chapter 5

Health Care

Perhaps the inequality in health services is the most difficult item to estimate. There is virtually no statistical data available on how the health fund is distributed among population. However, many phenomenon in socialist medical system suggest that there is a very serious unequal distribution. First hand observations also confirm that the disparities in the access to medical care among different social groups are significant.

In the USSR, in theory there is a unified medical system planned and managed by the Ministry of Health. In reality, several subsystems provide medical care of differing quality to a variety of population groups (Davis 1988). There are six types of legal subsystems of medical care: elite, departmental, capital city, industrial, provincial city, and rural. This total medical structure corresponds to the hierarchical social structure. Table 5.1 shows the number of population each of the six subsystems serves. The elite subsystem is specifically set up to serve the Soviet party and government elites and their families. This subsystem has the highest quality of medicines and equipments and is staffed by the best medical personnel in the USSR. The departmental

Table 5.1 Distribution of Soviet Population Among Six Subsystems of Medical Care in 1975

Medical Subsystem	Number of Population (Millions)	Percent of Total
Elite	1.0	0.4%
Departmental	12.7	5.0
Capital city	49.1	19.4
Industrial	20.2	8.0
Provincial city	40.9	16.1
Rural district	129.4	51.1
Total	253.3	100.0

Source: Davis, Christopher M., 1988, "The Organization and Performance of the Contemporary Soviet Health Service," in G. W. Lapidus & G. E. Swanson, State and Welfare USA/USSR, pp. 95-142.

subsystem serves people affiliated with the controlling organizations, such as the Ministry of Defence, the secrete police (KGB), the Ministry of Foreign Affairs, and are closed to the public. The level of medical care is higher than the other four public subsystems because the economic and political power of the controlling organizations ensure better access to available resources. (Davis, 1988, p. 118).

According to Davis, most Soviet citizens receive their medical care in one of the other four subsystems, among which the capital city system is the best. The capital city system are managed by the main administration of public health in capital cities of the Soviet republics, where "institutions are specialized, the quality of the staff is relatively high,

modern equipment and medicines are available, and the urban transportation network facilities home care and emergency aid" (Davis, 1988, p. 119). The industrial subsystem and the provincial city subsystem are not as good as the capital city system. They are characterized by low level of specialized hospitals, low quality of personnel, and resource constraints are tighter. Nevertheless, compared to the rural health subsystem, they are still high in quality. The rural health subsystem is the worst, where the medical care "is still years behind that in the cities" (Davis, 1988, p. 119). This subsystem is marked by serious shortages of medical personnel, basic medicines and equipments; poorly developed transportation and public sanitation, and lack of supplemental funding. Over a half of total Soviet population receive their medical services from this rural health subsystem.

In general, in 1975 about 25 percent of the Soviet population had access to medical care of a relatively high standard; another 24 percent obtained decent services in industrial or provincial city subsystems; 51 percent have only low-quality medical services. Moreover, as Davis found, even within one same system, the accesses to medical care are not equal.

We are not able to find more specific data on inequalities in the distribution of medical care. From the above analysis, however, we can at least be safe to conclude that the access to medical services is very unequal among

different social strata. Furthermore, it is also safe to conclude that the data on medical distribution from Ofer and Vinokur survey (Table 2.4 on page 16) are unlikely to be true.

China

In China, the medical system is very similar to the one in the Soviet Union. The only major difference is that in China rural farmers do not receive free medical services from the State, they have to pay full medical expenses on their own[10].

The Chinese urban medical system is a very complex hierarchical structure. As in other socialist countries, there is a constant shortage of medical services, hospital beds, and well-trained doctors in China. For ordinary urban residents, from manual workers to university professors, going to see doctor is always an unpleasant experience, if they do not have any personal connection with doctors. The quality of services is usually not very high, and long waits and overcrowding are normal situation. Under such a circumstance, anyone who has some power would try their best to avoid this kind of frustration and make sure that he or she can receive

[10]The description of the Chinese medical system in this paragraph and next one is based on the author's personal knowledge.

best medical care available as soon as it is needed. Consequently, besides the closed medical system for the elites at national level, in every public or departmental hospital there is a section officially labeled "high-ranking cadres' ward" (gaogang bingfang), which provides the best doctors and equipments in the hospital for local cadres at different levels, who are not privileged enough to have access to the closed elite medical systems. This "high-ranking cadres' ward" represents a subhierarchy at every level of the overall hierarchical medical system. Moderate-ranking cadres in provincial level receive services in provincial-city hospitals' "high-ranking cadres' ward," low-ranking cadres in local small cities or counties have access to "high-ranking cadres wards" in city hospitals or county hospitals.

On the other hand, since the total medical fund is limited, the rest of the mass without any official rank and power would have to share whatever is leftover by those bureaucrats. According to the author's personal experience, for ordinary people there is a serious shortage for hospital beds. Many people usually have to wait for months or even years to obtain a bed and to have their long delayed surgeries. Under such a hierarchical system, one can imagine that the medical funds would be more unequally distributed than wages and salaries.

A featured article in People's Daily (April 3, 1989, p. 7) reports that in a local city there were more than 3,200

retired cadres who had access to "high-ranking cadres' ward" in the city's hospitals. In 1986 they consumed on average 2,020 yuan medical expense from the state (the average urban household per capita income was 828 yuan in 1986). The article goes on to state that these retired cadres occupy the wards for years without any illness, and do not allow any other people even to use them temporarily. Some of them have been there for 18 years. They go to wards mainly for entertainment, to play "Majun" or to flirt with young nurses. As the article points out: "For those staying at high-ranking cadres' ward, two-tenths are for real illness, and eight-tenths are for enjoyment--enjoying the symbol of high positions and privileges. This 'high-ranking cadres' ward' system divides patients into strictly different ranks."

The article does not mention what kind of medical privileges were enjoyed by greater number of cadres in the city who are not retired and are still in power. Neither does it mention the more privileged elites, both retired or not, at provincial or departmental levels, and at the national level. However, the article points out that the reported situation in that city can be seen everywhere in the country. When there are so many privileged retired cadres at local city level, we can well imagine the overall distribution of medical services among different social strata.

In other socialist countries, because the social structures are similar to those in the Soviet Union and China,

there are similar inequalities in the distribution of medical services. For example, in Hungary, studies show that nonmanual workers' households use health services to a greater extent than the manual workers' households and particularly farmers' households (Adam & Nosal, 1982).

Chapter 6

Pensions

In socialist countries, pensions is another large item of social benefit. In the USSR, expenditures on pensions in 1981 was 35.4 billion rubles, which amounted to 29.0 percent of total social consumption budget and 5.3 percent of GNP (Madison, 1988). In China pensions amounted to 9.6 percent of total wage bill in 1986 (SSBP, 1988). There are usually two major types of pensions: sick leave and old-age pension. For the majority of population in socialist countries, pensions are the only economic resource for the old aged people. In China, ordinary manual and nonmanual workers in the public sector receive 40-70 percent of their wages, depending on their seniority (LGWX,1973). For party, government, or managerial cadres, there is a different retirement system, which is called "Lixio." The amount of retirement pensions ranges from 100-150 percent of their original salaries, according to their ranks and seniority.

In case of sick leave, the pension is determined by seniority. For a sick leave less than six months, a person with more than eight years of seniority receives full pay; otherwise he or she gets 60 percent of the original salary. For sick leave extending beyond six months, the pension is reduced to 40-60 percent of his or her pay, depending on the

person's seniority (LGWX, 1973).

A sample survey conducted in 1982 in Beijing found that the retirement pension was unequally distributed among different social groups (see Table 6.1) (Lin and Geng, 1983). On average high-level intellectuals received 3.8 times as much as the retirement pension received by service workers, and 3.3 times as much as that by manual workers. The survey did not include high level bureaucrats and managers, who usually enjoy the privileged retirement system (Lixio) and receive high pensions.

Now we may recall the Chinese official data on the distribution of retired pension in the beginning of the thesis (Table 2.6), which shows that the inequality in the

Table 6.1 The Distribution of Retirement Pensions by Social Groups, Beijing, 1982

Occupations	Average pension per month (yuan)	Percent of sample	Percent below poverty level
High-level intellectual	157.8	4.5	--
Ordinary cadres	86.1	25.4	--
Non-manual staffs	63.0	10.7	--
Manual workers	48.1	50.5	5.2
Service workers	41.7	8.9	4.9
Total		100.0	10.1

Source: Based on a sample survey conducted in May 1982, see Lin, Lenong, and Geng, Kung. 1983. "A Survey of Retired Workers," Shehui Kexue Zhanxian, No.3, p. 105.

distribution of retirement pensions is much worse than that of wages. This is in accordance with our above analysis.

In the USSR, the amount of pension is also related to pensioner's average past earnings; however, the Soviet pension policy sets restrictions on maximum and minimum amounts of pensions, which is intended to avoid extreme disparity. This policy does have an equalizing effect within each social group, but reinforces disparity between different social strata. In 1979, for example, the maximum amount of pension was 300 rubles per month for managerial and supervisory jobs, and it was only 150 rubles for ordinary workers and employees (Madison, 1988). Data in table 6.2 are derived from a sample survey of 232 former Soviet pensioners who left their country in late 1970s. We find from Table 6.2 a similar pattern of

Table 6.2 Influence of Prior Earnings on Pensions in the USSR, late-1970

Monthly Pension	Prior Monthly Earnings, Rubles					Percent of Total
	<70	70-100	101-150	151-200	>200	
< 46	78%	28%	--	2%	--	8%
46-51	11	18	3%	--	--	5
		------	Poverty	Line	------	
52-70	11	54	45	--	1	21
71-119	--	--	50	84	12	34
120	--	--	2	14	87	32
Total	4	17	24	22	33	100

Source: Madison, Bernice, 1988, "The Soviet Pension System and Social Security," in G. W. Lapidus & G. E. Swanson, State and Welfare, USA/USSR, pp. 180.

disparities as in other socialist countries. Those who had held high wage jobs also received high pensions after their retirement, and the majority of those who held low-wage jobs lived below poverty line after their retirement[11].

[11]Here again , we may compare Madison's survey data with Ofer and Vinokur's survey data. Based on our knowledge of the Soviet social and political structure, and particularly based on the way Soviet pensions are distributed, we would judge that Madison's data are much more close to the Soviet reality than Ofer and Vinokur's data.

Chapter 7

Price Subsidies and Others

In this chapter, we discuss the distribution of price subsidies and other items of social benefit (such as cultural facilities). Here, price subsidies refer to the state subsidies on food and other commodities. Subsidies on housing-rent, which is covered in the housing section, are not included.

Commodity price subsidies are considered to be a major redistributive instrument by the socialist state. The purpose of this policy is to keep the price low, so that low income families are able to get basic goods and services. Artificially low prices, however, tend to create excessive demand and chronic shortage, which makes access to distributive process, not money, the main determinant of distribution of material consumption (Kornai, 1980). Moreover, this low price policy creates a black market. Whoever has power and access to the distributive process can get more commodities, and therefore get more benefits from price subsidy. Ordinary people have often to wait in long lines and only get limited amount of goods. Many people at the bottom of the society (for example, most farmers in China) have to go to the black market and pay much higher prices to obtain basic goods. Thus, they receive little benefit from

price subsidies[12].

There are few detailed studies on the distribution of price subsidies in socialist countries, but from scattered data we can at least get a sense of the overall distributional pattern. A study in Hungary, based on a sample of goods at 1973 prices, shows that the consumer price system is dysfunctional from the social policy aspect: it only increases the inequality among the social groups (Daniel, 1983). A study by Juhasz, which is confined to food price subsidies, also demonstrates that the food price system did not have a redistributive effect at all--the benefit was distributed as unequally as wages (Adam and Nosal, 1982).

Table 7.1 shows households' expenditure on subsidized commodities and noncommodity items among different income household groups in China in 1986. If we assume that the distribution of price subsidies depends on the amount of goods purchased, and we further assume that the amount of goods purchased is in proportion to the amount of money spent on them, then we can measure the inequalities in the distribution of price subsidies according to the different amounts of money spent on subsidized goods by different income groups. The

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[12]Based on the author's knowledge, in China, a package of cigarettes in the black market sell at three or four times the official price; rice, more than twice the official price; colored TV set, more than twice. The fact that there are massive black market activities for basic goods indicates that large number of ordinary people, who have little access to the official subsidized market, have to get goods from the black market. See Grossman (1977) and Katsenelinboigen (1977).

Table 7.1 Urban Household Expenditure on Commodities and Other Subsidized Items, China 1986

	Deciles of Households (yuan)				Ratio between Top/bottom Deciles
	1	2	9	10	
A. Expenditure on commodities	431.8	527.6	911.0	1169.3	2.7
of which,					
1. Food	275.5	323.6	482.3	572.2	2.1
2. Clothing	58.7	75.4	141.2	166.3	2.8
3. Articles for cultural life & activities	15.7	25.4	79.6	118.6	7.5
4. Medicine and Medical goods	6.1	7.8	8.4	11.2	1.8
5. Fuel	11.3	11.8	14.4	16.9	1.5
B. Non-commodity expenditure	38.0	46.3	76.4	93.8	2.5
of which,					
6. Water and electricity	6.1	7.1	9.8	11.9	2.0
7. Transportation	3.4	4.6	10.1	13.2	3.9
8. School fees	8.6	9.4	8.4	8.5	1.0
9. Cultural life & recreation	1.2	1.7	3.1	3.8	3.2

Source: State Statistical Bureau PRC. 1988, Statistical Yearbook of China 1987, Hong Kong: Longman.

data in Table 7.1 show that the most serious disparities are in the consumption of cultural and recreational articles and activities, and transportation. Their ratios between top and bottom deciles are 7.5:1 and 3.9:1 respectively, which are higher than the disparity in wages (3.35). This finding shows the different life styles of people in different social groups. People in higher social strata tend to use cultural

facilities to a greater extent than manual workers.

According to data in Table 7.1, the distribution of food subsidies, which is the largest share of total subsidies, is less unequal than that of wages; however, if we take into account the existence of the black market (i.e. ordinary people have to pay high prices for the same goods), the disparities in real consumption of food would be much greater.

Table 7.2 compares the income disparity to the disparities in using of cultural facilities in Hungary. Apparently, there is a remarkably high correlation between distribution of income and that of cultural subsidies. In

Table 7.2 Social Position, Per Capita Income, and Cultural Indexes, Hungary 1960s.

Social strata by occupation of head of household	Per capita income index[a] (average = 100) (A)	Index of cultural level[b] (average = 100) (B)
Higher professionals	151	193
Average-level experts	125	153
Office clerks	117	147
Skilled workers	107	110
Trained workers	93	87
Unskilled workers	81	67
Agricultural manual workers	86	60

Correlation coefficient: columns A/B 0.98

Source: Lane, David, 1982, The End of Social Inequality? London: Allen & Unwin.

a. Based on size, conveniences, and equipment of houses.

b. Cultural level combines average level of education of family, books, newspapers, radio, and TV.

another study, Flakierski (1986) also noted that in Hungary in 1977, the top 10 percent of households received three and a half times more cultural facilities than the lowest 10 percent.

Here we are not arguing for an egalitarian distribution. What we demonstrate here is that the distribution of price subsidies do not help the poor very much, it is not more equally distributed than wages. If the socialist governments really want to make the material distribution more equal, they should stop subsidizing goods and services, and cultural facilities. They should let the rich people pay full costs of the goods and services, and adopt social welfare programs, such as food stamps, that exclusively target the poor.

Chapter 8

Conclusion

We have examined the distribution of major items of social consumption in socialist countries. Now, we can come back to the question posed at the beginning of this thesis: is the social consumption more equally distributed than wages?

All evidence shows that compared to wages, the distribution of social consumption tends to be more unequal. In socialist countries, the extent of inequalities in wage distribution is limited, because the distribution of wages is controlled by the central government through a rigid and complicated wage system, and every person in the urban sector of socialist countries is guaranteed a job and receives at least an above-minimum wage. The distribution of social consumption, however, is much more flexible, and therefore is easier to be manipulated by those who have power and position.

In socialist countries, everybody is entitled but not guaranteed to have a share of social consumption. Under the situation of shortages, everybody has to compete with each other in the administrative allocational process for obtaining free goods and services. Conceivably, under such a circumstance, people with political and distributional power tend to get whatever they want, and people at the bottom of

society are likely to be excluded from the distributional process. This explains why many scholars in socialist countries, such as Szelenyi (1983) and Zhao (1985), claim that an introduction of market mechanisms into the socialist system will help the poor to obtain access to distributional process, as well as to restrain the use of political power in material distribution.

Turning to the controversial issue at the beginning of the thesis, why the studies conducted by Western scholars tend to indicate a very equal distribution of social consumption in socialist countries? The main reason is that those studies are usually based on the official statistical data from socialist countries. As Michael (1975) points out, the official statistical data from socialist countries usually fail to document the inequalities in the distribution of public goods and services. Here we are not claiming that the officials in socialist countries intend to lie. There is simply no way to record everyone's consumption of free goods and services, such as the consumptions of health services, housing, education, and cultural facilities. The quality and cost of these free goods and services differ a great deal. The statistical data usually measure free goods and services in quantitative terms, such as the number of visits to hospital, the number of rooms of housing, and the number of school seats. These quantitative measures fail to record the differences in qualities of these goods and services. For

individual students in China, for example, the value of a seat in a "key school" is very different from that in an ordinary school. The differences are not only in the different amount of educational funds received, but more importantly, it determines the whole future of a student. Similarly, the value of a "high-cadres' ward" with its expensive medicine and high quality doctors is very different from the value of a hospital bed in a town hospital.

Both the Hungarian and Chinese data in Tables 2.5 and 2.6 have the kind of problems mentioned above. Both of them are not very accurate. However, the Chinese data were obtained through a household sample survey, relating quantitative measure to individual households with certain level of accuracy, the Hungarian data are not based on such a survey. This may be the reason that the Chinese data reveal a more unequal distribution of social consumption than the Hungarian data.

In fact, it is almost impossible to obtain accurate data on the distribution of social consumption in the socialist countries. First, it would be a too complicated task to measure every quantitative and qualitative differences of the consumption of free goods and services in monetary term. Second, even if such an endeavor were technically possible, the socialist government would find it politically undesirable to do it, because it will only cause political conflicts and tensions in the society if people know the exact inequalities

in social consumption among different social groups.

As may be noted by readers, throughout the analysis of distribution of social consumption, we constantly encounter the issue of political power and accesses to the distributional process. It is always true that in socialist countries, whoever has power and position will also receive better material rewards than ordinary people. This phenomenon makes us realize that to understand the inequalities in socialist countries, first of all we need to study the distribution of political power, instead of pure income distributional data. I will conduct this interesting study in another paper.

Appendix

Sample Survey on the Distribution of Chinese Higher Education

The author selected 13 Chinese students in Boston area, who attended universities in China from 1977 to 1987. They were asked to recall and to classify their former classmates into different groups according to thier parents' occupations. These students represent 13 classes in six majors from 8 universities which are located in six cities all over China (see Table A-1 and A-2). This survey may be a little biased to overestimate the children of intellectuals and bureaucrats, and to underestimate farmers children, because seven of the eight universities and colleges are first class institutes in China, while farmers' children tend to concentrate in local level agricultural, forestry, and teacher's colleges. The author believe, however, the survey reveal the overall structure of Chinese university student body.

Table A-2 PARENTS' OCCUPATIONAL STATUS OF CHINESE GRADUATE SCHOOL STUDENTS IN DIFFERENT UNIVERSITIES 1982-87

University	Location	Major	Bureaucrats & Managers	Intellectuals	Ordinary Staff	Manual Workers	Farmers
Tsinghua University	Beijing	Economics	53.3%	26.7%	0.0%	6.7%	13.3%
		Architecture	41.2	29.4	17.6	5.9	5.9
Fudang University	Shanghai	Economics	22.4	20.4	24.5	18.4	14.3
Nanjing University	Nanjing	Geography	11.1	44.4	22.2	11.1	11.1
Nankai University	Tianjin	Mathematics	40.0	30.0	0.0	10.0	20.0
Total			38.6	31.6	12.3	8.8	8.8

Table A-1 PARENTS' OCCUPATIONAL STATUS OF UNDERGRAGUATE STUDENTS IN CHINESE UNIVERSITIES, 1977-87

University	Location	Major	Bureaucrats & Managers	Intellectuals	Ordinary Staff	Manual Workers	Farmers
Tsinghua University	Beijing	Economics	23.3%	40.0%	6.7%	16.7%	13.3%
		Architecture	30.8	47.7	4.6	13.8	3.1
Tongji University	Shanghai	Urban planning	40.0	20.0	20.0	16.0	4.0
		Architecture	17.2	44.8	3.4	31.0	3.4
Fudang University	Shanghai	Economics	22.4	20.4	24.5	18.4	14.3
Shanghai Chemical Engineering College	Shanghai	Chemical Engineering	45.8	20.8	0.0	29.2	4.2
Nanjing University	Nanjing	Geography	12.9	22.6	19.4	12.9	32.3
Zhongshan University	Guangzhou	Geograghy	33.3	30.0	16.7	3.3	16.7
Harbin Architecture and Civil Engineering Institute	Harbin	Architecture	20.0	46.7	30.0	0.0	3.3
Total			26.8	33.8	11.8	17.3	10.2

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