

## СОВРЕМЕННОЕ ОБЩЕСТВО: АКТУАЛЬНЫЕ ПРОБЛЕМЫ И ПЕРСПЕКТИВЫ РАЗВИТИЯ

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### Justice and inequality in the household consumption in Russia and China: A comparative analysis\*

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**Abstract.** The authors conducted a comparative analysis of the household consumption in Russia and China on the basis of the reputable empirical information sources. The article focuses on the main trends and peculiarities in how households from each country differed in terms of the structure and level of consumption under dramatic transformations associated with market reforms. Inequality in consumption in Russia and China, which can be characterized as high or excessive, largely determines the overall situation with social inequality and significantly influences the development of state social policy in various fields. As for the most differentiating items of expenditure for both countries, those are groceries, durable goods, public utility payments, cultural activities and entertainment. After noting the effect that income has on consumption, which is undeniable, though differs in nature and degree, the authors focus on other factors of this type of inequality, in particular, on the territorial, regional and settlement-specific characteristics of consumption inequality in both countries. The authors argue that in Russia, there is significant regional inequality in consumption, while in China such inequality is more settlement-specific; there are also differences in consumption inequality between urban and rural areas, which contribute to the overall situation with social inequality. In China, urban household expenditures are growing much faster than those of rural households, while in Russia the difference is not that pronounced. That said, the share of spending on groceries in the structure of expenditures is decreasing more rapidly in urban China, and compared to Russia, there is a smaller gap between urban and rural areas. At the same time in China, consumption inequality as a result of age and class differences is a much more acute issue, while in Russia, the differences caused by intensifying economic stratification seem to be a more important factor of inequality.

**Key words:** household; income and expenses; household consumption; social inequality; social justice; households' economic behavior

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Social inequality exists in all societies, and its level depends on the level of social stratification. Today, social inequality is among the main challenges faced by the contemporary civilization, especially in those countries that are going through a period of fundamental and radical transformations which encompass all aspects of life and rapidly change the social standing of groups, strata and individuals. In each such country, the consequences of transformations manifest in different ways, with varying degree and intensity, due to a vast number of social-cultural and other differences. In some countries, social inequality can be catastrophic, while in others would not pose a threat to social stability even if being excessive. In some cases, inequality is insignificant and can be overcome at minimal cost.

Social inequality is a complicated, multilayered issue, with one of its most significant aspects being social-economic inequality determined by differences in the provision of various social groups and families with material resources, so that they can have a certain lifestyle and realize their life plans. When addressing these issues, scholars usually focus on inequality in consumption, since it is a source of social well-being, it is intricately linked to other components of well-being and represents a significant factor in the country's social-economic development, stabilization and integration. Differentiation in consumption, which is not just an economic process determined by the people's needs and opportunities to meet them, but also a social phenomenon that performs functions of communication and identification and largely influences the overall situation with social inequality. Since the term 'consumption' is connected to such terms as 'justice' and 'equality of opportunities and outcomes', there are obvious moral aspects in social inequality.

For a long time, issues of consumption and consumer behavior were not the primary research topics for economic experts and sociologists, who were more interested in production and labor behavior. Only at the end of the 20<sup>th</sup> century, academic circles admitted that consumption is one of the dominants of social-economic life, a crucial element of social structure and stratification, which reflects the capacity for adaptation of the population, groups and strata. Today, various aspects of inequality in consumption are the relevant fields of sociological research in many countries. The comparative analysis of different countries in this respect allows not only to identify general trends and the specifics of consumption inequality, but also to learn alternative activities aimed at alleviating the severity of this problem, which all societies regard as complicated and sensitive. A comparative analysis of the situation in Russian and in China is particularly relevant for both countries had gone through transformations associated with market reforms, though the transition to a market economy differed in ways and varied in results.

The research was conducted by scientists participating in the joint Russian-Chinese project on the comparative analysis of how Russian and Chinese households differ in the scale and structure of their consumption, given a context of the development of social inequality and opportunities for providing social justice in consumption. The main focus is trends in inequality in regards to a set of the most substantial household expenses, structural shifts in the consumption

expenditure of families from different social groups and strata, and the primary factors that differentiate Russian and Chinese households in terms of their consumption. The empirical base on the Russian side consists of data from Russian Federal State Statistic Service (FSSS RF) and the Russia Longitudinal Monitoring Survey (RLMS-HSE) which is a long-term longitudinal study of households launched in 1994. On the Chinese side, the empirical base consists of data from the yearly report by the National Bureau of Statistics (NBS) and Chinese Social Survey (CSS) for 2006–2019. Since differences in methods for collecting empirical data do not allow to compare all indexes that are of interest to us, the authors focused on a comparative analysis of the main trends and how they change. However, the authors admit the fact that, for obvious reasons, such studies do not include ‘the very highest’ and ‘the very lowest’ social strata, i.e., super-rich financial, economic, political and other elites, ‘high society’ on the one hand, and the ‘underclass’ on the other. This fact prevents from fully demonstrating how deeply the lives of rich and poor strata differ in terms of quality and living standards.

### **Levels and trends in the consumption inequality**

The most complex and common problem in the realm of equitable consumption, which in different countries is present to a varying degree, is inequality in consumption. Although inequality in consumption and inequality of income are directly linked to each other, consumption inequality is a more explicit representation of the difference in the well-being of families and social-economic groups than inequality of income. The differentiation of expenses, which defines consumption inequality, is one of the vital monetary indicators of the population’s living standards alongside distribution of income [2]. However, unlike income, which is primarily a characterization of actual living standards and consumption capacity, expenses are more of an indication of one’s chosen lifestyle under existing limitations, of the position of an individual or household in the social hierarchy.

Despite different approaches to reforms in Russia and China, the transition to a market economy has led to a rapid exacerbation of social inequality in both countries. In Russia, reforms were akin to ‘shock therapy’, with prices being deregulated and a heinous privatization being set into full motion, while the Chinese government chose a gradual and progressive development while preserving the existing public institutions, ensuring efficiency of the reforms and rapid economic development. However, further development of the market resulted in a significant increase in social differentiation and inequality in both countries [21. P. 13–20], which has become a serious threat from an income and consumption inequality standpoint. One of the positive results of market reforms is a radically improved state of consumer markets, which satisfies the population’s loftiest standards and consumption priorities. However, the condition of the market is but one factor that determines the population’s well-being — there is a multitude of factors that also play a huge role, such as level of income, the dynamics and state of prices, the amount of possessions and savings, state and non-state transfers.

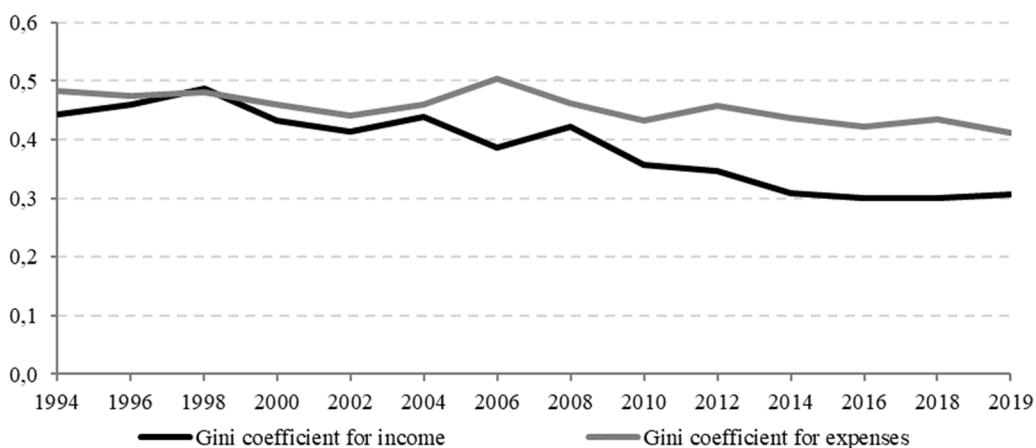
In China, which for many years has enjoyed stable economic development, there are more favorable conditions for enhancing the population's material well-being and consumption capacity than in Russia, which for the last decade has passed through a chain of crises, i.e., Russian households do not have much opportunity to increase their income and expenses. Negative effects of the economic situation take a serious toll on household consumption behavior, considerably restricting freedom of consumer choice and forcing people to constantly optimize their family budget, modify their consumer practices, habits and patterns in response to diminishing consumer capabilities. In turn, low demand of households is one of the key factors that hamper development and do not allow the economy to overcome stagnation.

The connection between income level and level of consumption is not that direct, although scientists often disagree on this matter. For example, some Chinese researchers assume that financial tools (insurance, deposits etc.) and social aid mechanisms to a certain degree compensate the gap in consumption, which is why an increasing difference in wealth and income does not always lead to an increase in the difference in consumption, with the latter's stability being the key to achieving social justice [4]. Others scientists assume that financial tools and social aid mechanisms imply substantial inequality: low-income groups bear a burdensome credit load and are forced to limit their consumption in order to accumulate savings and mitigate potential risks, while high-income groups possess reliable resources allowing to make purchases, as well as support from banks, which promotes more active consumption. This is why inequality in consumption can turn out to be more substantial than income inequality [19; 24]. That said, both groups agree that the level of consumer inequality in China remains high and threatens to become even greater.

Consumer inequality is no less of a concern for the Russian society, though it is not as sensitive as back in the 1990s: thus, survival-oriented consumption, though still common to this day, is no longer a widespread standard for Russian households [13]. Given a persisting high degree of inequality in terms of wealth, which scientists describe as excessive [6; 16], most Russian families now possess enough resources for their consumer choice. The direction of the consumption model's transformation can be described as moving from survival towards spending on durable goods and leisure and then further towards investing into services and development [13. P. 33–34]. In times of financial and economic crises, the degree of inequality decreases, while during more stable periods of reduced inflation it tends to grow. Inequality is affected by an asymmetrical consumption structure: with a large proportion of spending on groceries for low-income groups and a small proportion in high-income groups [5].

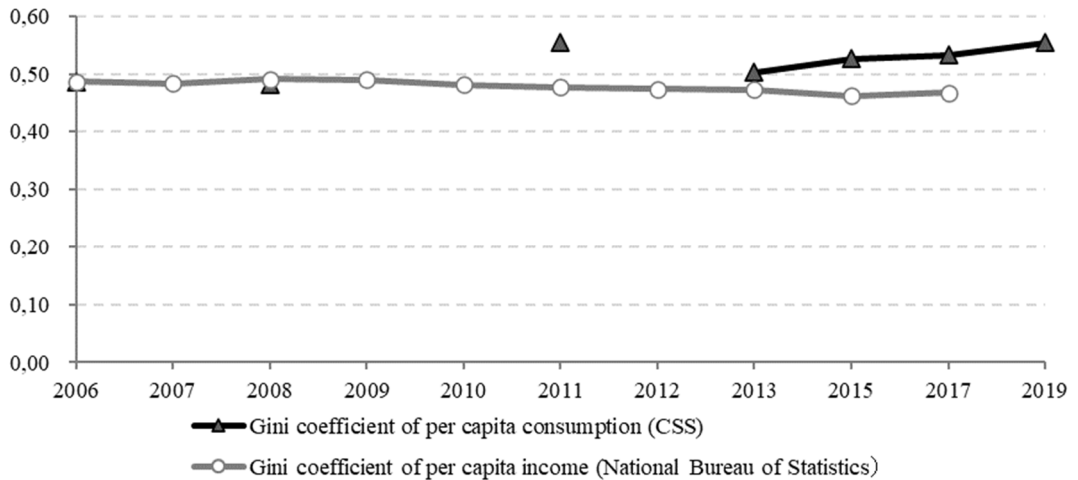
A dynamics analysis of the differences in consumption expenditure within the Russian society shows that, despite certain positive shifts, inequality diminishes extremely slowly and inconsistently. Such stagnation is largely due to the economic crisis' influence on household consumption with an especially negative impact on impoverished and underprivileged families, socially vulnerable groups. The

dynamics of spending inequality, with such data considered to be a more reliable means of evaluating inequality based on the results of sample studies, differs from the dynamics of inequality of household income. According to the RLMS-HSE data, from 2006 to 2019 the Gini coefficient for income dropped from 0.388 to 0.307, while the Gini coefficient for consumption expenditure dropped from 0.505 to 0.413 (Fig. 1). In 2019, the consumption expenditure of 10% of the wealthiest households was almost 6 times higher than that of the 10% of the least wealthy, the most impoverished. In terms of consumption expenses per capita, the coefficient for how the 50<sup>th</sup> percentile relates to the 10<sup>th</sup> was 2.25; the correlation for 90<sup>th</sup> to 50<sup>th</sup> was 2.48, 90<sup>th</sup> to 10<sup>th</sup> — 5.57. According to the FSSS RF data, in 2019, the average monthly household consumption expenditure per member was 19.7 thousand rubles. Though for the 10<sup>th</sup> decile group they exceeded those of the first group by 9.5 times, while surpassing those of the 9<sup>th</sup> group by a mere 2.1 times.



**Fig. 1.** Gini coefficient for income and consumption expenditure per capita in Russia (1994–2019)

Unlike Russia, the corresponding data for China (NBS and CSS) on social inequality indicates that the difference in income level has generally decreased since 2006, while the difference in consumption has grown (Fig. 2). The Gini coefficient of income level dropped from 0.49 in 2006 to 0.47 in 2013, while the Gini coefficient of expenses increased from 0.49 to 0.55. The data for 2019 show that the 50<sup>th</sup> percentile relates to the 10<sup>th</sup> in terms of household consumption expenditure per capita with a ratio of 3.87 to 1; that value for the 90<sup>th</sup> to the 50<sup>th</sup> is 3.48, for the 90<sup>th</sup> to the 10<sup>th</sup> — 13.47. In other words, the per capita expenses of 10% of the highest-income households exceeded those of the 10% lowest-income households by 13 times. This coefficient is twice that of the corresponding figure for Russia (a literal comparison of these values is inappropriate for the survey methods in Russia and China differ). This is also an indication of how both countries differ in income level, prices for goods and groceries, consumer priorities and habits.



**Fig. 2.** Gini coefficient of income level (2006–2017) and consumption per capita (2006–2019) in China

One of the most noticeable tendencies in Russia is a considerable increase in the share of household spending on service payments. From 1997 to 2019 that value grew from 15 to 27.8% of total consumption expenditure. Such an increase is mostly due to utility service bills. In the early 1990s, the share of spending on utilities dropped to a very modest 0.7%, by 2019 it had climbed up to 10.5%. Such expenses are much more of a burden for less prosperous households than they are for the more affluent ones. In 2019, they amounted to 13.8% of all consumption expenses in the 1<sup>st</sup> decile group and to 7.5% in the 10<sup>th</sup> decile. For the most impoverished households, utility bills account for 50–60% of all spending on services. Another important tendency is an increase in spending on healthcare services. Just between 2008 and 2019 that figure increased from 2.8 to 3.7% of total household consumption expenditure, which is largely due to a growing market of paid healthcare services. The development of a commercial healthcare market is largely a result of a decline in the number of state healthcare facilities, with no adequate replacements provided, and not to mention the growing distrust in free healthcare.

When analyzing the structure of household expenses, Chinese researchers focus on spending on leisure activities, entertainment and tourism as an accurate reflection of developmental consumption and living standards. In 2019, such expenses per capita amounted to 580 RMB, which accounted for 1.9% of total household expenses. Spending on cultural activities and entertainment in the cities exceeded such in rural areas: on average these values amounted to 956 and 107 RMB, respectively. According to Chinese experts, the amount spent by families on cultural activities, entertainment and tourism is still insufficient, which not only hampers the improvement of the population’s living standards, but also does not promote an increase in consumption or stimulate domestic demand.

The Gini coefficient of spending on cultural activities, entertainment and travel is 0.91 in China, primarily because for 75% of the sample such consumption

expenditure amounts to zero. If we consider only the part of the sample that allocates funds for this purpose, spending on cultural activities, entertainment and travel per capita would amount to 2,289 RMB, which is 7.4% of total household expenditure. On average, spending on cultural activities, entertainment and travel for such urban and rural households amounts to 2,631 and 930 RMB, respectively. The Gini coefficient of spending on these services has dropped to 0.64. However, even among the households that spent money on cultural activities, entertainment and travel, the share of such expenses is quite small. Distinct differences were also identified in the consumption of these services within society in general.

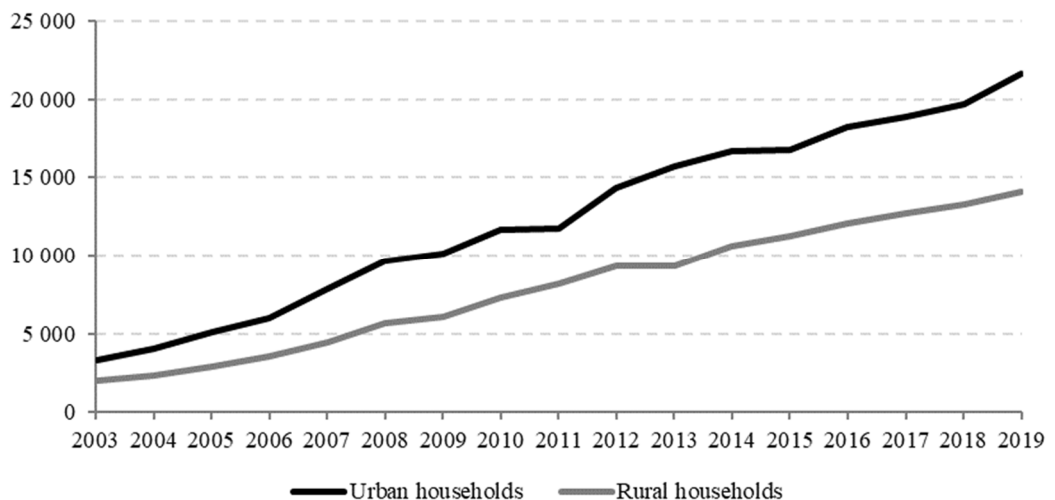
In every country, consumer inequality has its own territorial, regional, settlement-specific and other characteristics. Territorial and regional inequality presents a serious issue for Russia, with its vast territorial dissimilarities and regional diversity. Based on the FSSS RF data, in 2019 the highest values of consumption expenditure were observed in regions of the Central Federal District, while the lowest were recorded in the North Caucasian Federal District (25,687 and 13,403 rubles a month, respectively, on average per member of household). The separate regions within federal districts are even more polarized. On the prosperous end of the spectrum, we have such regions as Moscow (41,397 rubles), the Kamchatka Krai (31,933 rubles), while on the other end — republics of Ingushetia (9,937 rubles), Tuva (11,116 rubles), and Chechnya (11,371 rubles). A similar situation can be observed in regards to differences in the share of household spending on groceries. In the most prosperous federal district, in 2019 that value amounted to 26.2%, while in the least prosperous district — to 39.5%. There are certain positive trends: from 2003 to 2019, the number of regions with the share of spending on groceries exceeding 40% of total household consumption expenditure dropped from 72 to 10.

In China, consumption inequality is largely linked to varying levels of inequality between urban and rural households and between households within the cities and villages. The degree of consumption inequality within cities is much higher than that for the rural population. Not to mention that consumption inequality within cities has been growing in recent years. From 2002 to 2012 the degree of influence of the Gini coefficient of expenses between urban and rural areas dropped from 71% to 62.73%, while the degree of influence of the Gini coefficient of expenses within cities increased from 16.1% to 28.3% [19]. There is also substantial inequality within certain individual domains of consumption. For example, a gradual increase was discovered in the difference in overall spending on groceries between 2007 and 2012, together with increasingly disproportionate spending on foodstuffs in different regions. In eastern coastline regions, people spent more on groceries than in the country's central and western regions [7]. Growing inequality was discovered in free time and spending on leisure activities of residents of Beijing [22], and in the realm of healthcare services in rural areas [23].

### Consumption inequality between urban and rural areas

One of the most relevant forms of inequality, especially within the context of equitable consumption, for Russia and China is inequality in consumption between urban and rural areas, which is a serious contributing factor to social inequality. In both Russia and China, urban families have a greater consumption capacity than rural families, though there are certain differences in the dynamics. In both countries, consumption expenditure increases for both urban and rural inhabitants. However, in China consumption expenses grow more rapidly in the city compared to the village, while in Russia the gap between urban and rural households in terms of their consumption expenditure does not change so quickly.

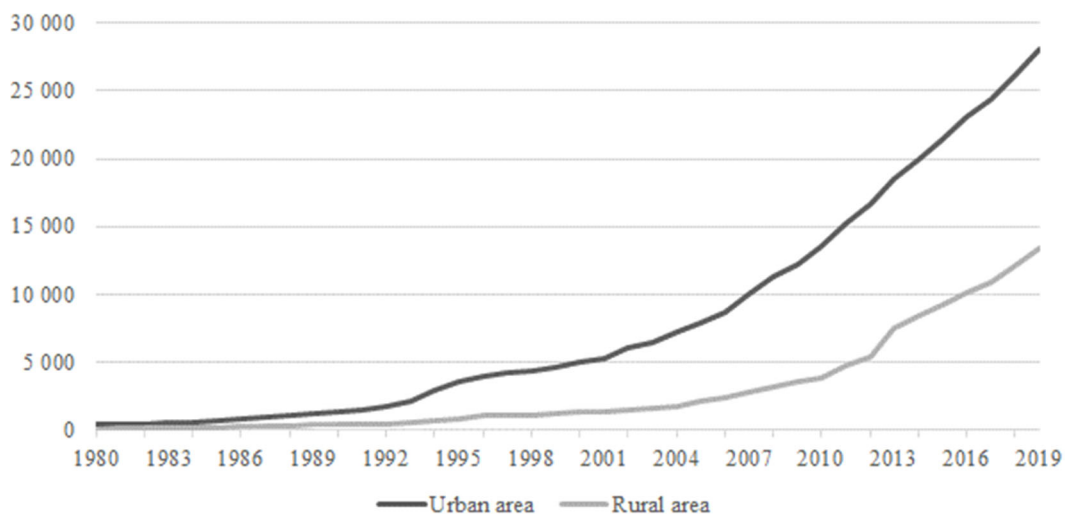
Figure 3 shows that in Russia, between 2003 and 2019 the monthly consumption expenses of urban households, on average per member, grew from 3,332 to 21,669 rubles, which is an increase of 6.5 times, while in rural areas that value increased from 2,047 to 14,106 rubles, which is 6.9 times. The overall dynamic of the inequality of spending for urban and rural households has not shown any substantial differences in recent years, with it appearing to have a downward trend. From 2012 to 2019, the Gini coefficient of consumption expenditure for urban households dropped from 0.456 to 0.412, for rural households — from 0.454 to 0.402.



**Fig. 3.** Monthly consumption expenses of urban and rural households in Russia, on average per member, 2003–2019 (in rubles)

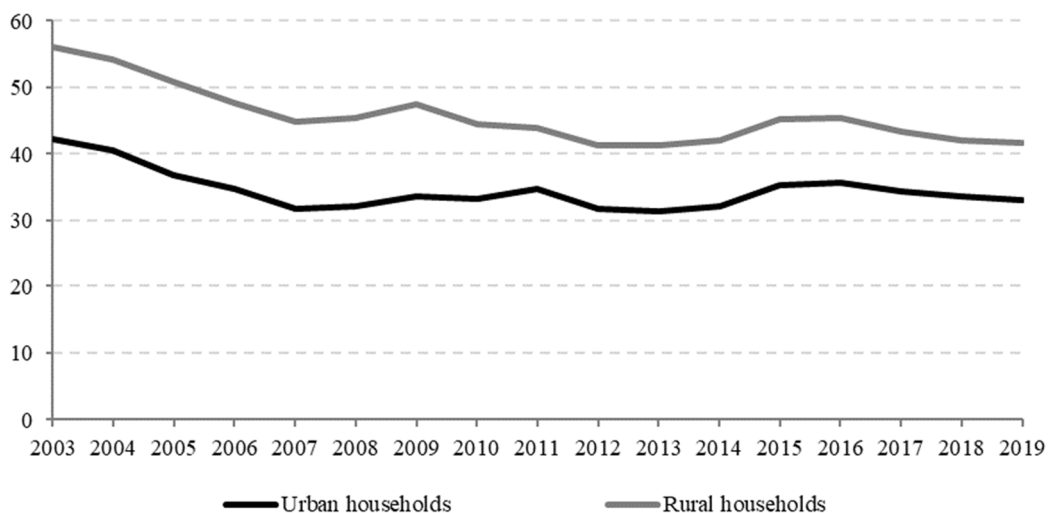
In China the difference in consumption between the city and the village has been increasing since 1980 (Fig. 4). From 1980 to 2019, the per capita consumption expenditure of urban households changed from 412.4 RMB to 28,063 RMB, while of rural households — from 83.8 RMB to 13,328 RMB. A drastic disparity in consumption expenditure between the city and the village became apparent starting in 2010.





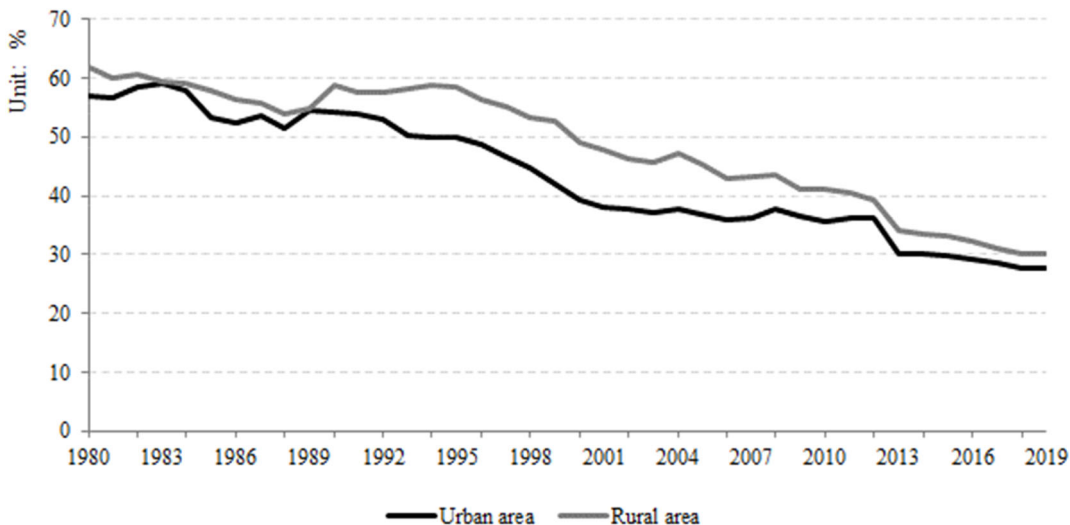
**Fig. 4.** Variation trends in per capita consumption expenses of China’s urban and rural population, 1980–2019 (RMB)

A common trend for urban and rural households in both countries is a decreasing Engel coefficient, which shows the share of spending on groceries in the structure of consumer expenses. In Russia, from 2003 to 2019, the share of money spent on groceries dropped from 42.2% to 33% for urban households, and from 56.1 to 41.6% for rural households (Fig. 5). However, despite such a decrease, the indicators still retain high values, while showing considerable volatility in the last decades. The gap between urban and rural households in terms of the share of money spent on food has barely shown any changes. Urbanization changes the structure of consumption, with it transforming more rapidly in large cities [13].



**Fig. 5.** Share of spending on groceries for urban and rural households in Russia, 2003–2019 (%)

In China, the examined trends are much more clearly traceable, with the gap between urban and rural households in terms of the share of spending on groceries reduced to a minimum (Fig. 6). The decrease in the Engel coefficient is more clear and stable for urban households than for rural households. The Engel coefficient for urban households decreased from 56.9% to 27.6% from 1980 to 2019, while for rural households — from 61.8 to 30%.



**Fig. 6.** Share of money spent on groceries in the consumption expenses of urban and rural households in China, 1980–2019 (%)

One peculiar feature of the inequalities in question in Russia’s case is urban households’ significant advantage when it comes to the share of money spent on services (29.4% as opposed to 20.6%). However, from 2003 to 2019, per capita spending on services for urban households increased by 8.5 times — from 659 to 5,602 rubles, while for rural households by almost 12 times — from 231 to 2,733 rubles. Urban and rural households differ especially dramatically in their spending on leisure and cultural activities — up to 3.5 times — and in the money spent on hotels, cafes and restaurants — up to 4 times. Urban households also exceed rural households by a good margin in the share spent on leisure and cultural activities (9% as opposed to 4.1%), and on hotels and catering services (3.8% and 1.5%) in the structure of expenses. These differences are largely due to the underdeveloped cultural-consumer sector in rural areas. Consumer and commercial services for the rural population improve, but at a slower rate than in cities.

These and other differences in the consumption structure of urban and rural families are some of the most convincing evidence that rural settlements seriously lag behind cities in terms of the development of their public infrastructure. The current structure of rural resettlement in Russia consists of rare rural settlements that do not have sufficient resources to provide adequate support for their residents. In China, the difference between urban and rural areas in terms of consumption is

more clearly reflected in spending on education, cultural activities and entertainment. Urban households spend significantly more, and their spending increases more rapidly. From 1992 to 2018, the total per capita consumption expenditure on education, cultural activities and entertainment grew from 147.5 to 2,974 RMB in the city, and from 43.7 to 1302 RMB in the village.

Just like in Russia, urban territories in China are more developed than rural areas, and advance at a quicker rate. However, a substantial inequality in consumption is evident within Chinese cities. The gap in consumption expenditure between the wealthiest and least prosperous urban households was growing between 2002 and 2008, though starting in 2009 it began to diminish. In terms of total household consumption expenditure, the difference in urban households' spending on durable goods turned out to be the most pronounced. The ratio of per capita consumption expenses on durable goods between the highest-income households (10%) and the lowest-income households (10%) went up to 26.5 in 2003, but afterwards it began decreasing until reaching 10 in 2012. Such a drop is not due to the cyclical nature of consuming durable goods. While demand for durable goods among high-income groups is gradually satisfied and start to decline, more and more people from low-income groups begin to purchase durable goods that became more affordable. The difference in consumption of services in the field of culture, education and entertainment is a better representation of consumer inequality, since cycles are not a factor. The ratio of per capita consumption expenses on these services between 10% of the highest-income households and 10% of the lowest-income households grew from 6.77 in 2002 to 9.33 in 2008, but it gradually dropped to 7.51 by 2012.

### **Differentiation in consumption between groups**

Inequality in consumption can be influenced by differences in the level of income between demographic groups (age, family, structure of household etc.). Thus, the effect of age on inequality in consumption is revealed through changes in the consumption expenditure at various stages of people's lives, which are caused by changes both in level of income and consumer habits. Younger generations are more susceptible to fashion trends, and one of those trends is a healthy lifestyle, although often this aspiration comes from necessity, since the youth tend to earn less than elder generations in Russia. Middle-aged groups are to a greater extent focused on making a career than on creating a family. The desire for comfortable living conditions and increased income makes people of this generation the perfect consumers purchasing various goods rather than saving money. People from elder generations lead a more traditional life (work, family and children), which supports their propensity for traditional consumption. During this period, consumption is seriously influenced by the stage of a family's life cycle, expressed in limited income as a result of having children. At an elder age, consumer expenses rapidly drop — with the exception of healthcare expenditure — which corresponds to a drop in the income, needs and demands.

The exacerbation of consumption inequality as people get older is an especially sensitive issue in China due to the birth restriction policy. For instance, Chinese scientists revealed a gradual decrease in the level of consumption among middle-aged and elderly people the older they grew [17]; a negative influence of old age on consumption among households, especially elderly households, — on their spending on transport, communication services, clothing and entertainment, which is directly attributed to a drop in income [10]; increasing inequality in consumption corresponding to changes in the age structure of the urban population showing a tendency towards growing older [3], etc. In Russia, the issue is especially relevant due to the growing economic stratification and widespread poverty, which affects the least secure strata (families with many children or with one parent, elderly and disabled) [1; 8; 25]. Studies of the specifics of consumption and the resulting lifestyles of various income groups of the Russian society [12. P. 117–145] show how consumption correlates with the differentiation of social and human capital [9]. Moreover, consumption is influenced by such substantial factors as educational specialty and level, together with other characteristics. This is an especially relevant matter to the Chinese, who regard social and professional status as the primary basis for one's social position: Chinese people attribute greater importance to class identity compared to Russians, with its development largely influenced by education level [21. P. 303–304].

Russian and Chinese households have much in common in terms of consumption, though there are plenty of differences determined by the social-professional structure. To ensure the comparability of data on differences, the enlarged groups by profession were selected. The first group — ‘core middle class’ — consists of legislators, high-ranking officials, heads of enterprises and organizations, experts with the highest qualification. The second group — ‘white collars’ — includes experts of average qualification, office clerks and responsible staff, employees of commercial enterprises, personnel in the service industry. Finally, qualified workers involved in manual labor at manufactories and in transport, production staff in agriculture, timber industry, livestock farming, fishing industry and protecting water resources, and unqualified workers in all fields are all labeled as ‘blue collars’.

Both in Russia and in China, the leaders in the amount of per capita household expenditure are respondents who work in leadership positions. In Russia, in 2019 the average per capita household consumption expenditure for the core middle class reached 28,283 rubles, while the median value amounted to 24,468 rubles. ‘White collar’ households lagged behind with their per capita expenses of 23,033 rubles, ‘blue collar’ households — of 21,170 rubles. Household income in each group exceeded their expenses slightly. Russian households represented by managers and highly qualified specialists were ahead not just in terms of consumption expenses, but also in spending on groceries. In 2019, the money per capita they spent on food (store bought, sans tobacco and alcohol) was 4,994 rubles, which was 13% more than what ‘white collar’ households (4,407) and ‘blue collar’ households (4,416) spent. The lowest median value was recorded for the third ‘blue collar’ category of

workers — 83.1% of the average per capita household expenses, while the corresponding share for the ‘white collar’ households was higher — 85.4%. The difference between groups in the share of money spent on groceries for home cooking was rather modest and varies between 25.8% for core middle class households and 28.1% for ‘blue collar’ households.

More substantial differences between groups can be observed in spending on certain types of non-food goods. For example, in Russia core middle class households spend almost one third more per capita on durable goods than ‘white collar’ households, and 1.5 times more than ‘blue collar’ households (respectively, 834, 635 and 554 rubles). If the sample is limited only to the households with such expenses, the gap between worker groups would be less (1.22 and 1.33 times, respectively), though executives and highly qualified specialists are financially more secure. The gap is even greater in non-medical services (cultural activities, entertainment, leisure, transport etc.). Core middle class households surpass ‘white collar’ households by 1.6 times in this measure, while exceeding ‘blue collar’ households by 2.5 times (respectively, 4,051, 2,542 and 1,599 rubles). When taking into account households with such spending, the difference is basically the same (1.8 and 2.5 times, respectively).

In China, just like in Russia, the per capita consumption expenses are the highest for core middle class households — 44,642 RMB on average. Next, we have ‘white collar’ households with their average expenses of 25,902 RMB, and ‘blue collar’ households — of 13,653 RMB. There are considerable differences in the per capita spending of households between different classes, and the living standards of core middle class are much higher than those of other households. In Russia, the difference in consumption expenditure between core middle class and ‘white collar’ households is 1.2 times, in China — 1.7 times. The correlation difference between core middle class and ‘blue collar’ households in Russia is 2.5 times, in China — 3.3 times. As for the overall situation with income and expenses, 43.8% of core middle class households have income in excess of their expenses, 36.6% spend as much as they earn, with the respective figures for ‘white collar’ households being 26.7% and 40.6%. However, 29.7% of ‘white collar’ households spend more than they earn. ‘Blue collar’ households have a greater chance of receiving income equal to or less than their expenses (35% and 46.7%).

In China, core middle class households’ spending on groceries is relatively high: the average yearly per capita value is 7,441 RMB. For ‘white collar’ and ‘blue collar’ households the numbers are 5,931 and 3,384 RMB, respectively. The share of the total household expenditure on groceries is the lowest for core middle class households (24.9%) compared to 29.4% for ‘white collar’ and 29.9% for working class households. The differences between classes in their spending on services in the field of culture and entertainment are more obvious. The yearly per capita spending on cultural activities and entertainment for core middle class households is 2,005 RMB, for ‘white collar’ households — 812 RMB, for ‘blue collar’ households — only 149 RMB.

Household expenses are one of the primary units of macro- and microeconomic statistical analysis. Understanding the main driving forces of the dynamics and

amount spent by individuals and groups provides vast possibilities for economic targeting, macroeconomic policy (monetary and fiscal) and social policy purposes (including subsidies). To broaden our perception of how the factors affect the household consumption expenditures in both countries we conducted a regression analysis. The results of a single-level analysis using linear multiple regression coefficients based on the Russian data are presented in Table 1. The following parameters were chosen as variables: per capita household income; whether they include men older than 60 or women older than 55; place of residence, and span of education in years.

Model 1 shows that the per capita consumption expenses of Russian households increase while influenced by per capita income, and that this influence is the most potent compared to such factors as an individual’s place of residence or span of training. The result of constructing a model is the fact that households with family members of retirement age differ drastically in expenses due to their diminished capability of providing for themselves after departing from the labor market. The model describes approximately 30% of the volatility in the differentiation in household income, and so the search for significant factors can be continued in the future. Model 2 explains about 9% of the variation in per capita spending on healthcare. These expenses are influenced mainly by the family’s financial status and age composition. This correlation was to be expected, since with age spending on healthcare constitutes an increasing share of the household budget, while enjoying the entire essential range of healthcare services implies that a household has the needed means. Model 3 explains almost 15% of the variation in per capita spending on store-bought groceries. The most important ones in our case are per capita household income level and place of residence. The latter was to be predicted, since many families in rural areas have subsidiary plots which allow them to spend less on store-bought groceries.

Table 1

**Coefficients for multiple linear regression model of differences in per capita household expenditure, Russia** (calculated on the individuals file, 2019, N = 8765)\*

Independent variables	Model 1			Model 2			Model 3		
	Total per capita household expenditure **			Per capita household spending on healthcare **			Per capita household spending on groceries **		
	Coefficients			Coefficients			Coefficients		
	B	St. error	Beta	B	St. error	Beta	B	St. error	Beta
(Constant)	2,751	,129		1,199	,259		3,727	,134	
Household income per capita **	,670	,012	,529	,482	,027	,224	,407	,013	,343
Household members older than 55W/60M	-,192	,014	-,129	,364	,030	,148	-,029	,014	,021
If the household located in an urban area	,670	,016	,040	,159	,036	,055	,160	,017	,101
Span of training in years**	,113	,029	,037	0	0	0	,137	,030	,049

\* The coefficients in all models bear significance on a 1% significance level. When using representative surveys with probability sampling based on stratified multistage territorial selection, it can be argued that the constructed regression models are applicable to the entire general population.

\*\* Natural logarithm

The results of analyzing a hierarchical linear model based on the Chinese data are presented in Table 2. They show that respondents' span of education and social security have a substantial positive influence on household consumption expenditure. A longer education span and broader scope of social security lead to an increase in consumption expenditure; the level of per capita income has a positive effect too. The consumption expenses of Chinese families in cities are higher, while in those families with members over the age of 60 are lower. Model 1 reveals a considerable influence of social-economic status, social security, the consumer goods market and aging on the consumption expenses. A higher social-economic standing, broad social security coverage and a more developed consumer goods market improve living standards. Families with elderly members tend to spend much less, which can be partially due to elderly citizens being more inclined to frugality. Model 2 focuses mostly on per capita household expenses on services in the field of culture and entertainment, which is a more appropriate reflection of developmental consumption and respondents' living standards. This model also reflects the substantial influence of social-economic status, social security and the consumer goods market (for urban residents). A higher social-economic standing, broader scope of social security, developed consumer goods market and, finally, more spending on services in the field of culture and entertainment contribute to the improvement of living standards. The per capita spending on cultural activities and entertainment for families with elderly members is relatively low, though the difference is not dramatic. This is another evidence that in recent years elderly people have more humanism and entertainment in their lives, which will help to narrow the consumption gap between age groups in the future.

Table 2

**Hierarchical linear model of differences in consumption between households, China**

Independent variables	Model 1	Model 2
	Per capita household expenses (logarithm)	Per capita household expenses on cultural activities and leisure (logarithm)
Span of training in years	0.0230*** (0.00223)	0.0426*** (0.00768)
Number of persons included in social security system	0.0305*** (0.00681)	0.0565*** (0.0165)
Per capita household income (logarithm)	0.404*** (0.00741)	0.478*** (0.0264)
Residence in urban area	0.145*** (0.0187)	0.476*** (0.0666)
Family members older than 60 years of age	-0.169*** (0.0173)	-0.0859 (0.0534)
Constant	5.348*** (0.0639)	0.991*** (0.254)
Sample size	9,627	2,368

\*\*\*p<0.01, \*\*p<0.05, \*p<0.1; standard error is shown in parenthesis

\*\*\*

Russian and Chinese societies face the increased social inequality as a result of rapid market transformations. One of its most obvious and troublesome manifestations is inequality in consumption which has territorial, regional, settlement-based and social-professional differences. In both countries, consumption inequality is considered as high or excessive; however, there are certain substantial differences. In China, the income gap has been decreasing since 2006, while the difference in consumption has been gradually growing. In Russia, there has been a decrease in inequality in terms of both income and consumption expenditure, though in more recent years this decrease has become slow and inconsistent. The more significant issue in Russia appears to be regional inequality in consumption, in China — inequality between settlements. In China, there are substantial differences in consumption between groups due to class and age specifics, especially in household spending on groceries, durable goods, cultural activities, entertainment and leisure. In Russia, differences in consumption are determined by growing economic stratification.

Another significant contributing factor to social inequality is inequality in consumption between urban and rural areas. Consumption expenses are growing for both urban and rural households; however, in China they are increasing more rapidly in the city than in the village. A common trend for urban and rural households in both countries is a decrease in the share of spending on groceries in the structure of expenses: in China, this share decreases more rapidly, while the gap between urban and rural households in this regard is much less pronounced than in Russia. The differences in consumption between urban and rural areas are also traceable in the difference in spending on cultural activities and entertainment. Also, in China, there is more significant inequality in durable goods provision between urban and rural households, while in Russia that would be inequality in consuming healthcare, educational and other services.

The conducted analysis proves that for both countries one of the primary goals for social-economic policy is to overcome deeply rooted social inequality, which implies reducing excessive inequality in consumption by increasing living standards for impoverished groups and by using more efficient and straightforward distribution and redistribution mechanisms.

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## **Справедливость и неравенство в потреблении домохозяйств в России и Китае: сравнительный анализ\***

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Опираясь на данные авторитетных источников эмпирической информации, авторы провели сравнительный анализ особенностей потребления российских и китайских домохозяйств. Акцент сделан на основных тенденциях и особенностях дифференциации домохозяйств обеих стран по уровню и структуре потребления в период радикальных трансформаций, связанных с осуществлением рыночных реформ. Показано, что наиболее дифференцирующими статьями потребительских расходов домохозяйств двух стран являются питание, предметы длительного пользования, оплата жилищно-коммунальных услуг, культурный досуг и развлечения. Отметив безусловное, но разное по характеру и степени влияние дохода на потребление, авторы обращают внимание и на другие факторы, обуславливающие неравенство, в частности, на территориальную, региональную и поселенческую специфику потребления. Отмечен особый вклад, который вносит в общую картину социального неравенства, потребительских различий между городом и селом. В Китае потребительские расходы городских домохозяйств растут значительно быстрее, чем сельских, а в России это различие менее существенно. При этом в Китае доля расходов на питание в общем объеме потребительских расходов сокращается быстрее, а разрыв между городскими и сельскими домохозяйствами по данному показателю гораздо меньше, чем в России. В то же время в Китае острее ощущается проблема неравенства в сфере потребления, обусловленная возрастными и классовыми различиями, тогда как в России более очевидно обострение проблемы экономической стратификации.

**Ключевые слова:** домохозяйство; доходы и расходы; потребление домохозяйств; социальное неравенство; социальная справедливость; экономическое поведение домохозяйств.

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