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# **An Autocratic Middle-Class in Azerbaijan: Does State Dependency Lead to Authoritarian Resiliency**

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## **An Autocratic Middle-Class in Azerbaijan: Does State Dependency Lead to Authoritarian Resiliency?**

The emergence of the middle class, or the mass of citizens that are in between the working class and the economic elite, has long been studied alongside economic development as high and sustained economic growth has been associated with that class. The rise of a social class that has a higher-than-median income leads to higher domestic demand, higher consumption, and in turn, more business. While it has proven empirically that the middle class is a source of economic growth, some other theories attribute regime stability to it. It is often assumed in the 'political economy research of the last decade, as well as by theories on democratization waves and the fall of authoritarian states, that the rise of a middle class eventually leads to a democratic transition. Throughout the 20th century, many democratic transitions were led by mass mobilizations of the middle classes. Middle-class movements and industrial worker groups were associated with higher democratic support and mobilization from 1900 to 2013 (NAVCO 2014). In her book *The Autocratic Middle Class: How State Dependency Reduces the Demand for Democracy* (2020), Bryn Rosenfeld studies this relationship in the post-Soviet region. A large portion of this article is based on her research.

The post-Soviet countries transitioned from universal state employment to market reforms that were intended to decrease the state's role in employment and the economy. After a decade of high inequality and low growth, the region caught up with the rest of the emerging world. The post-Soviet middle class was born, which differs in its political preferences from those of its Western European counterparts. While it could be assumed that the surge in economic growth was related to the emergence of the private sector, in Azerbaijan, for example, that was not the case. Instead, it was the public sector that led growth, and as a result, provided the population with economic opportunities. Rosenfeld discusses public sector employment in post-Soviet countries using the 2006 version of the Life in Transition Survey (LiTS). Even at that time, private employment in democracies represented 75% of total employment, while in non-democracies, over half of all employment was already in the public sector, and pro-democracy sentiments were dying.

Because the middle class is not as homogenous as it might seem, it is essential to assess what factors led to the middle class's creation before assuming any direct relationship between the existence of a middle class and a democratic transition. Economic development can create a middle class, whether that development is led by the government or the private sector. In a situation where economic growth is led by the state, the middle class tends to be much more supportive of the political status quo, even if it is authoritarian (Rosenfeld 2020). While Rosenfeld's research mentions that the middle class's preference for autocratic regime stability is relevant to Azerbaijan, the author does not investigate this case further. This article's main objective is thus to discuss Rosenfeld's findings and evaluate their veracity in Azerbaijan using a different set of data sources, including the more recent 2016 LiTS results and the State Statistical Committee of Azerbaijan (2021). After presenting Rosenfeld's theory in the first section, the article will continue with a more in-depth discussion of the Azerbaijani case to better understand authoritarian resilience in

the country. Apathy for regime change is present in both public and private sector middle classes, and thus, support for democratization is difficult to sustain. While this undifferentiated all-middle-class apathy at first suggests that Rosenfeld's theory does not fully apply to the Azerbaijani case, I argue that Azerbaijan's lack of an independent private sector leads to an inert all-middle-class support for the autocratic regime.

### **State dependency and authoritarian resilience**

The most common version of democratization is when social transformation leads to a decline in power of an authoritarian regime, which forces the regime to adapt or collapse under the weight of new social forces. What is often disregarded is how social transformation and the creation of the middle class is achieved and which actors participate in it. Rosenfeld argues that the middle classes created by state-led economic growth differ in their regime preferences from those created by private-sector-led growth.

In most post-Soviet countries, the state still plays a critical role in the economy. The educated middle class that develops under autocratic regimes consists of white-collar workers and professionals highly dependent on state employment. This dependency is evident in countries with low formal employment wages where the state is highly engaged in industries such as natural resources. At the lower level, working for the state creates bribery and nepotism opportunities, no matter the specific industry or job position. In such cases, the middle class accepts corruption as it helps compensate for low wages. Thus, the status quo is beneficial to the middle class because it has not achieved economic autonomy, and thus, there is no widespread support for regime change.

State-directed development and growth essentially inhibit the middle class from becoming financially independent, which means they are at risk of losing their status if the current state disappears. This financial instability is present even when the status-supplying authoritarian state is not under threat. The power to withhold or diminish access to social mobility enables such governments to gain the support of the middle class. The latter's future and survival are tied to regime continuity. One such example is Russia, where the resilience of Putin's regime is directly linked to the share of the economy controlled by the state. The percentage of state employment would be even higher if mixed ownership companies (public and private) were considered in the analysis. Because all opportunities are concentrated within state employment, Putin has created a loyal middle class disinterested in democratization and regime change. The latter acts as a direct threat to the middle class's monetary resources. This threat leads to high support for the current status quo.

On the opposite spectrum of such authoritarian transitions, some post-Soviet countries have successfully switched to a market-led economy. For instance, Estonia was able to transition to a market economy. Contrary to other countries in the post-Soviet region, the Estonian government did not monopolize the economy and instead implemented policies to develop the private sector. As a result, as of 2019, public employment was under 25% of total employment, and the country is classified as a consolidated democracy by Freedom House (2021).

A state-dependent middle-class is not only restricted in terms of economic opportunities. Rosenfeld's analysis of the 2006 LiTS data shows that state-dependent middle classes are 25% less likely to mobilize for regime change than their private-sector counterparts. The difference is even more striking as non-middle classes are 50% less likely to mobilize when they depend on the state. Thus, the propensity to mobilize for regime change is closely linked to the threat of dismissal and the incentives to keep the current economic status.

In authoritarian countries, dissidents are usually persecuted for showing dissatisfaction towards the government. In the post-Soviet countries, the incentive to stay in the state's good graces is implemented thanks to state control over employment despite the existence of private property (Rosenfeld 2020, 52). As a defense mechanism, those who want to keep their current economic status are incentivized to not participate in political opposition-related activities. This incentive is so strong that even if dissent exists under the current regime, public support for democratization may remain low. The autocratic regime uses the working citizens' survival instinct, particularly that of middle-class workers, to restrain any public dissent in the form of protest.

In short, Rosenfeld's research rejects the view that sees the middle class as a proponent of democracy by default (Rosenfeld 2020, 19). Moreover, theories that expect middle classes to drive democratization are not empirically valid in autocratic post-Soviet countries, including Azerbaijan (15).

### **Does this apply to Azerbaijan?**

The situation in Azerbaijan is little different from that in most countries in the post-Soviet region. After the fall of the Soviet Union and the immediate decline in quality of life, the creation of a new middle class became a priority in many post-Soviet countries. However, the rise of a middle class was utilized not as an agent of change but as a bastion of conservatism (Rosenfeld 2020, 208), as the government primarily led economic growth. Similarly, the post-independence middle class in Azerbaijan acts as an economic stabilizer in many ways. While we lack official statistics on the size of the public sector, statistics on employment by sector allow for an approximation. Mehralizadeh (2020) estimates that over 55% of all employed labor in Azerbaijan works for the public sector. The overreliance of the economy on the oil and gas sectors and the monopoly of state-tied private companies (e.g., SOCAR) over these industries cause the middle class to reinforce the power of the autocratic state.

Support for democracy in Azerbaijan decreased from 60% in 2010 to only 28% in 2016 (LiTS). However, most middle-class (over median salary) respondents (61%) were indifferent to the political system. In both the private and public sectors, employees are equally indifferent to the current political regime. Political apathy is a shared feature in both sectors. The reasons that can lead to political apathy are multiple and can be a sign of the disillusionment of the citizens in the future of the country.

Furthermore, the reliability of such survey results is difficult to assess. Some surveys suggest that a large portion of the population still trusts the government. For example, 85% of 1,000 respondents trusted the government, and 65% trusted the regional and local public authorities (EU Neighbors East 2018). Yet, international democracy and governance indicators show that Azerbaijan's levels of democracy, freedom of speech, and corruption have only worsened over the last two decades (BTI 2020; Freedom House 2021; Corruption Perceptions Index 2020). These indicators would suggest that the level of satisfaction with the government should be decreasing. Other discrepancies exist between government trust and trust in others. Only 7% of Azerbaijanis think most people can be trusted (Caucasus Barometer 2012).

Nevertheless, if we accept political apathy as a fact, Rosenfeld's observations may suggest that the political disinterest is also related to the lack of economic opportunities outside the public sector. Its monopoly over employment enables the government to keep the middle class from showing any dissent. The private sector is closely tied to the public sector, especially energy. The nascent private sector relies on the oil and gas sector, where the current government and its officeholders are highly involved. Moreover, private businesses outside the energy industry suffer from volatility (manat devaluation), corruption, and difficulties in the face of state-like monopolies (Kintsurashvili and Kresic 2019). The same can also be seen empirically when analyzing foreign trade data (Comtrade 2021). Most exports have been either oil and gas or related to these industries (e.g., plastics). Despite a slight decrease in mineral fuel and oil exports, from 92% in 2014 to 87% in 2020, the proportions of other related products in the total export value have increased. Exporting goods from Azerbaijan as a small or medium business is quite challenging due to unpredictable expenses. This is despite efforts to decrease petty corruption at customs checkpoints (World Bank 2021).

Without a private sector, the main issue is that public employment and dependence on it give even more power to the state. Despite the low levels of public employment salaries, most workers cannot afford to show dissent as it would put them at risk of losing any existing economic opportunities. In turn, the government can continue abusing its power and not investing in the country's human capital.

### **What next?**

Under current conditions, the autocratic regime has hegemonic power over the politically apathetic, state-dependent society that it has created. These observations are most likely to apply to all workers in Azerbaijan, be they lower or middle class. As a result, the electoral fairness scores of the country have continuously decreased over the years, and the country is now classified as a consolidated authoritarian regime by Freedom House (2021).

How then might political change occur in the future? With the volatile energy sector and its failure to bring a stable rent to the political elites, the government might be forced to put genuine efforts into diversifying the economy and developing the private sector. Still, such hypotheses are difficult to put forward, for other economic alternatives are available to the Azerbaijani government. For

example, privatizing the natural resource sector could be one such alternative. Discussions around the possible privatization of the industry started after President Ilham Aliyev criticized SOCAR in August 2020 (President.az 2020). While privatizing resource sectors might not be an economically bad decision per se, the rationale behind such a proposal was most probably a crisis management strategy. If these state enterprises were to go bankrupt, the government budget would need to bail them out.

Interestingly, research shows that regulated, and therefore taxed, industries bring more revenue to government budgets than state monopolies. This statement remains true even when comparing state monopolies and oligopolies where only a few independent companies control the market (Keutiben and Tatouchoup 2019). Thus, theory and comparative research suggest that the Azerbaijani state budget could benefit more from the taxation of a developed private sector, than the maintenance of monopolies. From the current divide between public and private, it becomes clear that economic policies are the result of political reasoning. The government has no incentive to let an independent private sector develop despite competition's advantages to the government. In essence, for the state-incentivized preference for autocracy and regime stability to be dismantled, the current economic structure must be reformed drastically. However, as discussed earlier, the current authoritarian regime has no interest in diversifying the economy or developing an independent private sector, nor is it pushed by the population it has partly under control.

One possibility of creating support for change would be if the government failed to sustain economic opportunities for the population in the long-term. Many unpaid salary cases in public institutions or state-owned enterprises have been reported in the press over the years. For example, the workers at the state-owned Azerxalça who in July 2020 had not been paid for over five months, or more recently, the case of hospital doctors not being paid their additional fees despite the budget allocations (BBC 2020). However, these have not been enough to spark generalized and long-term public dissent.

## **Conclusion**

As I noted above, Rosenfeld's theory, at first glance, does not seem to fully apply to Azerbaijan because there is no apparent difference in democratic preference between public and private-sector middle class. However, this is due to the lack of a private sector that could develop outside the energy sector. Due to the private sector's dependence on the public sector, there is no genuine divide between the private and public middle class in Azerbaijan. Both have a similar opinion when it comes to any type of democratic transition. A change in regime puts their current livelihoods under threat.

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