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Social Inequality and the Perceived Income Justice Gap

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This paper attempts to answer the question whether justice evaluations of income inequality in a society are determined more by country differences or by the social position an observer occupies. In very general terms what we study is whether, in shaping justice beliefs, cultural factors are more important than social-structural ones, or vice versa. In view of transformation societies, country differences are conflated with differences in the transformation processes the countries are experiencing. This is why we distinguish different types of transformations with regard to the postcommunist countries of Eastern and Central Europe testing empirically whether these transformation types exert influence on the justice beliefs, and how this influence compares to that of positional effects. With International Social Justice Project (ISJP) data of 1991 and 1996, we study the Czech Republic, Hungary, Russia, Bulgaria, East Germany, and—as a western referent society—West Germany. Main results are that in the early phase of transformation the different transformation types as well as social positions matter in shaping justice evaluations, over time, however, the types of transformation clearly lose influence. In 1996, compared to 5 years earlier, the countries have become similar in that most of the variation in the perception of the income justice must now be attributed to the positional differences of individuals. We conclude that the characteristics of the transformation processes decrease in importance for determining public views about social justice. In this respect, the transformation societies of Eastern and Central Europe may well be on the route to becoming more like western societies.

KEY WORDS: comparative social justice research; transformation of postcommunist states; income justice; justice evaluation; justice gap; justice ideologies.

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INTRODUCTION

According to one strand of social theory a consensus of values and beliefs among its members is a necessary prerequisite for a society to function properly. Talcott Parsons and his many functionalist, and neofunctionalist, followers have maintained this concept of society that has dominated sociology much of the second half of the twentieth century (Alexander, 1985; Parsons, 1951). The paradigm challenging the consensus paradigm has been conflict theory. The conflict paradigm presumes that individual interests differ because people find themselves in different places in the social structure rendering it very unlikely that all consent to the same values and beliefs. Marx and Max Weber, Collins (1975) and Dahrendorf (1959) (to name just these) have all attested to this point of view maintaining that society is not homogenized through the integration of values, but that it is a battleground of conflicts that result from dissenting beliefs about distributive justice. However, as is probably true of all great theoretical controversies, neither side can claim full victory. The truth is likely to lie somewhere in the middle: Both, consensus and conflict characterize a society, though their admixtures may vary from one society to another and from one period of time to the next (Lenski, 1966).

If this then is how the consensus–conflict controversy is to be resolved, it becomes a matter of *empirical* investigation as to how much consensus and how much conflict about distributions there is in a particular society (Collins, 1971). Assessing consensus or disagreement, whatever the case may be, requires more than the mere descriptions of facts—in terms of determining the distribution parameters of preference strength, for example, and the correlations of attitude scales across different population groups. The truth is that we have little guidance when it comes to deciding how small a “small” standard deviation is in order to assert consensus. So what the consensus–conflict controversy really confronts us with is that we need a theory about how values and attitudes are molded socially.

Evidently, the two primary factors of causal relevance here are *culture* on the one hand and *social structure* on the other. Value formation is either an outcome of socialization processes that transport cultural values from one generation to the next or the manifestation of the self-interests individuals’ have cultivated in response to their particular social positions. Although, by and large, the same patterns of socialization apply to all members of a society in as much as they are connected to a common frame of cultural meanings and traditions, the self-interests people have will differ sharply depending on where they stand in the relevant social structure. Thus, we distinguish between a society’s *primary* values shared by more or less all members because these values are rooted in the common cultural heritage that is being passed on through socialization and *secondary* values, existing alongside with the primary, that will differ

from one societal population group to the next because the groups occupy different social-structural positions and hence have different self-interests (Wegener, 1992; Wegener and Liebig, 1995, 1998). Certainly, primary beliefs are less prone to change because culture itself is slow in changing, whereas self-interests may shift abruptly as people take on different social positions in the course of their lives.

From the point of view of empirical research, integrating the consensus with the conflict paradigm then implies to study the particular combinations of primary and secondary values and beliefs in a society and, in as much as issues of distributive justice are involved, to study the particular combinations of primary and secondary justice beliefs.

This approach can well be exemplified by analyzing the transition from communism to western style democracy and market economy. In comparing different transition societies in Eastern and Central Europe, how much justice consensus between and within these countries is there? How formative for these values are structural differences between societies and also, how formative for the beliefs of individuals are the structural differences of the social positions they occupy within a society? It would be in line with many political culture studies (Inglehart and Baker [2000] is the most recent example) if we find substantial value variation among different societies, due to institutional and cultural differences among these countries, and relatively little structural variation among distinctive social groups within any country. From the viewpoint of social justice research, however, we would be more inclined to expect that individual justice beliefs vary significantly with individuals' positions in the social world.

In this paper, we will test whether there is variation in individuals' *justice evaluations of income inequality* in five transformation societies and whether or not this is due to differences in the institutional and political cultures of the respective countries, that is, whether there are cross-national differences in justice values that must be attributed to different transformation types and histories, or whether the respective transformation processes have created such heterogeneous self-interests of individuals that justice evaluations vary with the social positions they hold, regardless of which transformation society we look at.

The chapter is divided into four parts. Looking at the Czech Republic, Hungary, Russia, Bulgaria, and East Germany, we will examine first how the processes and outcomes of transformations differ in these countries and whether they can be classified into "types." The development and institutionalization of social inequality in the different countries will be sketched out next, followed by a discussion of the types of justice judgments we decide to study. Finally, we will report empirical results on the differences and the determining factors of justice beliefs in the five countries. West Germany is treated as the western reference society in these analyses.

TYPES OF TRANSFORMATION IN CENTRAL AND EASTERN EUROPE

We distinguish three path-dependent types of transformation: the first applying to the Czech Republic and Hungary; the second, to Russia and Bulgaria; and the third, to East Germany (see Table I).

The Czech Republic and Hungary are transformation countries that have both been characterized by a comparatively successful implementation of economic and social reforms in recent years. Their institutional restructuring is almost complete and the overall stability of the transformation seems to be high (Elster *et al.*, 1998; Illner, 1998). Thus both countries are considered to be examples of a successful transformation in Eastern Europe despite temporary economic problems experienced in the mid-1990s. In terms of basic legislative frameworks and economic policies both countries have followed the path of western style modernization as a model with impressive mastery (Elster *et al.*, 1998; OECD, 1996).

Russia and Bulgaria are quite another matter. Apparently both countries remain in a downward slope in their economic and social development. In both societies the success of transformation has been strongly undermined by a lack of continuity towards establishing market structures and institutional reforms. Among other things, this is manifested by the substantial difficulties in eliminating domestic economic imbalances (OECD, 1997; Quaisser, 1997). The type of "stop-and-go" policy exhibited both in Russia and Bulgaria seem to be a result of permanent struggles for power among diverse elite groups in the respective countries as well as the insufficient economic expertise of those in power. Although the restructuring of institutions remains incomplete, the extent of social inequality has increased dramatically since the early 1990s. Simultaneously, in both countries a decaying welfare state increases social deprivation and poverty even more (Genov, 1998; Misztal, 1996; Surinov and Kolosnitsyn, 1996). All this considered, the outcomes of transformation in Bulgaria and Russia are uncertain and undetermined. It is difficult to say where all this will end.

Table I. Types of Transformation

Attributes of transformation	Stable transformation (Czech Republic and Hungary)	Unstable transformation (Bulgaria and Russia)	Transformation to a ready-made state (East Germany)
Economic policy	Consequent market reforms	Gradual strategy, stagnation	Shock therapy
Institutional reform	(Almost) complete	Still underway	Complete
Social policy	Moderate	Rudimentary	Comprehensive
Social inequality	Moderate	High	Low
Stability of transformation	Relatively high	Low	High
Character of transformation	Western type modernization	Social change, open outcome	Western type modernization

Transformation of East Germany, our third example, is plainly a special case in comparison to other postcommunist societies. Transformation was a takeover by the “ready-made-state” of the West, the Federal Republic of Germany, manifesting itself in substantial institutional and financial transfers to the East, the rapid establishment of a market economy, and comprehensive social cushioning (Rose and Haerpfer, 1996; Wiesenthal, 1996). The special East German model of transformation can be characterized as a case of radical social engineering under ideal conditions having precisely defined goals that were supplied by the institutional, legal, and economic order of the West (Reißig, 1997). Thus, the East German transformation is certainly an outstanding example of western style modernization. In the transformation process, East Germany has managed to cope impressively with the threefold task of *simultaneously* implementing a new economic order, a system of new legal institutions, and new rules of social integration (Offe, 1997), a task that would have been difficult to accomplish without having West Germany as a model.

Hence, we conclude that there is a group of “prosperous” transformation societies—the Czech Republic, Hungary, and Eastern Germany—that have accomplished the indispensable social reforms relatively successfully. On the other hand, Russia and Bulgaria are still confronted with an ongoing economic recession, dramatic social problems, and simultaneously with a continual political crisis that has weakened the steering capacity of the state.

SOCIAL DIFFERENTIATION

In spite of these obvious differences, in all cases, transformation resulted in notable changes of the respective social structures. The replacement of a “socialist” order by a western-type distribution system of privileges and burdens makes two kinds of changes most visible: growing income inequality and decreasing real incomes (Adam, 1996; Angel and Rands, 1996; Milanovic, 1996). Thus, not only new poverty groups are created but also the standard of living for the majority is in a decline. Hence, the transformation societies had to bear a process of simultaneous social *differentiation* and *polarization* within a remarkably short period of time. This must be viewed against the background of decades of unaltered social near-equality in these countries. Especially in those societies experiencing little economic success presently, the polarization tendencies are most prominent (Cornia, 1996; Milanovic, 1996; Rutkowski, 1997).

We will now look at the different countries with respect to their social differentiation and polarization more closely.

The Czech Republic

The social reforms in the Czech Republic brought about relatively minor social losses. The real-income situation has remained almost unchanged since

1990. The unemployment rate of 3.5% in 1996 was much lower than in all other countries in Central and Eastern Europe, also, in fact, lower than in almost all *western* countries. Considering the labor participation rate of over 70%, the Czech Republic is approaching near full employment (Illner, 1998; Müller, 1998; OECD, 1998; Večerník, 1996).

At the same time, the increase in social inequality has been slight as compared to the socialist period,³ that is, there exists a broad middle class although income variation is moderate. It is also clear, however, that the educational elite and job-holders with high prestige are the winners of the changes that have taken place. Although impoverishment and social exclusion of certain groups have reached serious levels in most of the Eastern Europe, the segment of people who live in poverty remains relatively small in the Czech Republic: in 1995 less than 10% of the population had household incomes of less than 50% of the average national household income (Quaisser, 1997).

A combination of several factors has led to this result. First, from the outset the Czech Republic had an unusually equalized income structure. Before 1989 Czechoslovakia was a markedly egalitarian society, even by Eastern European standards (Adam, 1996; Potůček and Radicová, 1997; Večerník, 1996). Because of the fortunate economic development, exclusion and marginalization were kept low during the initial years after 1989. The government also implemented supporting social policies from the beginning, thus stabilizing the transformation process even more (Adam, 1996; Illner, 1998; OECD, 1996). Since the days of the conservative administration of Vaclav Klaus, an interventionist policy was able to bring a good part of the friction in the labor market under control. Modeled after West German labor market policies, regional job centers organized job creation schemes and training programs. Finally, there was a *de facto* coalition of the government, capital holders, and unions successfully avoiding the shrinking of real-incomes by moderately increasing wages and pensions (OECD, 1996, 1998; Potůček and Radicová, 1997).

One of the reasons for the speed with which transition has proceeded in the Czech Republic is the high degree of social consensus. Social peace has always been a major concern of the government. Considerable credit goes to full employment and to the social safety net, which is state-run and comprehensive (OECD, 1996, p. 4).

Taking all this into account, it seems that the institutional reforms in the Czech Republic have reached a completion now.

Hungary

Although the Czech Republic (as well as East Germany) figures as a prototype of a radical and abrupt break with the socialist regime, Hungary was able to start

³Income inequality in the Czech Republic stood at .273 Gini index in 1996 (see Appendix).

its economic and institutional transformation from the basis that was in many respects already liberalized by reforms set in motion as early as in the mid-1960s (Andorka, 1992; Elster *et al.*, 1998). Due to these early reforms, income inequality began to grow gradually, and the social structure of the Hungarian society was in the 1990s already highly differentiated in comparison to all other socialist countries in Eastern Europe. The social reforms in the transformation process must be viewed as a continuation of the early liberal reforms intensifying the existing dynamics of social inequality.

A striking consequence of the postcommunist reforms in the Hungarian economy, however, was the sudden increase of unemployment. Until 1996 the unemployment rate in Hungary rose to 10.7%. Those who appeared to be most threatened with unemployment were blue-collar and mid-level white-collar employees with low levels of qualification. Likewise, the economic reforms led to a permanent increase of income inequality,⁴ a process which improved, hardly surprisingly, the income situation of the educational and occupational elite and worsened the income position of women and the unemployed. Consequently, broader parts of the Hungarian population experienced falls in their real incomes (Srubar, 1994). In fact, the differentiation process generated a trend towards social exclusion and poverty. Thus, approximately 25% of all Hungarian households lived in poverty in 1995, if the poverty line is drawn at 40% of the average income (Elster *et al.*, 1998; Müller, 1998).

Meanwhile the conservative as well as the socialist government administrations put strong emphasis on the social alleviation of the reform process. Until the mid-1990s, the Hungarian state spent roughly 20% of the GNP on social expenditures—more than any other postcommunist country (Spéder *et al.*, 1997). But, it still remains an open question whether the gradualist Hungarian reform approach provides a solid basis for further economic development or not. Because the privatization process is still dragging, the government has to shoulder many of the economic and welfare responsibilities making it a constant object of demands from all sides (Elster *et al.*, 1998). However, the legal and political institutions of the country operate remarkably efficiently compared to other Eastern European societies. In addition, the transformation process gave the Hungarians the highest average income of all postsocialist countries.

Bulgaria

The transformation of Bulgaria after 1989 is an example of a transformation process producing high social damage. The country is characterized by sharp social polarization, a disastrously low standard of living, and a decline in real-incomes by two-thirds since 1990 (Genov, 1998; Hassan and Peters, 1996; Kolarova, 1996).

⁴Income inequality by the Gini index was at .347 in 1996 (see Appendix).

There are large regional differences, however, with the concentration of social risks in the depressed “smokestack” industrial regions, some agricultural regions, and in areas with ethnic minorities (Kostova, 1997; OECD, 1997).

Unemployment evolved to be one of the major social problems. The unemployment rate was at 12.5% in 1996. The majority of unemployed in Bulgaria are long-term unemployed (60% of the total unemployment), which is by far the highest unemployment rate among the transition economies (Müller, 1998; OECD, 1997). Another steady trend in the 1990s has been the increasing polarization of income and wealth. The income inequality reached a level higher than in most *western* societies in 1996.⁵ A detailed analysis of the income development between 1991 and 1996 reveals that the educational elite and incumbents of high-status occupations are the income winners, whereas especially the unemployed, women, and the elderly are the income losers of transformation.

The social exclusion of significant parts of the population has accumulated such that the country is in a state of social crisis now. Poverty is a mass phenomenon with frightening rates of increase. Estimates of the percentage of impoverished people vary between 20 and 88% of the total population. But the fact, for certain, is that approximately half of the Bulgarian people live below the official subsistence level; especially older people, families with children, unemployed, and women are affected (Hassan and Peters, 1996; Quaisser, 1997; Spéder *et al.*, 1997).⁶

This crisis can be attributed to several reasons. One is inflation that had reached 125% in 1996. This reveals striking omissions in the fiscal and economic policy (OECD, 1997). On the one hand, the situation now is in part a direct consequence of the situation Bulgaria was confronted with at the outset of the transformation process (Leonidov, 1996; Spénner and Derek, 1998): Bulgaria was predominantly trade-dependent on the markets of the CMEA before 1989. The collapse of the CMEA as well as the inheritance of huge amounts of external debts from the socialist regime proved to be substantial burdens for the reorganization of the Bulgarian economy. On the other hand, the social and economic paralysis of the country is to a large degree caused by the institutional weakness of the state and the lack of political continuity (Genov, 1998; Kolarova, 1996). No less than seven governments with completely inconsistent political priorities have ruled the country between 1989 and 1996. Although the Bulgarian state, for example, has struggled to put a viable social safety net into place and the level of unemployment increased permanently in the 1990s, the targeting of the compensation programs proved to be ineffective. The portion of the unemployed receiving some sort of unemployment compensation not only decreased from 52 to 37% between 1991 and 1994 but also in the same time period the amount of paid unemployment compensation was virtually cut in half (Hassan and Peters, 1996; OECD, 1997; Spéder *et al.*, 1997).

⁵The Gini index of income inequality in 1996 was .378 (see Appendix).

⁶The official subsistence level is at 50% of the average income in Bulgaria (Quaisser, 1997).

Russia

In Russia also the social consequences of transformation have been quite detrimental. Most evident is that the ongoing institutional and economic transformation of the Russian society has produced significant changes in the social structure. New social groups have become conspicuous, certain other groups have been marginalized, and the bottom stratum of society is growing ever wider (Müller, 1998; Zaslavskaja, 1997).

With some simplification one can say that the Russian postcommunist society is composed of three principal social "classes." Over three-fourths of the population find themselves in the bottom stratum, against an almost insignificant upper stratum and a relatively small middle class. This clearly indicates that transition has resulted in a polarization of the social structure of Russian society. Women, people from rural areas, the elderly, and families with children are clearly over represented in the lower stratum (Gubin and Kostiouchenko, 1997; Mikhalev, 1996; Zaslavskaja, 1997). Moreover, the social stratification along economic sectors has increased: employment stability and the income situation is much better in the private sector (the most dynamic branch in Russian economy) than in the state run industry (Gerber and Hout, 1998).

The unemployment rate expanded from 0.4 to 9.3% between 1991 and 1996 (Müller, 1998), and income inequality grew dramatically until the mid-1990s. At the same time most Russians experienced a substantial decline in their real wages: the decrease amounts to 60% according to official statistics (Gerber and Hout, 1998). Income inequality in Russia is thus higher than in the United States or in Great Britain, those capitalist countries with the most accentuated inequality.⁷ A closer look at the income development between 1991 and 1996 reveals that Russian incomes vary positively by education, occupational status, and economic sector. Women and old people face earning disadvantages, and poverty has increased dramatically. During the 1990s, the percentage of poor rose to 25% of the population (Misztal, 1996; Müller, 1998; Quaisser, 1997). However, in more than 70% of the poor households the breadwinner has a permanent job, in 6% of these cases a second job also. This situation reflects at the same time the shrinkage in real wages and the increasing income inequality.

There are several reasons that have contributed to the social crisis of the country. First of all, Russia's economic situation has been extremely difficult from the very beginning of the transformation. The centralized Soviet system left in its wake a tattered distribution system, endemic economic imbalances, a bloated and inefficient industrial sector, and a legal system most potential investors find unreliable (Gerber and Hout, 1998; Quaisser, 1997). Compounding these problems, Russia has yet to achieve political stability. The obvious weakness of the regime, the

⁷Income inequality by the Gini index was at .472 in 1996 in Russia. In the US and Great Britain in 1991 it was .426 and .425, respectively (see Appendix).

continuing power struggle between the parliament and the Kremlin administration, and the lobbyism of the gas-, oil- and financial-industries has led to a situation in which reforms are undermined permanently (Ionin, 1995; Soros, 2000). Although the demands for income transfers and a safety net have grown tremendously, the availability of fiscal resources as well as the administrative capacity for their efficient distribution is sharply decreasing (Gerber and Hout, 1998; Popov, 1997).

East Germany

Within Eastern Europe the East German situation is clearly exceptional. The transformation of East Germany was modeled after and piloted by West Germany, including institutional transfers, political and technical expertise, and the immediate implementation of a comprehensive social safety net. Very distinctive patterns of inequality have developed in East Germany. The comparably high level of structural unemployment is, for example, a direct consequence of the economic shock therapy, which started with the monetary union of East and West Germany in July 1990. Overnight, the East German industrial enterprises were integrated into the world market, at the same time the monetary revaluation of 300% destroyed the basis of any competitiveness. Some 40% of the jobs previously available disappeared, and industrial production fell to approximately a third of its level in 1989 (Srubar, 1994). Between 1991 and 1996, the official unemployment rate grew from 12 to 22%. The intense engagement in job creation measures, early retirement, and retraining relieved the labor market of another 930,000 job seekers in 1996 (Expert Commission, 1997). Taking this into account, the open and the "hidden" unemployment amounts to almost 37% of the total employment. A closer look at the structure of unemployment reveals that women belong to the losers of unification. They experienced much higher risks of unemployment and demotion than did men (Mayer *et al.*, 1999). Also unemployment varies widely between regions and industrial sectors.

Social inequality in East Germany is not only influenced by gender or local labor market conditions, but also by age. Especially those above 50 belong to the losers of transformation. They are too old for the labor market and too young for early retirement (Geißler, 1996). An analysis of the income distribution in East Germany confirms these observations: Women and unemployed had to accept income losses, and people with high education or high occupational prestige improved their income situation. It is generally expected that the East German social inequality structure will eventually align with that of West Germany (Geißler, 1996, Wiesenthal, 1996); the development of the income inequality in the 1990s supports such a proposition. Although the inequality in the income distribution is still lower than in West Germany, as well as in most of the Eastern European countries, we witness a permanent increase of inequality⁸ (Hauser, 1999), and a

⁸In 1996 income inequality by the Gini index was at .262 (see Appendix).

corresponding increase of real wages since 1990, very exceptional within Eastern Europe (Diewald, 1999). An outgrowth of the moderate income inequality and the increase of real wages since 1990 is a comparatively low degree of poverty in East Germany. Only 8% of the population live below the subsistence level, but single mothers with children and the unemployed are hit hardest (Hauser, 1999). Although in the other Central and Eastern European countries approximately only one-third of the unemployed obtain financial support from the state, *all* unemployed individuals in East Germany benefit from some sort of income transfer. The East German pensioners could even improve their income situation in the course of the transformation (Spéder *et al.*, 1997). Thus, in many respects, East Germans find themselves in an exceptionally privileged position compared with the rest of the transformations societies.

ORDER- AND RESULT-RELATED JUSTICE JUDGMENTS

Obviously there are substantial differences between the transformation types in regard to how the societies manage to cope with the institutional and social changes. But a common trend for all is that social inequality has increased considerably since 1989. Certain social groups—the unemployed, the elderly, and women in particular—are confronted with high social risks, others, for example, the educational elite, belong to the winners of the transition. This generates the question whether people experience the social restructuring that takes place as just or not, and whether an overall consensus in this respect can be the foundation for the stability and legitimization of transformation. As elaborated earlier, however, we must look at the causal origin of the justice beliefs involved and we must try to determine whether these beliefs count as primary (culturally socialized and relatively stable) or secondary (steered by self-interests that may change).

In addition to this distinction of primary and secondary justice beliefs, empirical social justice research has brought to light an even more fundamental distinction affecting the way we make justice judgments in the first place. There seem to be two categorically different modes of justice judgments: *order-related* and *result-related* judgments (Wegener, 1992). This is so because there are two different *objects* a justice judgment can have. Order-related judgments are about principles of justice and in particular the institutional frame for distribution processes in a society. For instance, they may express preferences for market principles as a distribution regime in contrast to a state regulated regime. Result-related justice judgments, on the other hand, focus on actual consequences of distribution rules. Are the rewards that someone receives (I myself or *alter*) a just share or not? To what extent can a given distribution result be considered as just? Although order-relatedness deals with preferences for principles, result-relatedness means that the “justness” of the amounts received are evaluated (Wegener, 1999; Wegener and Liebig, 1998).

In this paper, we are dealing with both of the “justice modes” by studying the way they are interrelated empirically. We are addressing first the question how certain result-related justice judgments are distributed within the five societies that we study. From a justice perspective, how much inequality of the income earned by incumbents of particular occupational positions do individuals tolerate?

We define formally what we call the *justice gap* of the income distribution: A justice gap exists, for example, if the earned income of a well-paid position is considered as unjustly overrewarded, whereas the earned income of a not so well-paid position is considered as unjustly underrewarded. The first remuneration is too high, in the eyes of those who make the justice evaluations, the second is too low. Thus the justice gap is constituted by the difference in subjective justice evaluations of rewards that are given to holders of occupational (or any other kind of social) positions. How this is derived formally will be described in the next section. What is important here is that the justice gap is a result-related notion of justice. As such, individuals’ reflections on the change of material living conditions—reflections on the increase in social inequality, for example—will be the focus of our concern. It can be expected that country-specific developments in the distinctive types of transformation as well as the social positions the observing individuals have in their respective societies play a crucial role in this context.

Keeping the results of individuals’ justice evaluations and their perceptions of the justice gap in mind we will discuss in the second step whether people articulate specific preferences for *order-related* distribution principles or not, and which type of regime for the distribution of resources in their society they favor. These are their order-related justice *ideologies*. From an analytical point of view these ideological preferences and the (result-related) justice evaluations of the income distribution are independent of each other. They address different justice objects: distribution *principles* and distribution *results*. Cognitively inconsistent as we are as human beings, our ideological preferences need not be in line with and may even contradict our justice perceptions of results in concrete cases.⁹ It is nonetheless possible that order-related preferences may affect the evaluations of distribution results. The extent to which individuals perceive an actual income justice gap in their society, for instance, may well be contingent on their ideological preferences for distributing income and wealth.

In view of the special situation of the transformation societies, *egalitarianism* and *individualism* are the two most salient justice ideologies that are likely candidates for studying this relationship. We, therefore, include egalitarian and individualistic convictions in our empirical analysis. Both concepts and their operationalizations will be described in the next section.

It is our analytic scheme, therefore, to test whether we find differences in the perception of the income justice gap in the different types of transformation, and

⁹See Kluegel and Smith (1986) for a similar concept of “split-consciousness” that is entertained, however, within the order-related justice beliefs themselves.

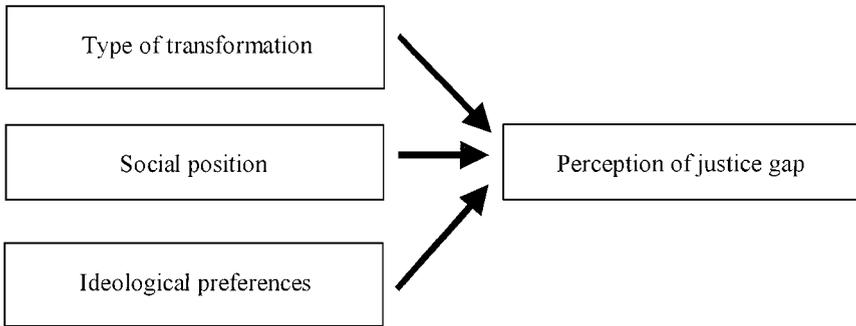


Fig. 1. Determinants of perception of the income justice gap.

whether these differences are caused first by country differences, second by position in the social structure or whether, third, they relate to ideological differences. Figure 1 represents the causal relationships we propose and put to the test.

METHOD, DATA, AND HYPOTHESES

Justice Gap and Justice Ideologies

The concept of a justice gap is defined as an extension of Jasso’s core theory of justice (Jasso, 1978, 1999; Jasso and Wegener, 1997) that suggests that individual justice evaluations are based on a comparison of observed actual rewards and rewards considered as just. Mathematically, the justice evaluation function describing the perceived justice evaluation, J , is proposed as the natural logarithm of the actual reward over the just reward. Thus

$$J_{ij} = \ln \left(\frac{A_{ij}}{C_{ij}} \right),$$

with A expressing the actual and C the just reward for observer i with respect to a series of justice stimuli j . For the present purpose the reward is taken to be the income that incumbents of particular occupations earn, j ($j = 1, 2, \dots, m$) symbolizing these occupations.

Following this theory, the justice gap is the difference between an individual’s justice evaluations of the earnings in two occupational positions. In this analysis the two occupations are taken from the ISJP questionnaire that asked respondents to give estimates of how much, on an average, persons with these occupations earn (A_{ij}), first, and second how much they should earn for their income to be a just income (C_{ij}). The two occupations were “chairman of a large company” and “unskilled manual worker” assuming that both represent the virtual endpoints of the

income continuum.¹⁰ For both occupations, the respective perceived justice evaluations were calculated for each individual respondent, using the justice evaluation function. Evidently, if the estimated actual income is higher than the just income, J is positive, that is, the actual income of the occupation is regarded as an overreward; it is believed to be an underreward if J is less than one, and a just reward if zero. The justice gap J_G then is simply the arithmetic difference between J_{chairman} and $J_{\text{unskilled worker}}$,

$$J_{i,G} = J_{i,\text{chairman}} - J_{i,\text{unskilled worker}},$$

with the expectation value $E(J_{i,G})$ characterizing the perceived justice gap of a total population or subgroup. If J_G for a population takes on a positive value, it is due to that population's belief that there is a justice gap with regard to the income situation of the two extreme occupations. The gap is largest if the chairman is considered to be widely overrewarded in terms of income and the unskilled worker dramatically underrewarded. Positions in between may result from diverse combinations of the justice evaluations of the two occupations. There may even be a negative justice gap (a quantity of "excess justice") due to the impression that either or both occupations are paid unjustly too much.¹¹

As *order-related* justice beliefs, justice ideologies, we consider egalitarianism and individualism measured by ISJP items. Of the factor analysis that resulted in a 4-factor solution, we use only these two factors (see the list of variables in Appendix), disregarding the other two, "ascriptivism" and "fatalism" (Wegener and Liebig, 1995). The four dimensions together have been derived from Mary Douglas' grid-group theory. Based on this theory and its given level of abstraction, it is claimed that the four dimensions exhaust the possible realm of justice ideologies (Douglas, 1982; Thompson *et al.*, 1990).

Focussing on the two justice ideologies of relevance here, it can be said that *egalitarianists* tend to appeal to authority. They hold the state ultimately responsible for the unjust distribution of wealth. Hence, the redistribution of societal resources that aim to fulfill the egalitarian wish for maximum equality should, in their view, also be the responsibility of the state. In contrast to this, *individualists* hold that only achievers are rewarded with success and that a system of free competition is fair and functional. It is not the concern of the state to interfere with market processes.

¹⁰The following wording was used in the ISJP: "We would like to know what people in different professions—i.e., a chairman of a large national corporation or an unskilled manual worker—earn and what you think they should earn. (1) What do you think a chairman or managing director of a large corporation earns per year on average? (2) Now tell me what you think a just average yearly income for a chairman or managing director of a large corporation would be? (3) What do you think an unskilled manual worker earns per year on average? (4) Now tell me what you think a just average yearly income for an unskilled manual worker would be?"

¹¹Possible decompositions of the aggregate justice gap $E(J_G)$, which we term the Justice Gap Index J_{IG} , will be pursued in future work for which groundwork has been laid by Jasso (1999).

We make use of a maximum-likelihood confirmatory factor analysis of the relevant ISJP items, selecting for further analytic processing only the egalitarianism and the individualism factors, that is, the factor scores of these two factors will be utilized in the subsequent regression analyses. Based on the international ISJP samples, the scales have been tested for their measurement properties and test-theoretical qualities and are now part of the (online) attitude scale archive of ZUMA, the Mannheim Center for Surveys and Methods (Stark *et al.*, 1999).

Data and Methods

We use the 1991 and 1996 surveys of the International Social Justice Project (ISJP). In our analysis we compare only the postcommunist societies, Bulgaria, Czech Republic, Hungary, Russia, and East Germany, but we include West Germany for a referent. There were 15,397 completed interviews available for these selected countries at both points of time. Due to missing cases in some of the variables, the sample is reduced to 4,322 cases in 1991 and 4,088 in 1996.

In order to study the possible extent and the direction of changes in the perception of the income justice gap in the postcommunist societies and West Germany a stepwise analysis is applied. First, in an exploratory, time-comparison analysis we look at the three country types of transformation and West Germany on the aggregation level. Second, four hierarchical regression models with the justice gap as dependent variable are introduced, separately for 1991 and 1996. The first model contains the transformation type variables as dummies assessing only the main effects of Czech Republic *cum* Hungary, Bulgaria *cum* Russia, East Germany, and West Germany. This initial model is then extended by adding individual demographic variables (sex, age, education, class, unemployment, household income, and economic sector) and, as Model 3, the interaction effects for the country types. The inclusion of these interactions provides estimates of the influence the demographics have within the individual country types. Model 4, finally, adds as independent variables the preferences for the two justice ideologies, egalitarianism and individualism, in order to test how they influence the perception of the income justice.

The independent variable used in these models are described in the Appendix.

Hypotheses

There are thus three groups of variables, the effects of which we study: the transformation types (country effects), social position (structure effects), and ideologies (effects of orderrelated justice beliefs on result-related ones). Based on what has been said about the different situations and stages of transformation of the societies we analyze, the following hypotheses are advanced.

Hypothesis 1

We expect the perceived justice gap to be substantially higher in Russia and Bulgaria than in the successful transformation societies Hungary, the Czech Republic, and East Germany, with the size of the gap increasing in all countries over the 5 years interval except in former East Germany.

Hypothesis 2

As a general assumption, we propose that the winners of transformation, by and large, conceive the income justice gap to be smaller than the losers. There should be a tendency visible, therefore, that the unemployed, women, and the elderly are more keen in perceiving a large income justice gap, whereas individuals with high educational credentials as well as private sector employees see the gap as not so big and shrinking. This should be more clearly visible in the “nonsuccessful” transformation societies than in the “successful,” and it should gain in prominence over time.

Hypothesis 3

If at all, ideological preferences for distribution principles should influence the perception of income justice such that the more egalitarian see a broader justice gap than those inclined towards individualism. We expect this to be markedly more so in 1991 than in 1996 because of the diminishing influence egalitarian–socialist convictions have in the transformation countries.

Note that these three hypotheses are formulated within the general framework of our research according to which it is strictly an empirical question whether differences in the perception of the income justice gap are due to country differences, “class” differences, or ideological biases, and which of these effects is the major one. This is what the data have to tell us.

RESULTS

We study the size of the income justice gap in the involved countries first. In Fig. 2 the upper half of the chart gives graphic representations of the means of the justice evaluations of the chairman’s income, the lower half gives the result for the unskilled worker. Arrows are drawn in highlighting the development from 1991 to 1996; the “spread” between the endpoints of these arrows represent geometrically the respective perceived justice gaps. The results quite clearly support Hypothesis 1. There are substantial differences between the country types. Evidently, respondents are keenly aware of the transformation processes in their respective countries and can discern the objective income situation quite well.

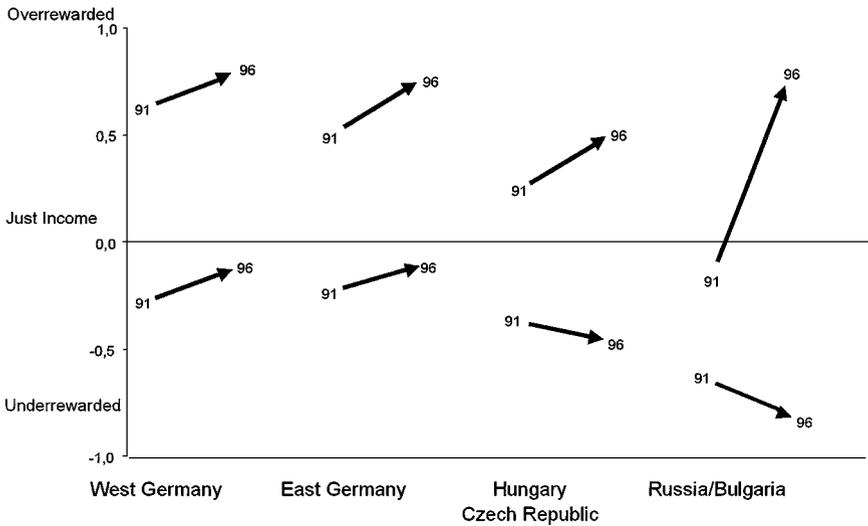


Fig. 2. Income justice gap in selected transformation societies and West Germany.

In terms of numbers, the mean justice gap in 1991 in East Germany is at $J_G = .76$, in West Germany it is $.91$. Both values are higher than in all other observed countries. The smallest justice gap in 1991 existed in Russia and Bulgaria ($J_G = .55$). The Czech Republic and Hungary with $J_G = .66$ figure somewhere in between. However after 5 years of transformation the picture has changed drastically. In former East and West Germany the justice gap remains almost stable; statistically the small increases that are visible do not prove to be significant. A slight increase over time, which is statistically meaningful, can be observed in the Czech Republic and Hungary, the 1996 justice gap there rising to $.89$. The situation is quite different in Russia and Bulgaria. Russians and Bulgarians perceive a substantially higher justice gap of income in 1996 ($J_G = 1.48$) almost tripling its size since 1991.

The conclusion then is that the perceived income justice gap corresponds well with the structural changes taking place in the postcommunist countries. In the Czech Republic, Hungary, and East Germany we observe relatively stable justice evaluations; the transitions in these countries were accompanied by strong social policies. The polarization of the Russian and Bulgarian societies in the 1990s is reflected in the enormous increase of felt injustice with regard to income.

We are looking at the effects on individuals' perception of justice gaps next. Using the transformation type of Russia/Bulgaria as the reference category, we estimate a series of four hierarchical regression models based on the pooled data for 1991 and 1996, respectively. In Model 1 (of Table II) we find clear cross-national differences in the overall level of the justice gap, mirroring

Private sector	-.202	-.230	-.200	.263	.200
<i>R</i> 's household income	(-1.083)	(-1.256)	(1.403)	(1.824)	(1.403)
	.193	-.094	.346	.272	.346
	(1.998)	(-1.685)	(2.870)	(2.263)	(2.870)
Interactions with					
West Germany	.314	.255	.060	.152	.060
College education	(2.928)	(2.408)	(.342)	(.854)	(.342)
Class (10 pt.)	-.068	-.056	-.124	-.127	-.124
	(-3.032)	(-2.546)	(-3.819)	(-3.930)	(-3.819)
Unemployment	.318	.260	-.008	.012	-.008
	(1.394)	(1.159)	(-.040)	(.059)	(-.040)
Private sector	-.236	-.238	.147	.195	.147
<i>R</i> 's household income	(-1.309)	(-1.339)	(1.036)	(1.357)	(1.036)
	.237	.225	.331	.294	.331
	(3.166)	(3.043)	(2.886)	(2.886)	(3.273)
Individualism	-.207	-.207	-.131	-.131	-.131
	(-4.201)	(-4.201)	(-1.716)	(-1.716)	(-1.716)
Interactions with the Czech					
Republic/Hungary	-.066	-.048	-.103	-.125	-.103
Class (10 pt.)	(-2.986)	(-2.237)	(-4.365)	(-5.370)	(-4.365)
	.016	0.38	.227	.172	.227
Unemployment	(.087)	(.206)	(1.399)	(1.043)	(1.399)
Private sector	-.047	-.049	.216	.238	.216
<i>R</i> 's household income	(-2.50)	(-2.61)	(1.703)	(1.856)	(1.703)
	.042	-.048	.074	.076	.074
	(.540)	(-2.237)	(1.065)	(1.065)	(1.046)
Egalitarianism	(.251)	.015	-.175	-.175	-.175
	(-1.88)	(-3.952)	(-2.755)	(-2.755)	(-2.755)
Individualism	-.188	-.188	-.199	-.199	-.199
	(-3.952)	(-3.952)	(-3.823)	(-3.823)	(-3.823)
Intercept	.553	.794	1.477	1.700	1.266
	(26.58)	(13.390)	(51.682)	(22.794)	(10.239)
<i>R</i> ²	.025	.064	.068	.120	.141
<i>N</i>	4322	4322	4088	4088	4088

Note. Unstandardized OLS coefficients; *t*-values in parentheses. Country type reference is Russia/Bulgaria.

of course what has been found already in the exploratory analysis. All countries differ significantly from Russia and Bulgaria, but, for 1991, we can explain only a meager 2.5% of the variation. But compared to Russia and Bulgaria the other countries have higher justice gap levels. In 1996, coefficients switch signs, however. All the “successful” transformation societies plus West Germany now have smaller gaps than Russia and Bulgaria. Because more variation is explained ($R^2 = .068$), we conclude that the differentiation between the countries has increased.

Including structural variables in Model 2, increasingly more variation is explained. Adding sex, age, education, subjective social class, employment status, sector, and respondents’ household income, we have an R^2 of .077 in 1991 and .120 in 1996. The effects of these structural variables should be interpreted in conjunction with Model 3 where we analyze possible interactions of these variables with the country types. As Table II tells us (in the Model 3 columns), a significant part of the cross-national differences are due to the country-specific effects of demographic factors. This holds especially true for 1996, where the significant country type effects disappear completely—in 1996 the variation of the justice gap perception is statistically independent of the country types. This result is crucial and supports Hypothesis 2 entirely. We see that the perceived justice gap varies strongly, and over time increasingly, with the positions respondents have in the social structure. Although there are positional effects that appear in all of the country types, others are country-specific.

The effects of higher education, for example, are strongly negative in Russia and Bulgaria, Hungary, and the Czech Republic (direct effects of $-.350$ in 1991, $-.134$ in 1996), but in former East and West Germany the higher educated tend to articulate a higher justice gap level. Interestingly, this is so only in 1991; in 1996 the better educated East Germans are the only ones perceiving a higher level of the justice gap (.489). Thus the often discussed thesis that the East German educational elite is highly critical towards the German unification process (Liebig and Verwiebe, 2000) is supported.

Class has a negative influence on the perception of the income justice gap: the higher the (subjective) class position of a person, the smaller is the justice gap he or she perceives. However, this effect of class is only found in West Germany, Hungary, and the Czech Republic at both points of time. In addition to these effects, the economic sector, household income, and unemployment are important determining factors. In accordance with Hypothesis 2, employees in the private economy sector notice a smaller justice gap, especially in Russia and Bulgaria in 1996 ($-.313$). In all other countries in 1996, the trends are the other way around, though mostly not statistically significant. In 1991, economy sector does not prove to be of importance for determining the justice gap.

Respondents’ household income has negative effects on the size of the perceived justice gap. If an individual’s income is high, the income gap he or she

perceives is small. These effects are statistically significant for Russia/Bulgaria and for Hungary/Czech Republic at both points of time. But we can observe a positive effect of the household income in former East Germany in 1991 (.193) and in 1996 (.272) and also in Western Germany in 1991 (.237) and 1996 (.294). These effects indicate that in Germany, respondents with high incomes tend towards perceiving a larger income justice gap than the well-to-do in the other countries.

In general, unemployed respondents in all the postcommunist societies as well as in Western Germany perceive a higher justice deficit, that is, they have positive coefficients. This is not a finding that comes as a particular surprise because the unemployed in the transformation countries have been forced to be the "losers" of the transformation (Milanovic, 1996; Spéder *et al.*, 1997). But this is statistically significant only in Russia and Bulgaria, and only in 1991.

Model 4 gives the results when the individual preferences for the two justice ideologies are added. With the inclusions of these two ideologies as factor scores the explained variance improves to 11% in 1991 and 14% in 1996. But, the increase in explained variance is larger in 1991 than in 1996 ($\Delta R^2 = .036$ vs. $\Delta R^2 = .021$). We take this to mean that the ties between the order-related justice ideologies and the result-related perceptions of the justice gap have declined.

Looking at the details it can be seen that in 1991 egalitarianism produced a stronger justice gap perception (.157). This holds true for all postcommunist societies and for Western Germany. In contrast, no main effect for individualism is found in 1991, but we do have effects in West Germany (−.207) and the Czech Republic/Hungary (−.188). Negative signs mean that the higher the preference for individualism, the smaller is the size of the perceived justice gap. In 1996, the situation has changed somewhat regarding both ideologies. Again, we can identify a significant main effect for egalitarianism (.207), which can be interpreted to mean that in Russia, Bulgaria, and East and West Germany the preference for egalitarianism leads to a higher perception of the justice gap. However, the negative effect for egalitarianism in Hungary and the Czech Republic (−.175) shows that the perception of the justice gap is significantly less affected by egalitarianism in these countries. Further, we find a significant main effect for individualism (−.096) in 1996. Obviously, the perception of the income justice gap is influenced by the respondents' preference for individualism. Again, the Czech Republic and Hungary are of special interest. The negative effect for individualism there (−.199) indicates that the relation between the preference for individualism and the perception of the justice gap is even stronger here than in all other analyzed countries.

Based on these results, one can conclude that Hypothesis 3 could, by and large, be confirmed. The expected general relationships between the two ideologies and the perceptions of the justice gap could be identified in our data. In addition to that we see that individualism is the dominating ideology in Hungary and the Czech

Republic, but that in all other countries both ideologies influence the perception of the justice gap, though the impact of egalitarianism is stronger.

CONCLUSIONS

This paper is an attempt to provide an answer to the question whether justice evaluations of social inequality in a society, income inequality to be precise, are determined more by country differences or by the social position that an observer occupies. In very general terms, the question we have posed is whether, in shaping justice beliefs, cultural factors are more important than social-structural ones, or vice versa. The effects of country differences would be due to primary justice values, as we say, that are typically passed on through socialization in a society existing relatively unaffected by short-term changes, whereas the effects of positional differences would be based on secondary values that spring from rational self-interests persons in different social locations inevitably have. In studying societies that are in the process of transition from one economic and political regime to another, as is true of the former communist countries in Central and Eastern Europe, the question of how stable over time justice beliefs are seems to be of particular relevance. To what extent have the justice beliefs adapted to the new order and how much consensus is there in this respect? Clearly this relates to how accepted and legitimized the new social order in these societies is.

In view of transformation societies, country differences are conflated with differences in the transformation processes the countries are experiencing and with differences in the path-dependence of these processes. This is why we distinguish different types of transformations—stable transformation, unstable transformation, and transformation to a ready-made state—testing empirically whether these transformation types exert an influence on the justice beliefs (and how this influence compares to that of positional effects).

Finally, we restrict our research question to the study of result-related justice beliefs introducing the concept of the justice gap for that purpose. Regarding income, the justice gap is a measure of the perceived injustice of the income distribution in a society. As such, it is analytically independent from any utopian normative ideas about justice and the confidence in particular distribution principles, whether these come as elaborated justice “theories” or as ideologies. The justice gap is simply the expression of discontent with what is, derived, in our scheme of reward justice, from the justice evaluations of incomes. But, though analytically independent, *cognitively* the perceptions of the justice gap may well be determined by utopian standards. This is why we have also tested in our analyses the effects (order-related) justice ideologies may have on the justice gap, selecting egalitarianism and individualism as the two most germane distributive justice

ideologies in a context where state-run economies are transformed into market economies.

So what did we find? We did find that the country differences (transformation types) matter, and the structural social positions matter as well in shaping the size of the justice gap. Over time, however, the types of transformation clearly lose influence; in 1996, compared to 5 years before, the countries have become similar in that most of the variation in the perception of the income justice gap must now be attributed to the positional differences of individuals. We conclude that the characteristics of the transformation processes decrease in importance for determining public views about social justice, or, equivalently, structural differences are gaining in importance compared to cultural ones. In this respect, the transformation societies may well be on the route to becoming more like western societies.

Although this is true for the justice evaluations of distribution *results*, we also find that preferences for justice ideologies determine how the results are evaluated. Those who lean more towards egalitarianism tend to perceive more injustice than individuals with individualistic and market-friendly preferences. Although we did detect a number of revealing differences in the relative strength of the influence of the ideologies in the different countries, we also found tentative evidence that ideological justice beliefs tend to structure result evaluations less strongly as time goes by. As a part of our agenda for future research we ask, Is there a “de-ideologization” tendency in the transformation societies of the former communist block—again making them more western-like?

APPENDIX

Some Economic Indexes of Russia, Bulgaria, the Czech Republic, Hungary, and East Germany
1991–1996

	Czech Republic	Hungary	Bulgaria	Russia	East Germany
Unemployment rate 1996 ¹	3.5	10.7	12.5	9.3	22.0
Development of real- income 1991–1996 ²	±0	–25%	–66%	–60%	+60%
					(1990–1995)
Gini index 1996 ³	.273	.347	.378	.472	.262
Gross national product per capita 1995/US \$ ⁴	3.870	4.120	1.330	2.240	11.875
Inflation rate 1996 ¹ (%)	9	23	125	48	2.5

Sources: ¹Müller, 1998; OECD, 1998; Expert Commission, 1997; ²Genov, 1998; Gerber and Hout, 1998; ³International Social Justice Project; ⁴Expert Commission, 1997; DIW, 1998.

List of Variables

Dependent variable

Justice gap	“We would like your estimate of the income which people in some occupations actually earn on average. Think about a chairman or managing director of a large corporation and an unskilled manual worker, such as a factory line worker.
$J_j = \ln\left(\frac{A_j}{C_j}\right)$	<p>[A_{chairman}]: What do you think a chairman or managing director of a large corporation earns per month on average? Your best guess will be fine.</p> <p>[C_{chairman}]: Now tell me what you think a just and fair average monthly income for a chairman or managing director of a large corporation would be.</p> <p>[A_{worker}]: And how about an unskilled manual worker, such as a factory line worker? What do you think an unskilled manual worker earns per month on average?</p> <p>[C_{worker}]: Now tell me what you think a just and fair average monthly income for an unskilled worker, such as a factory line worker would be.”</p> <p>See Text for deriving the mean income gap for “chairman” and “factory line worker” from these questions.</p>

Independent variables

Transformation type	Three dummy variables build from East Germany, West Germany, Czech Republic/Hungary, and Russia/Bulgaria as reference category.
Sex	(women = 1)
Age	Age of respondents in years
Education	Dichotomous variable based on the CASMIN classification: high education = 1, other = 0
Class	Subjective social class (10 pt. scale)
Unemployment	Unemployed at time of interview = 1, other = 0
Private sector	Private sector = 1, other = 0
Income	Household income, deflated and weighted according to household size
Egalitarianism	<p>Agree/not agree on a 5-point scale: “The government should guarantee everyone a minimum standard of living.”</p> <p>“The government should place an upper limit on the amount of money any one person can make.”</p> <p>“The government should provide a job for everyone who wants one.”</p>
Individualism	<p>Agree/not agree on a 5-point scale: “There is an incentive for individual effort only if differences in income are large enough.”</p> <p>“It is all right if businessmen make good profits because everyone benefits in the end.”</p>

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