Rentier Capitalism and Class Warfare in Kazakhstan

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Blame 'free' market reforms that benefit the rich and powerful at the expense of the working class for the country's recent protests.

The recent protests in oil-rich Kazakhstan have highlighted the devastating effects of rent extraction. The country's largest sellers of liquefied petroleum gas (LPG), including KazMunaiGas, Kazgermunai, CNPC-AktobeMunaiGas and Kazakhoil, have been accused by the government of increasing fuel prices by abusing their oligopoly power When the state lifted its price cap on LPG at the start of 2022, the market price doubled within a couple of days. The impact was immediately felt by poor and vulnerable sections of Kazakhstani society, which relied on the commodity for heating and vehicles.

Ultimately, the price hike was a violent attempt by powerful oil corporations to extract rent – they knew that most of the population had no alternative but to pay up or go without. Akin to social historian EP Thompson's moral economy of the 18th-century English crowd that rioted against soaring food prices, Kazakhstan's working class revolted against the market price and the injustice of the 'free' market.

'Free' market

Kazakhstan's government justified the removal of the price cap by saying that it was complying with market principles. It wanted to liberalise the market by ending the price subsidy on LPG, and allowing the 'free' market to dictate the price. This policy is based on mainstream economic thinking that a commodity's price and value should be determined by demand and supply to reflect its scarcity and costs.

Moreover, the government argued that the price subsidy had created a domestic shortage of LPG. Illegal traders were said to have exported LPG to neighbouring countries, where prices were significantly higher than in Kazakhstan. The market reform would incentivise oil corporations to reduce their exports overseas, and sell domestically at a better price.

But such justifications and faith in market forces proved to be seriously flawed and fatal. Whereas the price cap had previously limited the powers of natural monopolies, the government was now proposing that large oil corporations dominate the market and dictate and raise prices to what the market could bear. The price jump from 60 tenge ($0.14) to 120 tenge ($0.28) per litre was a sheer exercise in economic power and rent extraction, which was initially defended as an outcome of impersonal electronic market trading.

The price rise came as a shock to most working-class people, who had already seen higher inflation and interest rates increasing their living costs over the past year. For the working class, LPG, dubbed "road fuels for the poor", was cheaper than alternative fuels, such as diesel and gasoline, which can cost 180–240 tenge ($0.40–0.55) per litre. In the south-western region of Mangystau, and many other parts of the country, it is estimated that 70–90% of vehicles use LPG.

Facing abject poverty, immense inequality and blatant value-grabbing, a large section of the working class, in many districts, revolted against the introduction of a market reform that clearly favoured the rich and powerful propertied class, including oil and gas executives and shareholders. In cities across the country, violent clashes between protesters and security forces left many people injured or killed, and numerous buildings and cars set alight and destroyed. Almaty, the commercial capital, looked like something from an apocalyptic film.

What is a Rentier Society?

Rent arises from unequal power relationships between the powerful propertied class (the asset-rich, or rentiers) and those without property (the asset-poor). The former can extract income because they own and control assets that the latter want or need, but lack them. There are different forms of rent, including interest, land and housing rent, capital gains, dividends, access fees, road tolls and price markups arising from monopoly power. Rentierism refers to often dominant and legalised economic practices and arrangements to extract rent. Rentiers obtain income because they have power over others, not because they deserve or have earned it.

In a frantic effort to deflect criticism and apportion blame, energy minister Magzum Mizagaliyev accused the country's petrol stations of price-fixing and price speculation. As natural monopolies are wont to do, major petrol stations marked up LPG prices as much as possible to reflect their economic power, rather than the commodity's scarcity or costs.

Public anger, civil unrest and government pressure escalated, and the petrol stations reduced their prices to 85–90 tenge (c. $0.20) per litre. It was a collective endeavour by the state and oil corporations to appease the growing crowd of protesters. Finally, as demonstrators' demands and actions intensified further, the government was forced to re-introduce a temporary price cap, slashing prices to 50 tenge ($0.11) per litre.

Class warfare

At the heart of the crisis is a fundamental question: what kind of a 'free' market and capitalism operates in Kazakhstan?

For supporters of neoliberalism, a 'free' market means that economic actors are free to extract rent, free of state controls. Rent refers to income generated by the mere virtue of owning and controlling scarce assets, such as credit money, land, retail estate, natural resources, digital platforms and patents. This ideal of a 'free' market has hugely benefited Kazakhstan's banks, property developers, oil, gas and mining corporations and retail chains, collectively known as the rentier class.

Rent extraction contributes to inflated prices, indebtedness and precarity in the wider society

These rentiers receive income by partly siphoning off surplus value that others produce. It is unearned income, and their rent extraction contributes to inflated prices, indebtedness and precarity in the wider society. Their income is parasitic and harmful to most of the population.

Moreover, capitalism is organised around rent extraction rather than wealth creation, in which the rentiers, not the producers, dominate economic and political practices and institutions through regulatory and state capture. The emergence of rentier capitalism as an economic order has produced income inequality and plutocracy in Kazakhstan.

The truth is that Kazakhstan's government and the rentier class did not care about addressing the domestic LPG shortage. The price 'liberalisation' was merely another attempt at unjustly enriching the country's rentier class at the expense of the working class (including rural migrants and the unemployed).

In 2019, Timur Kulibayev, the son-in-law of the former president, Nursultan Nazarbayev, and one of the richest persons in the country, privatised a large network of petrol stations belonging to the national company KazMunaiGas. He benefited from the subsidy given to LPG as state income was transferred to his company. Then when the price cap was lifted, he benefited from the freedom to charge customers more.

Political theatre

In an effort to discredit and delegitimise the protesters, President Kassym-Jomart Tokayev called them 'terrorists and bandits' – a familiar trope that has been used in the past to justify violent and brutal crackdowns on the working-class's legitimate economic grievances.

A few days later, when order had been restored, President Tokayev spoke in a more conciliatory tone. He highlighted how his predecessor Nazarbayev had allowed the super-rich to thrive in the country. He also said that wealth should be redistributed, by demanding that the rich and powerful make a tribute to the people through a social fund.

But this is political theatre – to show the nation Tokayev's firmness and even-handedness, masking the state's strategic selectivity and bias towards investors' and rentiers' short-term interests over sustainable economic and social development.

Amid this class warfare, some middle-class people –who were largely unaffected by the price hike – merely looked on or seemed irritated by the unrest. Some were hopeful that so-called 'peacekeeping' forces from Russia would quickly restore law and order. They also felt that the government should have used greater force at the start to quell the unrest.

Aynur Kurmanov, co-leader of the Socialist Movement of Kazakhstan, who is outside the country, bemoaned the lack of social solidarity in the uprising against rentierism. He noted that plutocrats, rentiers and post-Soviet states were better organised to suppress or co-opt the working-class movement in the country:

You shouldn't idealise the current protest movement either. Yes, it is a grassroots social movement, with a pioneering role for workers, supported by the unemployed and other social groups. But there are very different forces at work in it, especially as workers do not have their own party, class trade unions, a clear programme that fully meets their interests. The existing left-wing groups in Kazakhstan are more like circles and cannot seriously influence the course of events. Oligarchic and outside forces will try to appropriate and or at least use this movement for their own purposes.

Indeed, the LPG price hike has highlighted a crucial feature of rentier capitalism: the role of government in creating and facilitating rent extraction, and privileging foreign and domestic rentiers. Since the 1990s, Kazakhstan's government has fashioned a parasitic economic system of private quasi-monopolies in the oil and gas sector. It gave a handful of US, European and Chinese oil producers lucrative property rights over natural resources, and several domestic and foreign oil sellers profitable distribution and retail rights.

The government has shielded these oil companies from criticism of their exploitative and harmful labour and environmental practices, and their anti-competitive market behaviour. It has also shielded rents from tax through generous production-sharing agreements with oil companies, who are protected from expropriation via international investment treaties, arbitration courts and powerful state connections. On top of that, oil corporations have benefited from state subsidies. The rentier class has successfully privatised colossal rewards that are hugely disproportionate to their contributions and risks.

Our sense of anger and horror over the recent events in Kazakhstan needs to start from an understanding of how rentierism has become an economic norm, which has legitimised and normalised unearned income, inequality, precarity and social suffering. Rentierism consists of many forms of economic exclusion and income entitlement, all legalised and justified.

Once this is grasped, the existing economic order can be critically evaluated, and the economy can be transformed and democratised to serve people's needs and ensure their well-being.

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