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According to public opinion polls, Russians view poverty as the central problem that arouses concern, anxiety, and dissatisfaction with the authorities. The theoreticians of our market reforms predicted an increase in poverty among a part of the population in the first years of the transition to capitalism, then rapid economic growth and a decrease in poverty. However, this did not happen. Poverty remains the central problem of Russian society despite the continual inflow of petroleum and gas dollars. The number of the poor is decreasing very slowly, while social inequality—the gap between the rich and the poor—is even increasing and has reached, according to different estimates, 15 to 30 times.

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Is Poverty Not a Crime?

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Several factors make struggle against poverty ineffective. One of them is ideological. Just as in Soviet times ideologists of the ruling bureaucracy prophesied that poverty as a feature of “putrefying capitalism” was impossible in “the country of victorious socialism,” the authorities now declare stability and economic growth, which, supposedly, leave no place for poverty in this rosy picture.

Another reason why poverty is ignored is the exceptional greed, selfishness, and indifference to the people’s interests of the Russian ruling elite—the financial-industrial-bureaucratic oligarchy. During primitive accumulation of capital, some people in other countries also made millions over months, including on oil, often by foul means. In the United States, they were called robber barons by analogy with feudal lords who robbed travelers passing through their domains. These capitalists could not buy airplanes at that time, but they did buy villas and vessels for voyages, which was criticized severely by the public. However, in the early 20th century, many of these robbers became philanthropists and Maecenases. A number of foundations have been named after them.

Our country has not seen such a transformation yet. The majority of domestic oligarchs obtained their wealth by semilegal and immoral means, often through their connections in the party and Komsomol establishment. Being aware of the questionable nature of privatization, shares-for-loans auctions, and other schemes, they did not count on gaining a long-standing status of owners of their unexpected wealth; their motto was (and often is) “take a suitcase, rush to the airport, and go abroad.” Under these conditions, they had neither time nor willingness to think about poverty among the population.

As a rule, Russian businesspeople are free to decide for themselves what compensations to pay: our labor legislation is primitive and impotent, and our trade unions are at the level of the late 19th century. Hence, but for the periodic shouts from the Kremlin hills (“Where is your social responsibility! Do something in the social sphere! We gratify all your whims!”), Russian oligarchs would have never given a thought to poverty. For them, poverty is the main source of their fantastic profits.

Both in Russia and abroad, there are two stereotypes concerning the main competitive features of the Russian economy: the country has huge natural resources and an excess of cheap labor. While the first stereotype remains just so far (although our mineral resources are often exploited unfairly and will soon begin to run out), the second one is preserved artificially by intentionally maintaining poverty and unemployment. The ideas that poverty in Russia is inevitable and that Russians have no high expectations and are accustomed to hardship and endurance are being imposed on the population. These speculations go hand in hand with the statements that Russian workers are still highly qualified, the level of Russian education is excellent, and Russian higher education surpasses international standards. This is how they make the country attractive for investors: it has well-educated, skilled, and cheap labor. In my opinion, this is one of the main reasons why poverty is preserved in Russia.

The third reason why the problem of poverty is neglected is the fact that we do not understand its role in the whole complex of problems associated with social injustice. At best, functionaries think that combating poverty means aiding people who live in absolute poverty, below the minimum subsistence level. They view it as an achievement of the social policy of the past two decades that Russia managed to avoid a famine comparable to the famine it encountered during

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the Civil War or in the 1930s and in the first postwar years. Even if this is the case, this "achievement" is questionable for the world's richest country. We should understand what poverty means in modern Russia, and several definitions from economics and sociology are necessary here.

Both Marxist and Western liberal theories interpret poverty as a state when an individual and his or her family have no means to satisfy basic vital needs. Obviously, these needs are different for different countries and different epochs.

Consequently, *absolute poverty* means that incomes of different groups of the population do not reach a definite minimum, which is at present a formally prescribed subsistence minimum.

Relative poverty means that incomes of an individual or a family are lower than the average incomes or expenditures in the country in question.

Degree of poverty is the ratio of the number of people whose per capita income is lower than the subsistence minimum to the whole population.

Poverty depth is the extent to which the incomes of poor families deviate from the subsistence minimum.

Pauperism threshold is the per capita income that does not exceed 50% of the subsistence minimum.

MEASURING POVERTY

One way of measuring poverty is to assess consumption of staple foods, essential goods, and clothing. This is the roughest approach because it does not take into account different levels of consumption. For example, if an Asian country with a population of 10 million people produces or imports 10 million tons of rice annually, this means that every person consumes 2.7 kg of rice per day. This is sufficient: famine is out of the question. Most likely, the picture in Russia would be similar if we took into account the total amount of consumed potatoes, bread, and macaroni. The so-called consumer basket and the subsistence minimum are calculated on the basis of the real consumption of foods and goods.

The second way is official statistics on the population's incomes and expenditures, which is determined by Rosstat (the Federal Statistics Service) on the basis of censuses and annual selective polls of the country's households between censuses. The latest large-scale poll of 44,500 households took place in 2003 (the National Poll of the Welfare of the Population and Its Participation in Social Programs).

Finally, the third way of measuring poverty is mass opinion polls, which show the personal assessments of material welfare, material problems, and lifestyle rather than the physical indicators of incomes and expenditures.

THE SHARE OF THE POOR

This is the main indicator that is used in official assessments of poverty problems and social programs targeted to their mitigation. I mean the number and share of people who live below the official subsistence minimum. In 1992, Russia was the first among the post-Soviet countries to introduce an official methodology of calculating the level of poverty on the basis of the minimum consumer basket. Since 2000, the size of the basket and the value of the subsistence minimum have been calculated using the integral standardized methodology, which is regulated by law, and the size of the consumer basket has been corrected quarterly. Many analysts are of the opinion that there is a snag in this approach: the subsistence minimum is prescribed by officials, although in practice it is based on different expert estimates. For example, in early February 2008, the government established a subsistence minimum of 3879 rubles per capita for the third quarter of 2007, which included rent, communal services, foods, clothing, and transport but excluded payments for higher education of children, remunerated medical services of our "free" health care, recreation, entertainments, and so on. The monthly subsistence minimum was set at 4197 rubles for employees, 3085 rubles for pensioners, and 3704 rubles for children.

The measurement of absolute poverty, notwithstanding the term, is based on two relative expert indicators: the subsistence minimum and the level of family income. If the income is lower than the subsistence minimum, the family in question is viewed as living in poverty and is to receive certain social subsidies and transfers; if the income exceeds the subsistence minimum, the family is not viewed as poor and is supposed to solve its financial problems independently.

Upon adopting the Federal Law On the Subsistence Minimum in 1997, it was established that the subsistence minimum should be determined on the basis of the consumer basket, which is calculated quarterly and includes the costs of the main minimally necessary foods, goods, and services, as well as the costs of obligatory payments and dues.

This is the official level of poverty. If incomes are lower than the cost of the consumer basket, the family or the population stratum in question lives in poverty. This concept is a response to international norms. Such norms exist in all developed countries: in the United States, the consumer basket includes 300 products and services; in France, 250; in Great Britain, 250; and in Germany, 475. As far as specification is concerned, we are with the best: since 1992, our basket has been containing 407 products and services. The latest Law On the Consumer Basket, adopted in 2006, establishes minimal consumption norms that are somewhat higher than the previous norms of 2004. Proceeding from the international norms, the poor are advised to eat more meat, fish, vegetables, and fruit and to reduce the consumption of potatoes and macaroni.

Now the government should take the next step: to increase the volume of the basket in accordance with the international norms and to increase its cost with account for inflation. Meanwhile, it is increasingly harder for the incomes of the population, especially its poorest stratum, to catch up with the cost of the consumer basket. In addition, people criticize the content of the basket, i.e., the set of the minimal and "decent" norms. They ask why it does not include real rent in addition to payments for communal services; why the consumption of meat, fish, and vegetables should be so low; how a grown-up man can wear one pair of shoes for five years; and where one can find panty hose that last four months. However, the main problem is that a considerable part of the population cannot afford even this norm.

The main task of the authorities is to gradually match the incomes of the larger part of the population with the constantly increasing subsistence minimum. We observe the growth of GDP and compensations, which even outstrips the growth of productivity; however, the number of poor people whose incomes are below the subsistence minimum is decreasing slowly.

The second important factor of assessing poverty is determining personal incomes with which the subsistence minimum could be compared. Incomes of the population are measured mainly by two methods. The first is official statistical data. They show the amount of compensations paid by private and state firms (it is no secret that "shadow" compensation is more than 40% of the declared one), as well as the amount of pensions and different social transfers and benefits. The second method is surveys of citizens and households. These surveys are conducted regularly by federal and regional pollsters and selectively by Rosstat. On the basis of these data, the index of the number of the poor population is determined as the difference between the incomes and the subsistence minimum.

Obviously, the assessment of the share of people whose incomes are lower than the subsistence minimum depends on how the incomes are calculated and what the subsistence minimum is. Nevertheless, this is a sufficiently convenient indicator for practical purposes: it makes it possible to assess to a degree the dynamics of living standards and the efficiency of state policy in decreasing poverty. At the same time, official statistics uses another indicator of poverty, income deficit. It is the percentage of income money of the whole population, which must be paid to all the poor to take them out of the state of poverty. In other words, the problem is how to redistribute incomes to liquidate poverty, i.e., to bring the incomes of all people to the subsistence minimum. In 2003, this value was 2.6%, which implied the transfer of about 321 billion rubles to the poorest strata.

POVERTY DEPTH

This important characteristic is measured as the income deficit of poor families relative to the subsistence minimum. If the majority of the poor are close to the subsistence minimum, their need is lower than among those whose incomes reach only 50% or less of the subsistence minimum; their state is qualified as pauperism. This indicator shows that Russian poverty is not deep. The income deficit of the poor averages 30% of the subsistence minimum. Two-thirds of the poor suffer an income deficit of less than 40%, while one-tenth, more than 60%.

Departure from the official poverty line does not mean a transfer to the middle class. These people remain disadvantaged and often go back to poverty under any change in the economic situation, such as another child in the family or a surge of inflation.

THE STRUCTURE OF RUSSIAN POVERTY

It is commonplace to believe that the main factor of poverty is old age. Upon retiring, people automatically find themselves among the poor. Respectively, the majority of the poor are pensioners. Consequently, we can decrease the scale of poverty cardinally, and quickly, by increasing pensions (which is being done). In reality, the situation is much more complicated and dramatic. The "face" of Russian poverty is "childish" rather than "old." Among the total number of poor households, families with children make up 61%, although among the total number of households, such families are almost two times fewer, 37%. At the same time, the families of pensioners among poor families are only 9%, although the total number of pensioners' families is 29%. Finally, 30% of the poor are people of active working age, either employed or unemployed, whose incomes, compensations, and subsidies are below the subsistence minimum.

The main problem of Russian poverty is the low level of compensations in the majority of economic sectors except for the fuel and energy complex and extractive industries. In light industry, one-third of employees have compensations lower than the subsistence minimum; in agriculture, two-thirds; in health care, education, and culture, one-fourth to one-half. In the economy as a whole, 24% of compensations are lower than the subsistence minimum. Half of all the poor in the country are working people.

THE GEOGRAPHY OF ABSOLUTE POVERTY

The gap in living standards, personal incomes, and the level of poverty between the regions is very great. There are donor regions and donated regions; in the latter, the incomes are lower and the number of the poor is higher. In 2007, according to the data of the All-Russia Living Standard Center, the situation in 13 regions was especially distressful: the level of poverty exceeded

30% of the population. Among the poorest regions are the Ust'-Orda Buryat Autonomous District, where 72% of the population lives below the poverty line; the Republic of Kalmykia (59%); and Ivanovo oblast (41%). The most well-to-do regions are the Khanty-Mansi Autonomous District (with 7.9% of people living below the poverty line), the Yamalo-Nenets Autonomous District (8.6%), and St. Petersburg (10.2%). Moscow is a city of contrasts: with its unquestionably higher living standards against those in other cities, 13.2% of Muscovites live below the subsistence minimum.

RELATIVE POVERTY AND SOCIAL INEQUALITY

Many economists propose a concept according to which the policy of decreasing the scale of poverty is ineffective because it is based solely on assessing poverty through the subsistence minimum. Under this approach, social aid funds increase the minimum wage amount, budgetary compensations, and pensions; however, because of the huge differentiation in incomes, this brings the highest benefits to the richest strata, while the poor receive very little, about 12 to 15% of the increase in payments.

To obtain correct poverty assessments, it is proposed to use the European experience of determining relative poverty by fixing the level of poverty at 60% of the median (average) income in the country rather than on the basis of the subsistence minimum. Currently, this average level is at about 6500 rubles, which is two times higher than the subsistence minimum. Respectively, about 50% of the Russian population should be viewed as poor. The use of absolute indicators of poverty on the basis of the subsistence minimum actually means only ensuring the survival of the poor strata, while proceeding from the median income may lift the living standard up to the normal level that would make it possible to preserve health, provide families with children with necessary material conditions, and promote the growth of the birthrate.

At present, Russia occupies one of the leading positions in so far as social inequality is concerned: even according to official estimates, the incomes of the richest 10% of the population exceed the incomes of the poorest 10% 15 times, while in Europe a ratio of 1 : 6 to 1 : 8 is viewed as normal. A sharp decrease in this gap down to seven to nine times could mitigate the currently widespread feeling of social injustice, alienation, inability to change anything, and protest against the existing regime.

SUBJECTIVE POVERTY ASSESSMENTS

An important approach to studying poverty implies personal assessments. They are viewed as subjective. However, no one can know better than the interested people the possibilities of a disabled person, for exam-

ple, who previously could receive an Oka automobile practically free of charge, while now he is supposed to buy it for money he received after the monetization of benefits; and no one can know better if pensioners gain anything from increases in pensions under price growth. The main source of such assessments is opinion polls, which were initiated, along with many other aspects in applied sociology, by G. Gallup. His institute has been asking for half a century the same questions concerning the assessment of living standards, such as "How much money does a family consisting of four persons need to live normally in this country?" As a rule, people have been answering that this must be an income of three-fourths of the average income per such family in the country. This is somewhat higher than the European 60% of the median income, but the United States is richer than Europe. Similar questions have been asked in Europe since 1976 within the Eurobarometer of public opinion and in Russia by RPORC since it was established in 1987.

The majority of research centers, including regional ones, regularly ask questions about incomes, costs, and poverty and wealth assessments. For example, the poll of 2007 in Chelyabinsk oblast showed that 33% of families have a monthly per capita income of less than 3000 rubles, while the subsistence minimum in Chelyabinsk was 3300 rubles. In addition, 56% of the families said that they had enough money "only for food" (where are all these coats, trousers, and panty hoses planned in the official consumer basket?). Another 24% of respondents answered that they lived "below the poverty line," i.e., in pauperism.

A poll in Vologda oblast showed that 39% of the population had "enough money for food at best." According to data of a poll in Kaliningrad oblast, one-fifth of employees of the city's enterprises have compensations lower than the subsistence minimum for an employed person; in small towns and rural settlements, 95% of jobs offer compensations that are lower than the subsistence minimum. This situation is universal.

Data of the polls conducted in three former Soviet republics show the following: 14% of Russians, 16.3% of Ukrainians, and 5% of Kazakhs are of the opinion that their "money is not enough even for food." "Money is enough only for food but is not enough for clothing" was reported by 38.5% of Russians, 36.3% of Ukrainians, and 31.1% of Kazakhs. Actually, 50% of Russians and Ukrainians and 40% of Kazakhs assessed their material standing as poor.

However, when these polls intentionally emphasize the point of whether the respondents attribute themselves to the poor, middle, or rich strata, their assessments begin to contradict their descriptions of their material situation. Just as other nations, Russians do not like to see themselves as losers, paupers, or outcasts. According to the RPORC poll in October 2007, only 14% of the respondents called themselves poor and 3% paupers, which is in accordance with the official assess-

ment of the share of people who live below the subsistence minimum. Our compatriots are accustomed to limited needs and expectations and to the "anything-but-something-worse" philosophy. For example, answering the question "What monthly income would make you think that your family lives in poverty," 13% of the respondents said "below 1500 rubles," which is estimated as extreme pauperism even by official statistics; another 35% said "1500 to 3000 rubles." In other words, personal assessments are more moderate than the official norms of poverty. With such undersized assessments, the state may not bother itself with UN instructions to promote the liquidation of poverty.

Thus, the stereotype that Russians have very few needs in their everyday life, are very patient, view spiritual values as higher than material, and are accustomed to poverty is hammered deep into the consciousness of the people characterized by these unique features. Under these conditions, our nation is a blessing for businesspeople, investors, oligarchs, and officials.

There are many other criteria of measuring poverty. However, their choice depends primarily on whether the main goal is to remove real causes of this problem and to attain a true and considerable decrease in poverty, need, and injustice in society or to show the success of certain official social programs.