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ONTOLOGIES OF POVERTY IN RUSSIA AND DUPLICITIES OF NEOLIBERALISM¹

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There is no money for your pensions now. But you will somehow hang on. Best wishes for high spirits and health to everyone!

Prime Minister Dmitry Medvedev to retired women of Crimea in May 2016

Thinking about poverty has particular significance for Russia as a post-Soviet society. This is because the majority of the population was born during the Soviet period when poverty did not exist and was not recognized as such in the form that it is today. The notion of poverty was not unfamiliar to Soviet society but it was separated from Soviet time and space: it existed in the past, under the Tsarist regime, or outside of the Soviet Union, in the capitalist West. Relegating the possibility of poverty to the past or to another location provided the Soviet government with a way to deny its existence in any form within the Soviet Union. This denial had both material and ideological foundations. On the one hand, the Soviet state guaranteed minimal levels of social security and consumption. On the other hand, the Soviet ideology of Marxism-Leninism firmly placed poverty within non-socialist societies. Thus, even the theoretical possibility of poverty under socialism was eliminated while it was considered common under capitalism.

Consequently, when post-Soviet Russia radically reset its compass from socialism to capitalism in 1991, poverty was no longer seen as a proximate impossibility. Instead, its presence in Russia became accepted as a natural part of and an unavoidable price to pay for the advantages of a market economy. In contrast to the Soviet past, when differences in material wealth were relatively limited, the post-Soviet transformation produced a society with dramatic inequalities and a large impoverished population. Russia, however, entirely lacking experience with capitalism, was unprepared to address poverty at a societal level. Consequently,

Russian social scientists and the government had to develop from scratch metrics and policies to manage this new population of the poor.

This chapter examines the ways in which Russia has used the new international metrics of poverty designed by the ILO (International Labor Organization) since it first introduced capitalism in 1991. My analysis shows that these metrics measure the poor in a way that normalizes poverty. In particular, I show how the metrics both affirm the presence of poverty and, at the same time, deny its actual scope and extent. That is, they make poverty visible within society but also make it appear limited and manageable despite its pervasiveness. Poverty in Russia does not, however, appear exceptional when compared to the rest of the world; indeed, it is within the “norm” by Western industrial standards. Yet, when compared to the recent Soviet past, the very existence of poverty and its current scale looks like a social catastrophe. The Russian government, however, can avoid comparisons to the Soviet period because the ILO metrics have only been applied since 1991. Measuring and understanding poverty (and non-poverty) in Russia, then, is only possible within and relative to the post-Soviet period.

The Russian government first developed new poverty-related policies during the post-Soviet period which coincided with the global turn toward neoliberalism. Because of this timing, Russia adopted distinctly neoliberal versions of Western social policies which foreground the role of markets and social discipline to alleviate poverty. Had Russia moved towards capitalism in the middle of the twentieth century, for example, it may have adopted more welfare-oriented approaches to address poverty. Given the neoliberal climate of the late twentieth century, Russia, with unprecedented speed, went from full welfare provision under the Soviet system to a state of extreme wealth polarization, pervasive poverty, and authoritarian governance, a state which also increasingly characterizes other Western nations particularly the United States.

The Russian government, however, has a complex relationship with neoliberalism. It clearly adopts neoliberal market-oriented and disciplinary logics yet uses the term rhetorically to negatively characterize Western “liberal” values and policies including those of the Obama administration, to which it counterpoises traditional Russian Orthodox values, a uniquely Russian path to development, and its pride in a strong nationalistic state. Perhaps unsurprisingly, Putin’s government was quick to celebrate the new Trump administration, trusting it will lead to a reduction in US opposition to Russian geopolitical ambitions and the removal of international sanctions against Russia. Neoliberal leaders easily find common ground because they share ideologies of markets and strong state control.

The Russian people have, however, responded to economic deprivation, poverty, and disciplinary policies as creatively as they responded to scarcity and authoritarian control during the Soviet period. Under the surface of the formal capitalist economy that generates vast inequalities and poverty, a whole realm of economic practices exists which are driven by ethics of sharing, mutual support, and collective survival, and which work to support livelihoods, people, and places

on a daily basis. It is then worth seeing Russia as a realm of multiple economies in transformation that can become, even under the most authoritarian and/or neoliberal rule, a site of economic possibility and solidarity (Roelvyink et al. 2015; Pavlovskaya 2004, 2013, 2015). While discussion of these practices is beyond the scope of this essay, it is important to recognize their role in alleviating the poverty produced by neoliberal capitalism and meager welfare support.

In the rest of the chapter I will first outline the importance of studying Russia as a laboratory for the production of poverty under neoliberal capitalism. I will then discuss the Soviet welfare system and its transformation since the 1990s and the introduction of capitalism. I will then examine the extent of Russian poverty visible in statistics and will show how the new metrics both normalize and hide structural poverty. Underneath these internationally sanctioned metrics, a set of meaninglessly related indicators work to misrepresent the level of deprivation and, therefore, render Russian social policy, informed by these statistics, ineffectual, as the case of unemployment benefits will demonstrate. In the conclusion, I reflect on the implications of the Russian experience with poverty for other societies similarly subjected to neoliberalizing regimes and on the possibility of progressive post-capitalist politics even under such conditions.

Russia as a Laboratory of Poverty for the Neoliberal Age

In his widely discussed book *Capital in the Twenty-First Century*, Thomas Piketty only briefly mentions Russia despite his interest in the trajectory of capitalism and the inequalities it produces. This is perhaps surprising given that Russia, like no other country in the world, implemented, virtually overnight, a radical transformation from state socialism to capitalism, becoming the largest single territory of capital accumulation once its public assets were privatized. Piketty is not alone in paying little attention to this part of the world: liberal and critical researchers alike turn their gaze away from Russia. For them, either Russia is an oligarchic and authoritarian deviation from capitalism and therefore can tell us little about capitalism per se or studying Russia is theoretically and politically uncomfortable given its history of abandoning socialism. Most research on poverty focuses on the, so called, First and Third worlds despite the establishment a quarter of a century ago of an enormous “territory of poverty” (Roy and Crane 2015) in Russia. As a result, the impoverished lives of millions of people do not register within global assessments of poverty; they simply do not exist on the world map.

While some of the harshest outcomes of neoliberal trajectories are made invisible when we ignore the case of Russia, so too is the degree to which such trajectories and outcomes are not “natural” but are of our making. Prior to 1991, Soviet Russia was a society where there was no legal provision for either private property or unemployment for most of the twentieth century. As a result, capitalism needed to be “built” out of whole cloth by state policies that closely followed the prescriptions of the best neoliberal minds that the IMF could find (Offe 1994;

Sachs 1995; Aslund 2001). In this sense, it was “state of the art” neoliberalism, a constructed social reality with nothing natural about it. Therefore, Russian genealogies of capitalism and poverty can be framed in the context of an explicit policy effort which can open new ways of thinking about social change. In particular, development, within Russia and beyond, might best be rethought as not following a predetermined and inevitable path toward “the end of history” (Fukuyama 1989) so that alternative futures may be imagined and politically articulated. Russia, deliberately and decisively, changed its course twice in the twentieth century; despite many undesirable outcomes, the case of Russia pushes us to see social transformations and various economic futures as not only possible but as also always ongoing, incomplete, and the result of a contested political process.

What place could be more intriguing for those who want to understand how contemporary capitalism is constituted and maintained? What lessons could the rest of the world learn from the Russian experience? In Russia the extremes of modern capitalism are allowed to flourish without constraint; indeed, Russia might be the already actualized neoliberal tomorrow of the West. As a real life laboratory of large-scale economic marginalization and poverty, the Russian experience calls for urgent efforts to better understand and resist neoliberalism, and work on alternative futures “here and now” (Gibson-Graham 1996, 2006; Gibson-Graham, Cameron, and Healy 2013; Pavlovskaya 2013, 2015).

Normalization of Poverty through Metrics

In Russia, it is clear that neoliberal reform results in widespread poverty which, twenty-five years on, can no longer be rationalized as the “necessary and short lived pain” of transition. Furthermore, Russia also provides us with a clear case of how measuring and understanding poverty matters, how it allows for some policies and not others, and how it works to reinforce inequalities even as it claims to create knowledge for their alleviation. Like capitalism itself, modes of poverty knowledge in Russia have been adopted/imposed from elsewhere. In particular, Russian policy makers and scholars look to the West, international organizations such as the ILO, and especially the United States, where poverty is understood as a “normal” part of everyday life, for insights into how to know and address the problem of poverty (Collier and Way 2004; Pavlovskaya 2015).

Policy makers and scholars who have accepted neoliberalism also accept, perhaps reluctantly, the inevitability of the existence of poverty in Russia. Making poverty acceptable more broadly, to the society that recently denied its existence, is not, however, a trivial task. It required a complete rejection of Marxist state ideologies, rationalities, and truths that the government and social scientists had produced for decades during the Soviet era. These ideologies had to be replaced with new truths emerging from neoliberal discourses that legitimize individualism, the right to wealth accumulation, inherent inequality, and poverty as an unfortunate but inevitable condition. Social and economic truths are, however, constructed by

more than ideological shifts and dispositions; they are established and reinforced through socio-technical practices and methodologies, not the least of which are state sponsored categorizations and collections of data. Indeed, metrics of poverty that conform to international standards (e.g., ILO and others) have played a crucial role in the normalization of poverty because they produce a powerful message that poverty is everywhere in the world and it is acceptable to have it in Russia. These metrics, therefore, do not simply describe poverty, they produce the poor as a new subject and object of policy; they produce a social body that neoliberalism can manage (Hannah 2001; Pavlovskaya and Bier 2012). The relatively new introduction into Russia of not only neoliberal ideologies and policies but also the practices and methodologies of state knowledge production about capitalism (e.g., new categories and techniques for counting and measuring) makes clear how ideology and metrics work together to maintain Russia's neoliberal trajectory.

Welfare and Poverty under State Socialism

In order to appreciate the degree of strain on social reproduction caused by the removal of Soviet era welfare support, it is important to disentangle the advances of state welfare *per se* from the Soviet authoritarian political system. Neoliberal theorists, however, see welfare as dependency on state authority; they treat them as two sides of the same coin. In their view, state welfare is necessarily joined with political conformism while freedom can only exist under capitalism freed from state intervention (Friedman 1951). Because Russian reformers thought in this way too, they dismantled the Soviet welfare system insofar as it was understood to be integral to the totalitarian state (Pavlovskaya 2015). Yet, totalitarian regimes around the world such as Pinochet's Chile, China, and now Russia have aggressively promoted private markets; it is clear that the connection between capitalism and democracy is contingent rather than necessary. Consequently, neither do the welfare state and authoritarianism need to be theorized as two sides of the same coin; their proximity could be seen as that of two coins put together in a contingent manner. Starting from such an understanding, we can start to (re)imagine post-capitalist (or non-capitalist) democracies with strong welfare support as legitimate, desirable, and possible. In this regard, the experience of the Soviet welfare system is invaluable for appreciating what a society can accomplish by treating basic human needs as entitlements and rights instead of commodities.

Private property in the means of production did not exist under the Soviet system and the state guaranteed jobs to all as a single employer; there was no unemployment (in fact, avoiding work was treated as a problem). Wages and pensions covered basic consumption needs while prices for food items, manufactured goods, cultural services, utilities, and transportation were low and fixed. Such social goods as childcare, healthcare, housing, and education were provided universally, free of charge, and disregarding the ability to pay. The quality and

availability of these goods and services obviously varied significantly across Soviet space (they were especially lacking in rural areas, Zaslavsky 1982) but the point is that their provision equalized income differentials and assured social mobility at the large scale. Additionally, the system of the so-called *1/gor* provided benefits (monetized and in kind) to specific population groups such as, for example, labor veterans (those over twenty-five years in the labor force), war veterans, the handicapped, and families with children.² Seen as irrational, wasteful, and even "exuberant" from the neoliberal point of view (Collier and Way 2004; Pavlovskaya 2015), the Soviet welfare system worked well for decades by equalizing social differences without explicitly addressing them.

The former Soviet Union denied that poverty could exist within socialism on theoretical grounds. In the 1930s, Stalin declared that the foundations of socialism had been built and the social roots of poverty as well as other "bourgeois" societal ills (such as exploitation, patriarchy, ethnic discrimination, class differences, and so on) had been eliminated. As a result, statistical agencies did not gather statistics on class differences until the 1950s–1960s (Rimashkevskaya 2003). Nevertheless, the Soviet government realized the need to address existing differences in material well-being. Statisticians began collecting what was then classified information about income and consumption levels, information that was only made available to economists and sociologists charged with consulting with the government. Because the term "poverty" was reserved for capitalism, Soviet scholars began assessing what they called "low material security" (*malobezpechnost'*) of certain groups from the overall population (e.g., families with several children, the handicapped, or retirees). It was measured against the scientifically determined "minimum subsistence budget" (Rimashkevskaya 2003, p. 124). Assessment focused on the availability of food and other everyday expenses but excluded the universally provided free goods such as childcare, housing, healthcare, and education.

Material security was also assessed relative to the wages that the government fixed. Across the entire country, the government set the minimum wage to exceed the minimum subsistence levels by a factor of 1.5 so that a working adult could support a dependent. Low material security meant that income per family member fell below the subsistence minimum. In the late Soviet, it was estimated that 25–30 percent of families had low material security (Rimashkevskaya 2003, p. 122).

While today some scholars argue that low material security under the Soviet system was a form of poverty, it is clear that its nature and scope differed significantly from poverty under capitalism. Importantly, it was not seen as a function of not being able to earn adequate wages but that of having to support non-working dependents (e.g., families with many young children) or not being able to work because of disability or some other condition. Families with low material security still had the same access to childcare, housing, healthcare, and education as everyone else.

From Soviet to Neoliberal Capitalist Welfare

After 1991, private property became legal for the first time in over seventy years which led to the rapid wholesale privatization of national assets and the closure of many long-standing enterprises. Unemployment, now also legal, was rapidly rising, and for those who remained employed, the liberalization of prices diminished wages manifold. Furthermore, any remaining social guarantees, such as free healthcare, soon lost their meaning as a wide range of state services quickly disintegrated. Finally, high prices for newly commodified versions of what had been state provided services put them out of reach for the majority of the population.

The devastating effects of these changes on the Russian population quickly became evident in many domains including a demographic crisis unprecedented in peace time (Heleniak 1995; Eberstadt 2010). From the 1990s onward the population of Russia has declined in absolute terms because high mortality rates exceed drastically diminished birth rates while, at the same time, life expectancy fell to its lowest level (for men it dropped in the mid-1990s to 56 years). In other words, "building capitalism" cost Russia millions of premature deaths that critical scholars in other contexts have attributed to the "death-dealing" nature of capitalism that exposes people to economic, social, and physical violence (Gillmore 2007). The violence of poverty inflicted on the Soviet people by "disaster capitalism" (Klein 2008) included job loss, stress, crime and gun violence, deteriorated health, collapse of the public healthcare system and other safety nets, and increased self-destructive behavior and suicide rates.

Many of these problems have been ongoing since the mid-1990s and their persistence over twenty-five years clearly suggests that they are inherent to neoliberal capitalism rather than to social transformation *per se*.

Ontologies of Capitalist Poverty

The immediate, dramatic, and devastating effects of "shock therapy" and price liberalization on the economic well-being of the Russian population are visible in the new metrics of social differentiation, provided we compare them to the pre-1991 society. In this case, in one year Russian society changed from one of the most equal to one of the most unequal in the world.

Wealth and Income Polarization

Privatization of national assets has led to the exceptional concentration of wealth that considerably exceeds US levels. In the US the infamous 1 percent hold 40 percent of personal assets but in Russia they may hold 71 percent of personal assets and its top 5 percent own 81 percent of all wealth (Zotin and Kvassha 2014). Because most people make a living by earning their income, measures of income inequality are even more important. The popular Gini coefficient, one of the new post-Soviet metrics, shows that income inequality (Figure 5.1) has grown from one

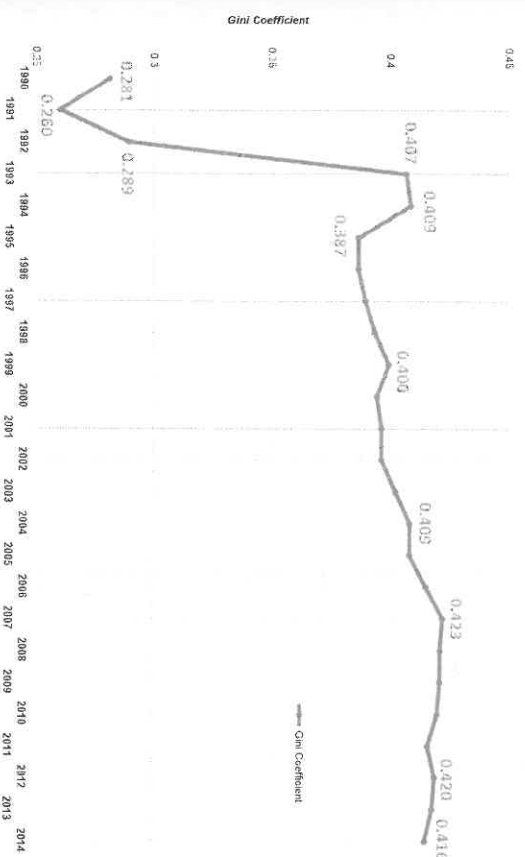


FIGURE 5.1 Income inequality in Russia, 1990–2015

Source: Author based on Rosstat data.

of the world's lowest (0.260 in 1991, comparable to Scandinavian countries) to the world's highest levels (already 0.407 by 1993 and 0.423 in 2007). Income inequality is worse than in the USA (Gini coefficient around 0.411) and remains high whether the economy is doing poorly (such as in the 1990s) or well (such as during high oil prices in the 2000s). In other words, deep inequality has become a permanent feature of Russian society.

Other measures support the story told by the Gini coefficient. For example, the income discrepancy between the top and bottom deciles (10 percent population groups) was only fourfold in the last year of the Soviet period but jumped to fifteen times as early as 1994 and reached seventeen times by 2015. For comparison, decile ratios of ten or more are considered by many experts to be large enough to generate social unrest (Garenko 2007). Even in the USA, which tolerates high levels of inequality (routine decile ratios of ten–twelve), inequality has become a major political concern as manifest in, among other things, the Occupy Wall Street movement. In Russia, despite glaring economic inequality, popular protests target corruption and election fraud rather than inequality.

In short, Russian capitalism led to a rapid, dramatic, and entrenched concentration of wealth and earning power in the hands of a few while the majority of the population has not fared well and many live in poverty.

Rise of Poverty

The Russian liberal reformers of the 1990s, together with their IMF consultants (who included then Harvard economist Jeffrey Sachs), convinced politicians and

the public that a program of shock therapy would be painful but short lived. Once the wealth-generating capacities of capitalism were activated, all who were willing to work hard would be able to make a living (Sachs 1995). Russian statistics, however, show that the poverty created by capitalism quickly became widespread and, in contrast to what the neoliberal theorists claimed, poverty – like economic inequality – has become a structural condition of Russian society.

According to the Russian Statistics Agency (Rosstat), by 1992 over one-third of the population or almost 50 million people were living in poverty (Figure 5.2). While the poverty rate fluctuated in subsequent years, it never became negligible and today it remains at roughly 15 percent. In other words, a condition of widespread and long-term economic marginalization was established in a country that had no prior experience with structural poverty.

Paradoxically, if we forget about the Soviet period when such poverty was absent, the current poverty rate makes Russia look quite good. For example, the policy makers can claim that poverty declined more than three times from 33.5 percent in 1992 to 11 percent in 2013 (Ovcharova et al. 2014) and, therefore, the new capitalist system, given time, does lift people out of poverty. A similarly rosy picture emerges when comparing Russia to other countries. Because they all have poverty, capitalist Russia does not deviate from the standard social condition. Moreover, Russian scholars cite the World Bank definition of absolute poverty as subsisting on or less than \$1.25–\$2/day to conclude that the “poverty level in Russia already in the middle of the 2000s was less than 0.0 percent” (Ovcharova et al. 2014, p. 4). The statistics conceal the fact that it is ludicrous for a nation with an advanced space program to compare itself to

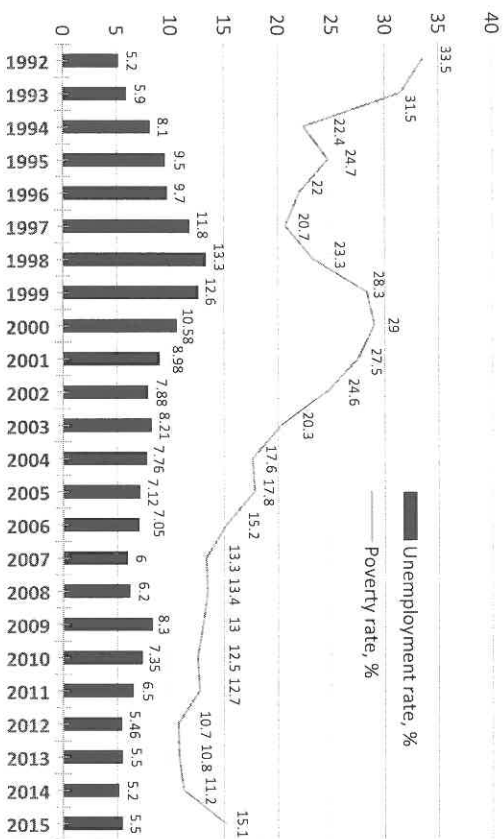


FIGURE 5.2 Poverty rate and unemployment rate in Russia, 1992–2015

Source: Author based on Rosstat data.

the poorest nations of the world. Finally, a poverty level of 15 percent makes Russia, which still considers the USA its primary rival, look good relative to the USA where the rate is similar. In sum, poverty in Russia is no longer seen as an exception, it is commonplace and it is within the statistical norm as demonstrated by comparison with Russia's peers and by a host of international organizations.

Politics of Metrics of Poverty

When Russia began measuring poverty in 1992 using the ILO methodology, researchers reviewed a variety of Western practices and settled on the “absolute” definition of poverty, a measure which roughly paralleled Soviet measures of low material security. In this case, people are poor if they do not earn enough to afford the scientifically determined basic level of consumption: the consumer basket, the monetary cost of which is called the minimum subsistence level (MSL). The rate of poverty is measured as a percentage of the population with a *per capita* income below the MSL. This key metric is used for assessing the state of the economy, socio-economic well-being, and social policy needs.

On the surface, these measures make perfect sense and make Russian data internationally comparable. Yet, national surveys report that two-fifths of the population self-identify as poor – a much larger share than the official poverty rate of 15 percent. While survey measures are subjective, the differences between them and the official statistics suggest that the latter may underestimate the level of on-going economic marginalization. Moreover, the discrepancy is not just a technical error. Because the consistent use of statistical categories actively shapes the social body (Hannah 2001; St. Martin 2009; Pavlovskaya and Bier 2012), Russian metrics of poverty are not innocent. They, in fact, obscure the true scale at which neoliberal capitalism produces and reproduces poverty.

While determining poverty rate appears straightforward, (e.g., percentage of population with income below minimum subsistence level) it actually hinges on three separate metrics which together inform social policy: the minimum subsistence level (MSL), income per capita, and minimum wage. These metrics each have the capacity to shift the poverty line, affect the overall size of the poor population, and determine individual eligibility for social assistance.

To make social policy meaningful, the MSL should properly reflect the cost of basic necessities so that a reasonable poverty line can be set. The minimum wage should exceed the MSL so that working adults can earn enough to provide for basic necessities. Households with per capita income below the subsistence minimum (i.e., poverty line) would then be considered poor. The actual relationship between these indicators, however, tends to obscure more than they clarify relative to the question of poverty.

The Secrets of the Minimum Subsistence Level (MSL)

The consumer basket and the corresponding MSL (Figure 5.3) are defined by the federal government for three population groups (children, adults, and the elderly) every three months. The consumer basket includes both food and non-food items which are revised every five years to better reflect available products and current prices. The consumer basket has regional equivalents because what is essential varies from region to region as do prices.

The state can and often does directly alter the size of the impoverished population by lowering or increasing the MSL threshold. The concern is that these fluctuations affect eligibility for social assistance because they may throw into or lift out of poverty millions of people at once. For example, in 2015 the increase in MSL by 26 percent³ made the population below the poverty line larger by 3 million while in 2016 the government inexplicably lowered the MSL despite the fact that the cost of living and inflation were going up.

More importantly, however, the MSL has diverged from the cost of basic needs since the very start of the capitalist period. At the end of the Soviet period, it was set at 135 rubles and if the same value had been applied after the shock therapy of 1992, 70–80 percent of population would be in poverty due to plummeting income levels. Because capitalist social welfare policy is only meant to help relatively small groups of people who are in need of temporary assistance, poverty at the scale of the entire society could not be addressed (Rimashchanskaya 2003, p. 123). Hoping that capitalism would soon start creating well-paying jobs and solve this large scale problem, Yeltsin's government decided to revise the MSL down to 60 rubles (less than half of the previous amount) in order to redefine poverty as the experience of only the very poorest and to bring the national rate down to a more acceptable 33.5 percent (Rimashchanskaya 2003, p. 124). This still large but artificially lowered figure is now used as the starting point for analyzing relative change in poverty over time. It obscures the overwhelming scale of economic marginalization in those first years of the transition but it serves very well to demonstrate the subsequent reduction of poverty.

Beyond alterations of the MSL, changes in its composition have also affected the poverty rate.

For example, more than once, the government modified the ratio between the cost of food and other items in the consumer basket (Rimashchanskaya 2003, p. 124; Ovcharova et al. 2014, pp. 6–8). The 2000 revision still excluded from consideration costs for healthcare, education, and social services because it was assumed that, as under the Soviet welfare system, these services were available at the minimum level free of charge (Ovcharova et al. 2014, p. 8). By that time and further on, however, expenses for healthcare, education, utilities, and transportation had all become a major cost.

Since 2013, only norms for basic food consumption (in kilos) are specified while the cost of other goods and services in the consumer basket is simply set to

50 percent of the cost of food (Federal law 2012) despite rapidly rising prices for non-food items. Because the MSL value sets the poverty line, a proper assessment of the basic subsistence needs provides a foundation for a sound social policy. The way the MSL is currently determined underestimates, by a factor of 2.5 or even 3, the costs of basic necessities, which considerably reduces the size of the population in poverty.

Elusive Per Capita Income

Determining the national or regional poverty rate involves calculating the share of population that earns income below the MSL. The distribution of income throughout the population is done based upon macro-economic tools. The statistical models calculate income per capita for the entire population (including income earners, their dependents, etc.) and determine how many people fall into the group with per capita income below the poverty line. The national per capita income consistently climbs above the MSL which creates a sense of growing affluence (Figure 5.3) and declining poverty (Figure 5.2). If we recall, however,

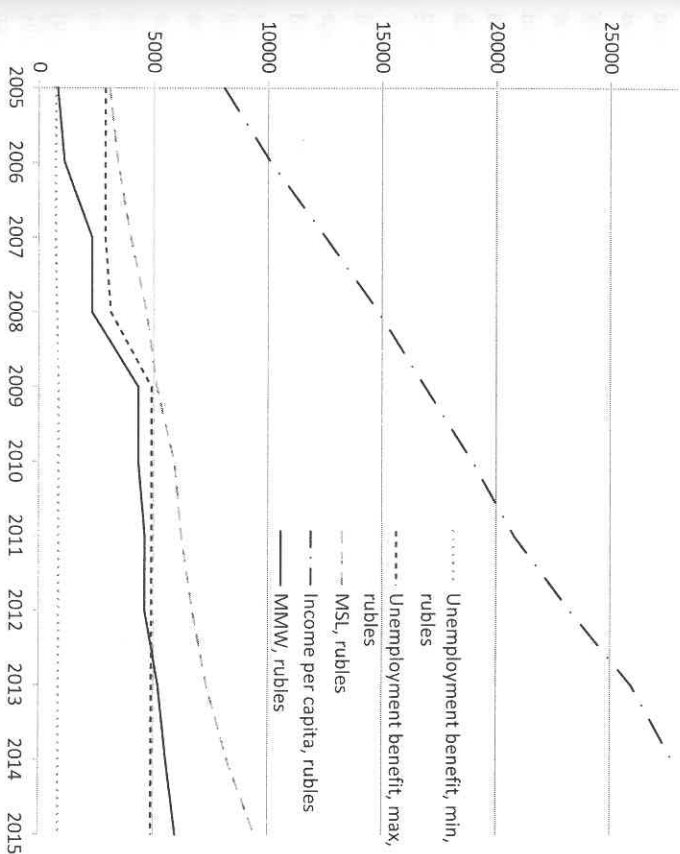


FIGURE 5.3 Income per capita, MSL (minimum subsistence level), MMW (minimum monthly wage), and unemployment benefit limits, 2005–2014

Source: Author based on Rosstat data.

that the MSL should be three times higher, the poverty level and per capita income would be very close to each other, showing a much larger poverty rate.

In addition, per capita income is statistically corrected to adjust for undeclared income which increases the earnings by 20–30 percent. The income per capita is corrected uniformly for all income groups although higher earning groups have larger undeclared income. Per capita income on the bottom, therefore, is overestimated with the effect of again reducing the population below the poverty threshold (Ovcharova et al. 2014).

Moreover, income per capita is calculated as an average value which obscures the fact that income distribution is skewed with many low income earners at the bottom and a small group of high income earners at the top. Scholars contend that a median income (which is considerably lower than the average) better reflects this distribution and would be more useful for determining the size of population in poverty. In short, the macro-economic procedures that measure per capita income also contribute to considerably underestimating the population in poverty and the demand for social assistance.

The Non-Compliant Minimum Monthly Wage

The last metric vital to the calculation of poverty measures is the minimum monthly wage (MMW). MMW has the status of law and serves to regulate wages and calculate unemployment payments as well as taxes, fines, and other fees. By Russian law, MMW should exceed the minimum subsistence level. During the Soviet period, the minimum wage was indeed set at 1.5 of the MSL to assure that a working adult could support a dependent in addition to herself (Rimashetskaya 2003, p. 122). Soon after 1992, however, MMW lost its ability to keep up with growing living costs and quickly fell below the post-Soviet MSL (which itself was already more than halved by reformers in the attempt to reduce the poverty rate). Initially, the reformers thought that this inversion would be temporary but it kept growing such that by 1999, for example, the minimum monthly wage comprised just 11 percent of the MSL despite the fact that legally it had to exceed it (Rimashetskaya 2003, p. 125).

The current MMW still remains considerably lower than the MSL (Figure 5.3). The government declared that the two indicators should finally converge by the end of 2017 but this remains to be seen because the powerful industrial lobby opposes such attempts.

The point is that the government policy with regard to minimum wage, in violation of the law has kept it below the subsistence minimum for the last twenty-five years. This reversal of these legally set thresholds leads to systematically suppressed wages and is particularly harmful for those with low income. This situation clearly supports neoliberal economic policies that enable high levels of exploitation of the working classes and entrenches them in poverty. At the same time, the Russian government continues to regularly set its minimum monthly

wage and publish related statistics as if there is nothing wrong here. This very act ironically signals that the government does not ignore labor regulation and complies with the international expectations and requirements.

To sum up, the key metrics of poverty used in Russia – MSL, per capita income, and MMW – relate to each other in such a way that they obscure the true dimensions of economic marginalization. While their ability to effectively inform social policy is limited at best, their continued use by the government, as if they had meaning, makes the level of poverty in Russia appear both “normal” and manageable.

Working People as the Poor

Finally, that poverty is chronic and structural rather than a temporary outcome of the transition is supported by the prevalence of the working poor in Russia. As others have noted (Hoynes et al. 2005), contrary to widely spread claims, employment in the capitalist labor market does not necessarily provide a way out of poverty. Since the introduction of capitalism in Russia, a large segment of working people have lived in poverty. For example, those Soviet state employees who were not immediately laid off continued to work for many years for drastically devalued wages. This was especially true for many professional workers who were amongst the first of a new class of working poor. Today, employees who work within Putin’s government or in certain private companies do earn relatively good wages, but other working people, including professionals, continue to earn meager wages that trap them in poverty. Thus, the working poor, who today are often young and educated, have become a permanent fixture of the Russian neoliberal economy. Moreover, their share among the poor has been growing and since 2013, for example, they make up an outstanding 63 percent of the poor population (Ovcharova et al. 2014, p. 20).

While some suggest that working people locked in poverty are specific to Russian capitalism (Rimashetskaya 2003; Ovcharova et al. 2014), the growing working poor population is becoming a worldwide trend. It is also present in the USA. As a result of an ongoing shift to neoliberal post-industrial work regimes, people work long hours at several jobs but cannot lift themselves out of poverty because of low wages (Peck 1996; Beck 2000). In Russia, this situation developed in the very first years of capitalism and, as suggested above, might foretell the contours of a neoliberal future in which most jobs have no protections and wages below the subsistence minimum are normalized.

Why Help the Unemployed?

That material comfort in Russia is not well related to jobs is suggested by Figure 5.2, in which poverty and the unemployment rates 1992 through 2015 are counterpoised. If employment provided sufficient wages and job loss caused poverty, then poverty and unemployment rates would vary somewhat together: low

unemployment would coincide with low poverty and vice versa. The graph suggests, however, that in Russia poverty and unemployment rates have been generally out of sync and, indeed, have been most of the time opposite each other.

Liberal social assistance, however, presumes that job loss causes poverty and employment lifts people out of it. It also presumes that capitalism generates economic opportunities for the poor in the form of jobs that the poor are expected to pursue. Welfare programs in the USA provide short-term unemployment benefits and job placement services, such programs also require the unemployed to look for jobs and, occasionally, get retrained. Moreover, unemployment benefits must be less attractive than the most marginal employment in order to encourage people to cycle back into the workforce as soon as possible.

To deal with the unemployment that appeared in Russia after 1991, the Russian government adopted rules that are even more neoliberal in spirit than those in the USA. In Russia support is provided for up to 24 months and during the first year unemployment benefits initially constitute 75 percent of the last salary and slide to 45 percent after a few months. These payments cannot, however, go beyond the minimum and maximum limits set by the government. During the second year, the benefit is set to the minimum level only. The set limits on the benefits, however, ensure that they cannot support household needs. For example, in the mid-2000s the maximum limit was still close to the minimum subsistence level but since then the MSL continued to increase while the benefit limits have practically stayed the same (Figure 5.3). Currently, the minimum level is set to only one-tenth of the MSL (about \$14 per month at the current exchange rate) while the maximum is about half of the MSL (about \$82 per month). If we recall that the MSL underestimates the costs of living by a factor of 3, the monetary value of the unemployment benefits virtually disappears.

It is hard to imagine how one would survive their unemployment without relying on other sources of support from, for example, family, friends, and other networks (Pavlovskaya 2015).

Moral Standing, Self-Discipline, and Desire to Work

In addition to negligible benefits, there are also strict requirements that the registered unemployed must meet. They must show up for events and trainings, re-register every ten days, and accept the second job offered in order to not be bumped out of the system. A job is considered acceptable if the pay on offer is above the subsistence minimum (or its fractions for part-time employment) which, as we have seen, will not lift the unemployed out of poverty. To reduce government payments, legislators aim to shorten the period of coverage, reduce the size of payments, and limit eligibility to particular populations (e.g., exclude those who never worked). Furthermore, legislators attempt to insure that recipients are only those demonstrating a high moral character and will to work by, for example, requiring the registered unemployed to participate in

uncompensated public works projects near their place of residence (e.g., cleaning streets, planting trees, etc.) (Mintrud 2016).

It is, perhaps, not surprising that only one-quarter of the estimated 4 million people who are currently unemployed have registered with an employment agency. This is similar to the current situation in the USA where those registered to receive unemployment benefits fluctuate between 25 percent and 40 percent of the unemployed, reaching an all-time low of 23 percent in 2014 (Delaney and Scheller 2015). While the need for support certainly remains high amongst the unemployed, they are deterred from seeking assistance as neoliberal policies increase targeting, means-testing, and other disciplinary measures (Soss et al. 2011; Schram 2015). Instead of providing compassionate government support to the poor and the unemployed, neoliberal social policies in Russia, as in the USA, increasingly marginalize them.

Invisible Economies of Cooperation

Nationalism and geopolitical confrontation are needed to divert attention from low wages and poverty, especially when the government does not have a policy response to the negative consequences of neoliberal capitalism, a system it not only imposed but also continues to support. The government's lack of response was symbolically captured in a recent remark made by the prime minister, Medvedev, during a recent visit to the Crimea, responded to a group of retired women requesting an increase in their meager pensions by saying: "There is no money for your pensions now. But you will somehow hang on. Best wishes for high spirits and health to everyone!" Then he walked away (Gazeta.ru, 2016). What do people do when the government abandons them even during times of extreme hardship, as in the case of elderly women trying to survive in the recently annexed Crimea? Or when, as we have seen, the government not only ignores but also actively obscures, via state metrological practices, the long-term marginalization of what is likely a considerable majority of the Russian population?

Some studies suggest that with no formal jobs paying a living wage and no meaningful social assistance, 14–25 million people have turned to the informal economy, where formal capitalist and state institutions do not have the same control over economic practices and where people can organize social reproduction on their own terms (Pavlovskaya 2015). The diverse economies (Gibson-Graham 2006) they create often work to support livelihoods instead of profits in the direst of the times. While much informal economic activity is undesirable and likely to involve exploitation, also emerging are non-capitalist economic practices that require cooperation, sharing, and mutual support; people build alliances to survive and even manage to provide modest but comfortable consumption levels for their families (Pavlovskaya 2015). This is not to say that the informal economy as a whole should be celebrated, but in the face of persistent large-scale poverty in Russia and lack of a viable social policy, people are

finding creative ways to secure social reproduction and live well by participating in distinctly non-capitalist practices.

Conclusions

The post-Soviet transformation produced a dramatically polarized society with a large population of the poor. Since 1992, the poor have constituted between 33 percent and 10 percent of the Russian population, or anywhere between 43 and 15 million (Figure 5.1). Russia, along with capitalism itself, developed from scratch a set of metrics and policies designed to address and manage this new segment of the population. As a result, poverty in Russia is understood to be an unfortunate but “normal” condition as in other developed capitalist countries. Official statistics, academic policy reports and articles, as well as mass media have played an important role in normalizing poverty as well as obscuring its extent and its detrimental effects.

In this chapter, I have focused on those key metrics, suggested by other countries and international organizations, that are used by the government to simultaneously assess and, as I have shown, systematically obscure the depth and persistence of poverty in Russia. A close examination of the most important measures of poverty (e.g. minimum subsistence level or MSL, per capita income, and minimum monthly wage or MMW) reveals their collective role in establishing the foundations for government proclamations concerning the level of poverty and for government intervention in poverty alleviation. In particular, we have seen how the MSL grossly underestimates the cost of subsistence, how per capita income overestimates the wages earned by the lowest income groups, and how the minimum monthly wage has lingered below the subsistence minimum for a quarter of a century. Nevertheless, these metrics are routinely used by policy makers, politicians, and bureaucrats to provide evidence that the poverty rate is decreasing and that its level is within what is considered “normal” in the West. At the same time, and since the advent of capitalism in Russia, the population of the Russian poor has expanded to include not only the unemployed, the retired, those with many dependents, and the handicapped, but also working age, able bodied, and even many employed adults.

The Russian experience deserves more attention than it now receives from critical scholars because it powerfully puts into relief, as in a laboratory setting, the work needed to produce and maintain neoliberal capitalism. The case of Russia disrupts the illusion of capitalism’s promise of prosperity for working people and it exposes the everyday violence of neoliberalism produced by low wages, precarious jobs, absent social mobility, and meager social assistance. Most Russians do not dream of capitalist riches, they want secure livelihoods and meaningful lives which they increasingly find only within non-capitalist spaces where diverse economies of cooperation are emerging.

Finally, the Russian experience has profound implications for understanding how neoliberalism works or might work in other national and international

contexts. It powerfully demonstrates what happens to a society that implements capitalism via a strong state whose aim is to protect and enhance capital accumulation. Russia has the unique advantage of still remembering the elaborate social welfare of the Soviet period although this memory is being quickly erased. This recent history makes it clear that socialized welfare is practically possible and necessary. People in Russia and elsewhere must continually challenge the neoliberal state to provide the basic standards of well-being that they should see as their right and not a market commodity.

The case of Russian neoliberal capitalism also makes clear that economies are decidedly more contingent and constructed than commonly thought; while this case demonstrates how a particular economic form can be adopted out of whole cloth and imposed from the top down, it also reveals how maintaining any economy requires a host of cooperating metrics and related technologies of assessment. If policy effort can change a society from socialism to capitalism, it can also change its social assistance systems in many other big and small ways, including establishing sound welfare support. Meanwhile, the vast population of the un- and under-employed, those who cannot survive on their state benefits or formal wages, necessarily engage in economic activity that is, like themselves, unacknowledged. In this sense, what the government misses and what we are called to reveal is another economy out of which we might produce new post-capitalist imaginaries that foreground collective ways to care.

Notes

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- 2 Examples of *l'goy* included, for example, special food items for holidays, extra living space, trips to health resorts, school meals, free public transportation, discounts on utilities and medications, and so on.
- 3 MSL went up from 7688 rubles in the first quarter of 2014 to 9662 rubles in the first quarter of 2015, or by 26 percent.

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