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Economic Analysis of Poverty in Transitional Russia: A Microeconometric Approach

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ABOUT: The book was released by the University of Tokyo Press in February 2011. The author analyzes factors influencing the development of poverty, which is a complex notion in Russia, social inequality, and the government's policy to alleviate poverty.

As proceeds from the title, the book analyzes poverty in contemporary Russia and the government's policy to alleviate it and also underlines the need for more efficient mechanisms of socioeconomic development.

Surveying the studies of poverty in Russia, the author concludes that only government agencies were involved in that project in the Soviet Union, and even they were quietly discouraged to pursue it. This is confirmed by extremely scarce data on the issue, difficulties in receiving relevant information which both Soviet and foreign researchers encountered, and even the fact that Soviet-era studies did not write about poverty, focusing on low-income groups of the population. **The existence of poverty in the Soviet Union was recognized only after its disintegration, when Russia entered the path towards a market economy, the author writes.**

Dr. Takeda writes about the transitional period, when radical change destabilized life in Russia dramatically. In periods of political, social and economic instability, just as during crises, people tend to support the reformers. A new economic system takes root in such periods, while the inefficient old system stops working. By analyzing people's reaction to change, one can see **which policy to alleviate poverty is more effective and what amendments should be made to it.** The author believes that the goal of the book is to search for more efficient **ways to reduce poverty and for social support measures aimed at stabilizing living standards.**

While poverty tends to be more acute in rural areas in the emerging economies than in the cities, **the situation was reversed in transitional Russia, where a large part of the urban population was thrown to the verge of poverty virtually overnight,** the author writes. The deep gap between cities and rural areas provoked inequality and subsequently social stratification.



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Government is providing considerable support, which is key to fighting poverty, yet it is still not enough to resolve the issue. This is why poverty is shrinking very slowly, at a different pace in different regions. Moreover, the government's social policy does not help develop mechanisms that could prevent people from relapsing into poverty. **There are no special mechanisms in Russia that could promote the redistribution of the fruits of economic growth from more prosperous to underdeveloped regions**, the author writes. When choosing a policy for fighting poverty, **the government should consider each region separately and ensure that these regional measures interact with each other**. To be able to do this, it should **reassess the employment market** in rural and urban areas and also ensure the movement of workforce between them, which is impossible without a developed **transport infrastructure**.

Over the past decade, the Russian authorities spoke much about developing agriculture and the system of lending to consumer cooperatives, private farming households and large agricultural companies. Presidents Vladimir Putin and Dmitry Medvedev urged programs to modernize agriculture and introduce innovative technology. This can be regarded as a step toward alleviating poverty. However, **the current level of poverty in Russia has developed over decades, and only time will show if the Russian leadership's new socioeconomic development policy will bring the desired result**.

Prepared by the Valdai Club staff.

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