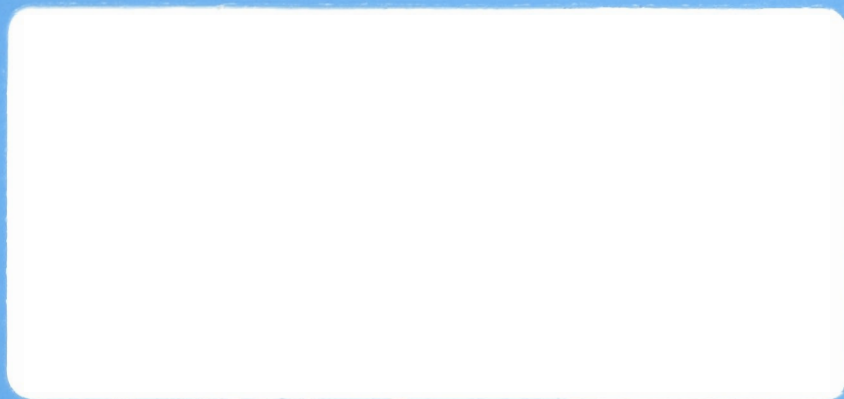




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POVERTY MEASUREMENT IN CENTRAL AND
EASTERN EUROPE BEFORE THE TRANSITION
TO THE MARKET ECONOMY

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"It is not as though the market economy is being established by persons newly arrived in a previously unpopulated land, where the initial distribution of assets is yet to be determined. In practice, the slate cannot be wiped completely clean. If this is so, then the state of distribution under the Communist regime is of relevance." (Atkinson and Micklewright 1991, pp. 6-7)

I. INTRODUCTION

This paper concentrates especially on groups "at risk" in society, particularly children. Indeed, children have all too often been present in large numbers among the poor in Central and Eastern Europe, and their status deteriorated the most during the demise of the system and the initial stage of the transition to the market economy (Cornia and Sipos 1991).

Poverty is a multidimensional phenomenon. It is normally measured using one of three methods:

- An absolute measure: a lack of basic necessities as indicated by an income level below that required to purchase a minimum "basket" of essential goods and services.
- A relative measure: a level of income below 40, 50 or 60 percent of the average or median income of the population.
- A subjective measure: a low level of welfare as indicated by, for example, the responses of household heads to questionnaires (Hagenaars 1991, Ferge and Miller 1987).

This study will focus almost entirely on the first approach, since the available data best capture such a definition of poverty, a phenomenon which was persistent under East European socialism during the post-World War II period despite the many official claims to the contrary. It maps the dynamics of poverty in Central and Eastern Europe prior to 1989-90 almost exclusively in the light of income data, since little is known about the poverty and welfare implications of other variables, most notably wealth.*

In general, in any attempt to measure "income poverty", information on expenditures is more relevant as an indicator of potential welfare than is a mere inventory of incomes. In

* The problem of the impact of property on income distribution was raised even in the USSR, where the ownership of a home, a prime asset elsewhere in Central and Eastern Europe, was not so common, especially in large urban centres. The value of personal property (not including a home) per person increased 4.6 times between 1960 and 1985 in the USSR and was equal to more than eight years' worth of minimum wages (Saenko and Mal'ginova 1989). An empirical study (Lisov and Shaposhnikov 1989) found that in the remote and rural Altai area in 1982 the poorest 8 percent of households had three times less per capita income than the richest 8 percent, whereas the difference in terms of property between the two groups was close to 18 times.

most countries expenditure levels can vary widely from current incomes. The disparity is often explained by the availability of financial savings, the consumption of homemade goods and transfers within families or households. Children are usually the most affected by the intrafamily redistribution of income (Cornia and Stewart 1992).

In the context of a centrally planned economy, the choice among poverty indicators is further complicated by the following factors.

1. Shortages are significant in determining that which incomes can buy. The intensity of shortages changes over time and regions and varies among social groups. This is due to the segmentation of consumer markets, a phenomenon which can have a substantial effect on the level of poverty. An analysis of expenditures and income distribution is made difficult by dual supply systems. While official prices are heavily subsidized, goods are not always available, or they are not available to everyone. The privileged "nomenklatura" and workers in priority sectors, such as mining or defence, often enjoy better access to scarce goods at subsidized prices (Zaslavskaya 1990; Kornai 1980, 1986). The poor frequently have no access to certain goods at all or only at exorbitant, "free" market prices.
2. Nonmonetized social provisions (incomes in kind) have an important role in centrally planned economies. Their impact is difficult to measure even if representative household surveys and monetized accounts of in-kind transfers are available (Smeeding 1991).
3. The impact of widespread producer and consumer subsidies further blur the picture of what incomes can buy in centrally planned economies. This is one reason for the difficulty in applying poverty lines based on the Engel coefficient.*
4. In centrally planned economies, shortages encourage a "second economy", the incomes from which remain largely unreported. This affects overall income levels, as well as the access to goods in short supply (Dallago 1991, Gábor 1979). However, these hidden incomes play a very limited role in reducing poverty, because low-income households tend to be largely underrepresented in second-economy activities (Torrey 1991, Éltető and Vita 1989).

* Poverty lines based on the Engel coefficient are constructed on a simple way. The "minimum" food expenditures are multiplied by the reciprocal of the share of food expenditures in total household expenditures. This type of indicator builds on Engel's observation that the share of food expenditures tends to fall as incomes increase. At the suggestion of Orshansky (1965), it has become a frequently used poverty indicator in the US. However, if food (and other) prices are substantially distorted by subsidies, food expenditures may be undervalued, resulting in poverty lines which are much higher than those prevailing under market prices.

5. The absence of a realistic consumer price index and GDP deflator prevents the "correction" of consumer expenditure/income ratios over time. This is due to the lack of market prices and proper statistical monitoring.

The large variation in the impact of these factors over time and among countries renders quantitative comparisons of poverty trends in Central and Eastern Europe somewhat arbitrary. Likewise, the policies toward poverty and the use of social minimums varied from country to country, and discussion or data collection on poverty was neglected (and even actively discouraged). Thus, this study does not focus on intercountry comparisons which go beyond limited qualitative statements on poverty trends. There is little hope that most of the standard poverty indicators used in the West can ever be calculated for Central and Eastern European countries in retrospect (Atkinson and Micklewright 1992).

Headcounts of the poor depend on the criteria applied to gauge poverty. Wherever and whenever they were calculated in Central and Eastern Europe, subsistence and social minimums, as well as minimum pensions, showed how living conditions and basic needs were addressed in official policy. These minimums can therefore be seen as rough estimates of a poverty line which could be used for a headcount of the poor. Perhaps, at a later stage and with much less reliability, they could also be used to measure the intensity of poverty.

In any case, the data on poverty in Czechoslovakia, Hungary and Poland appear to be the most extensive in Central and Eastern Europe. There is also a fair amount of information available on the former Yugoslavia. Research on poverty in Bulgaria and the former USSR is still impeded by limited access and the poor quality of the data. Nonetheless, the data on the former USSR, in particular, provide unique opportunities to examine the policy aspects of poverty calculations in an historical perspective that goes back to the 1920s. Despite some promising new research on Romania (see Barbu, Gheorghe and Puwak 1992), data on that country, as well as Albania, are scarce or nonexistent. The chance that the dynamics of poverty in these countries in the past will ever be understood remains very slim.

II. THE CONCEPT OF SUBSISTENCE AND SOCIAL MINIMUMS

According to socialist orthodoxy, Central and Eastern European societies cared for all of their citizens, if not equally, then at least in an equalizing manner. There seemed little need for

research into poverty since the profit motive, the most important principle of capitalism, had supposedly been replaced by the expansion of the welfare of all of society according to the rule of "harmonic development" (for example, see Rogovin 1984). Indeed, to suggest that poverty was persisting under socialism, let alone that it had increased, was considered an act of "dissent" and invited retaliation by the state. Nevertheless, what is now known about income levels, income distribution and welfare during the socialist decades sharply contrasts with the once powerful orthodox view (Atkinson and Micklewright 1992, Bergson 1984, Ferge 1979, Ferge and Miller 1987, Flakierski 1986, McAuley 1979, Milanovic 1991a and 1991b, Sziráczki 1990).

This gap between rhetoric and reality was recognized by some ruling regimes; (usually) confidential studies into social stratification, "multiple disadvantageous situations", or "underprovisioned" status were commissioned or tolerated. Central statistical offices or ministries of labour were instructed to monitor living costs and work out subsistence and social minimums (Benda 1991; Kordos 1991; Hirsl 1990; Matthews 1986; Ferge, Gábor and Kende 1985; Sarkisyan and Kuznetsova 1967).

Definitions and Methodology

"Subsistence" and "social" minimum incomes usually differ in the degree of poverty they represent. With a subsistence minimum income, an individual may, assuming rational economic behaviour, merely satisfy those very modest necessities conventionally considered to be essential to ensure life in a given society. On the other hand, with a social minimum income, an individual may add to the "essentials" the consumption, for example, of newspapers and one or two other nonessential goods or services which have become "mass requirements at the given level of economic, social and cultural development" (KSH 1988, page 328). In the case of the Central and Eastern Europe, technical definitions of subsistence and social minimums varied from country to country. However, as a rule of thumb, social minimums were 15-20 percent higher than subsistence minimums (Milanovic 1991a, Hirsl 1990; Vecerník 1991, Szalai 1989).

The method of actual calculation will be shown country-by-country. In general, the calculations reckon with three major groups of costs:

- Usually, "normative" food baskets are employed to gauge *food expenditure*, and various methods are applied to bring these in line with the actual food consumption of the

poor (see later on Hungary).

- *Housing costs* are current costs only and generally do not include savings for the purchase of housing. They can be either normative or actual figures. In any case, housing costs in prereform Central and Eastern Europe were rather low in comparison with the corresponding Western figures because extensive housing subsidies made rents (as well as mortgages) low. Free market rents were usually excluded from the basket on the assumption that the poor could not afford them. (That some families may have slipped into poverty precisely because they had to resort to free market rentals in the absence of other available housing is another matter.)

- "*Other*" *expences* are either taken as a residual figure and included in the form of an arbitrary flat rate (see later on Poland), or calculated as a function of food expenditure (using regression analysis, or based on empirical findings among households exhibiting the level of food expenditure utilized to establish the minimum; see later on Hungary).

Both housing costs and "other" expences can be calculated by using an explicit basket of goods and services (see later on the alternative minimum in Hungary). The minimums are computed on the basis of regular household surveys (usually extensive ones carried out every two to five years) and are updated (annually and, lately, monthly) by relying on consumer price indexes.

Although the reliability of East European statistics is now routinely questioned, it would seem more useful to judge the practice of each country separately. A closer look may reveal concrete flaws to be reckoned with in the evaluation of figures. Moreover, it is possible that the biases are not out of proportion in the context of an international comparison. Indeed, a general evaluation (Garner et al. 1991) has found that the East European household surveys used to calculate social minimums provide considerable longitudinal information, are likely to have been more accurate than those in the West because most people were salaried and because most income estimates were verified by official records, and relied on definitions of economic well-being that are generally broader and more comprehensive than those used in the West (see also Atkinson and Micklewright 1991, 1992).

Usually (the lower) subsistence figures are used to identify a poverty line. Subsistence minimums constitute between 34 percent and 46 percent of average wages. Some experts criticize these figures as being too generous because the minimums encompass commodities which are not necessary for subsistence (see Barr 1991a, 1991b).

Milanovic (1991a, pages 192-3) argues that, "a less developed country would tend to

have a higher poverty line in terms of average wages, because the poverty line would normally increase by proportionately less than the average income." Moreover, in Central and Eastern Europe subsistence minimums were used only as statistical poverty lines; they played no role in policy.

The latter argument can be questioned. While social or subsistence minimums were not used as *de jure* poverty lines in that households below the line were not entitled to any special social assistance benefits, there are indications that some Central and Eastern Europe governments used minimum pensions as *de facto* poverty lines and as entitlement thresholds in terms of both social assistance and income supplements, in the latter case, even on a *de jure* basis (Hirsl and Dlouhy 1991, Zám 1991, Fekete 1989). Thus, for example, in 1981 the minimum pension in Hungary was 1,630 forints per month, which roughly corresponded to the subsistence minimum calculated in 1968, multiplied by the 1981/1968 price index (Bokor and Kolosi 1985). Furthermore, it can be assumed that social and subsistence minimums were intended to provide some sort of guidance for social policymaking. The inadequacy of minimum pensions as a bottomline indicator for other social groups may even have drawn attention to the need for broader minimum calculations.

Strict or Loose Comparisons?

There seem to be two avenues to a better understanding of poverty in Central and Eastern Europe. The broad approach would attempt to embrace more quantitative and qualitative information, but would step back from producing rigorously comparable poverty ratios. The narrow method would strive to bar all strictly noncomparable (or unfit) data so as to define a single poverty line for the entire region and thus make explicit (but relatively less realistic) comparisons possible among the countries. (A more refined approach would acknowledge that even absolute poverty can have distinct meanings at various levels of development and under different circumstances; it would involve merely an aggregation of the headcounts of the poor in national reckonings.)

The only comparative study on poverty levels and the dynamics of poverty in Central and Eastern Europe that has applied roughly the same poverty line was the one carried out by the team of Branko Milanovic (1991a) for the World Bank. The study covered Hungary, Poland and Yugoslavia and assumed that these three countries were more or less at the same level of economic development (see also World Bank 1990). It found that, expressed in dollar

terms, the national subsistence minimums used as the poverty lines in these three countries in 1985 were practically the same (around \$50 per month per person). The poverty rates were established for the study on the basis of official household income surveys (Table 1).

According to the calculations presented in the study, the incidence of poverty during the 1980s rose significantly in Poland (from less than 10 percent to almost 23 percent) and Yugoslavia (from 17 to 25 percent), but remained virtually unchanged in Hungary (around 14-17 percent).

The shift in the composition of the poor was significant in Poland. The poverty rate among urban workers increased fourfold and at the end of the period was higher than that in either of the other two countries. In contrast, at the end of the 1970s the poverty rate among workers had been less than one-half of that among farmers and about one-third of that among pensioners. A similar shift in the structure of poverty is suggested by the figures on Hungary (see later).

In Yugoslavia the traditional pattern prevailed, although with some notable changes over time. The incidence of poverty among nonagricultural groups (workers and pensioners) more than doubled, but it also rose among rural and "mixed" households. Poverty therefore remained more a rural phenomenon only in Yugoslavia.

A breakdown of the shifts in poverty shows that much of the deterioration in Poland and Yugoslavia was due to a drop in real incomes rather than distributional or demographic effects (see later on Yugoslavia).

The principal merit of the Milanovic exercise was the juxtaposition of seemingly similar poverty incidence indicators and the findings on the dynamism of these indicators. While the poverty patterns observed by the Milanovic team have been reported in a number of other studies (Posarac 1991a, 1991b; Szalai 1989), the comparability of poverty levels among the three countries is more doubtful. Milanovic did not adjust the national subsistence (or social) minimums for the purposes of the comparison, but accepted them at face value, especially because they were more or less the same when expressed in dollar terms. He pointed out that this was to be expected, since these countries were roughly at the same level of development in terms of per capita incomes (also expressed in dollars).

Although the necessary adjustments would have been extremely difficult if not impossible to carry out, these assumptions are at best debatable. A comparison of the dollar GDPs of centrally planned economies poses acute problems, and different approaches lead to widely diverging results (see Heston and Summers 1991, Marer 1985). The Atlas method,

Table 1: POVERTY RATES IN HUNGARY, POLAND AND YUGOSLAVIA*
(In Percentages, 1978-87)

	Farmers	Mixed	Workers	Pensioners	Total
<i>Hungary</i>					
1978	--	--	--	21	15.4
1980	--	--	--	17	13.8
1982	--	--	--	13	14.8
1983	--	--	--	18	16.7
1985	14	--	18	14	15.7
1987	11	--	17	11	13.8
<i>Poland</i>					
1978	15	10	6	21	9.2
1979	17	13	6	17	9.7
1980	17	11	8	24	11.1
1981	16	11	11	29	13.9
1982	21	16	17	36	19.8
1983	30	13	19	49	23.7
1984	25	13	19	39	21.9
1985	20	11	17	32	19.1
1986	19	9	17	25	17.3
1987	21	13	25	28	22.7
<i>Yugoslavia</i>					
1978	42	17	9	--	17.5
1983	27	13	10	--	12.8
1984	27	28	17	--	21.5
1985	39	31	20	--	25.7
1986	45	30	18	--	25.1
1987	45	27	20	--	24.8

Source: Compiled by the author from Milanovic (1991a), pages 195-6.

* Percentage of the population in each category with income below the poverty line. A household in which income is received from activities in two or more separate economic sectors, whether by one or by more than one individual, is considered "mixed". For Hungary, "farmers" includes mixed households; for Yugoslavia, "workers" includes pensioners.

which is used by the World Bank to convert national income figures, has its own merits, but also serious limitations, especially in the complicated context of centrally planned economies, where national accounting standards were unique and exchange rates were set almost arbitrarily, especially in retrospect (see World Bank 1990).

The differences in the measurement of poverty lines are also substantial (see later). Food expenditures, housing costs and "other" expences are calculated in widely varying ways. The same applies to equivalence scales, which are computed on the basis of the size and composition of average households (Table 2).

Extensive research beyond the scope of this paper would be required to gauge the combined effect of differences in income, equivalence scales and methodologies on the results of poverty measurement. However, it can be assumed that neither the levels of the poverty lines nor the incidence of poverty found by Milanovic are strictly comparable and accurate

Table 2: EQUIVALENCE SCALES USED IN THE CALCULATION OF POVERTY LINES*
(Selected Countries, 1985-91)

Households	CSFR 1985	Hungary 1985 1991		Poland 1987 1988		Romania 1991	UK 1988
Elderly							
Single person	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Couple	1.93	1.74	1.72	1.77	1.61	1.69	1.60
Active age							
Single person	1.45	--	1.36	1.12	1.16	0.96	0.79
Couple							
Childless	2.67	2.46	2.35	--	1.83	1.63	1.28
2 children	4.05	3.82	3.82	3.72	2.93	2.59	1.82

Sources: Hirsl (1990), page 45; KSH (1990), page 224; KSH (1991), page 223; personal communication to the author from the Institute of Labour and Social Affairs, Warsaw, courtesy of John Micklewright; Szulc (1991), page 5; Barbu, Gheorghe and Puwak (1992), page 3; HMSO (1989), pages 239-40.

* "Elderly, single person" represents the index ("1.00"). The figures refer to "the orientation line for social needs" for Czechoslovakia (CSFR), "subsistence minimums for urban households" for Hungary, "social minimums" for Poland, "subsistence minimums" for Romania, and "social assistance per capita weekly income in active households where the head is unemployed" for the UK.

(see later on Hungary, Poland and Yugoslavia). On the other hand, national experiences with subsistence and social minimums reveal much more about the profile of poverty than would data meeting the strict requirements of a quantitative international comparison.

III. NATIONAL EXPERIENCES WITH THE MEASUREMENT OF POVERTY

Hungary

1. **Poverty Analysis in Retrospect** (see Salamin 1991; Szalai 1989, 1992). The first poverty measurements were carried out by trade unions between 1923 and 1939. Poverty reports were issued weekly and then summarized annually. Annual poverty levels were contrasted with average industrial wages.

After the Communist takeover, no calculations of minimums were undertaken until the thaw of 1955-6, when trade unions developed empirical poverty lines for families of three and four members. These estimates were discontinued after the suppression of the 1956 revolution. Concurrently with the reform of "the economic mechanism" in 1968, the Central Statistical Office (HCSO) began to calculate normative poverty lines, which were called "minimums of socially justified needs" or "poverty thresholds" but which corresponded largely to social and subsistence minimums. The lines encompassed seven family-categories, five economically active and two inactive. The first poverty survey was carried out by István Kemény in the 1960s. It was based on a sample of the lowest decile of the 1967 HCSO income survey and on a survey involving specific questions relating to poverty (see Kemény 1979).

The HCSO made an attempt to update the normative-empirical methodology in 1972. Food consumption by family type was estimated using consumption patterns revealed through household budget surveys. The nonfood elements of the new minimums were calculated on a lump-sum basis through regression analysis. Although the results of these calculations went unpublished, the food expenditures, housing costs and "other" expences used in 1972 were adjusted to update the minimums in 1976.

In 1981 Gyula Fekete Jr of the HCSO calculated minimums for "young wage earners" and "pensioners" by using a normative-empirical method to determine a basket of goods and services, including housing maintenance and "other" expenditures.

In 1983 the ruling party instructed the HCSO to determine a social minimum which

could be employed for long-term income and social policymaking. A national coordinating committee was formed to support and supervise the effort. The committee accepted the idea that a subsistence minimum should also be established. Because of public pressure, the calculations were published and came to be increasingly used in day-to-day social policy decisionmaking, although they were not adopted as official criteria for determining eligibility for social assistance.

The HCSO applied a less subjective method in these new calculations. Families were categorized according to economic activity or inactivity, size and composition and rural or urban settlement. The nutritional needs of various age groups were defined for both sexes by the National Research Institute of Nutrition. To account for the consumption of nonfood items, the value of the minimum necessities in the food basket was multiplied by a factor determined from budget survey microdata through regression analysis. Housing maintenance costs were handled separately because of acute housing shortages and significant variations in the housing costs borne by different types of families. These maintenance costs were determined item-by-item for 14 major types of dwellings. The results obtained through these calculations in 1984 were projected back to 1982 and were subsequently updated regularly on the basis of the relevant price indexes.

However, the alternative normative-empirical method introduced by Fekete eventually prevailed. In 1987 the Centre for the Provision of Assistance to Families in Ujpest District in Budapest (UJCSAKÖ) embarked on reestablishing this method. Fekete's basket of goods and services was updated, and dwelling maintenance costs were adjusted to account for the conditions in large urban housing complexes. Rural subsistence production was disregarded since it was considered unusual for the district. These minimums came to be regularly recalculated and are now published each month.

In line with the democratic changes beginning in 1990, a parliamentary committee was set up to review the calculation of minimums. The committee agreed that the HCSO should employ the 1984 methodology, with the following modifications.

- The value of the normative food basket should be determined by using seasonal weekly menus containing typical dishes, the actual costs of which are regularly monitored.
- To reckon "other" expences, regression analysis should be replaced by an empirical method which is more transparent to the laymen. Households whose food expenditure is within 20 percent above or below the "minimum" food expenditure should be considered "basic" households. The actual "other" expenditures of these households should be used to

determine the normative level for the "other" minimum expenses.

- "Other" expenses should be broken down by "economically active", "pensioner" and "0-to-14-year-old" subgroups.

- The "basic" household principle should be applied to housing maintenance costs.

These changes make it possible to calculate "modules", which could be used to construct minimums tailored to the composition of any household. They also made it easier to update the minimums each month, thus rendering the minimums more useful for routine social policy decisionmaking (see Salamin 1991; Zafír 1991a, 1991b). The basis of the new calculations was the 1989 household survey. Retrospective calculations showed that the method produced results which were within a 5-percent range of the earlier figures.

One flaw of the method (and of all previous ones as well) is the fact that in-kind social transfers, such as public expenditure on education, health care and culture, are not taken into consideration. This could cause serious distortions since the contribution of these transfers to the overall incomes of various household types is not proportional to the size of a household and does not remain constant over time (Zafír 1991b).

The parliamentary committee accepted both the partially "normative" method of the HCSO and the alternative, fully "normative" method of the UJCSAKÖ as possible calculation tools and as aids in the "orientation of social policy" but made no recommendation for their use as criteria for eligibility under social assistance provisions (Zafír 1991b). Meanwhile, statisticians have considered various other approaches to the measurement of poverty (see Hajdu 1990, Kerékgyártó 1990).

Sociological and social policy research has aimed at a broader understanding of poverty especially since the early 1980s, when poverty ceased to be considered a political taboo. It has sought to view the phenomenon in the context not only of low incomes, but also other characteristics of poverty, such as poor housing conditions, health problems, low educational status and alcoholism (see Andorka 1989, Bokor 1987, Bokor and Kolosi 1985).

In 1982-4 Bokor and Kolosi (1985), using cluster analysis and relying on Townsend's approach to poverty measurement, developed complex poverty indexes in order to search for those groups which accumulate multiple disadvantages in terms of social inequality and marginalization. They found that the risk of falling below a hypothetical absolute poverty line based on the 1981 minimum pension was 7.5 times greater among deprived families than it was among nondeprived ones, whereas single individuals who were deprived faced a risk which was only 4.6 times greater. They proposed that the subsistence minimum should be

pegged to the income level at which the risk of falling below the poverty line would be equal for deprived and nondeprived families. According to their calculations, this level was a per capita income of 2,200 forints per month. However, the per capita monthly income of 43 percent of the sample employed for the calculations was below 2,300 forints, while the "minimum" was around 80 percent of the average per capita monthly income of the sample. This meant that the indicator was too high for any useful social policy role.

2. **The Incidence and Dynamics of Poverty** (see Szalai 1989, 1992, Ferge 1986, Salamin 1991). In the early 1950s probably as much as 60 percent of the population was living at or near the subsistence minimum level (or below the social minimum) and could be regarded as poor. This percentage may even have been higher than the corresponding percentage in the early 1930s. In 1930-1, 41 percent of the population was living below a subsistence minimum set at the daily income sufficient to pay for two kilogrammes of brown bread, 1.5 litres of milk, or 0.2 kilogrammes of meat.

According to Ferge (1986), the proportion of the population living below the social minimum (estimated for that year) had dropped to only 25 percent by 1967. A belated official publication on the results of the calculations for the minimum in 1968 confirms this figure (see Huszár 1981, 1985). It stated that around 10 percent of the population, or one million people, were living below the subsistence minimum in 1967 and that a further 15 percent were living below the social minimum.

If the value of the 1967 social minimum is adjusted according to the official consumer price indexes, then the poverty ratio is seen to fall to 14 percent by 1972 and 5-6 percent by 1977 (Ferge 1985, 1986). These estimates overlook changes in the level of the social minimum, which inevitably tends to increase during periods of rapid improvement in living conditions. It can thus be assumed that the incidence of poverty was higher in 1977 than is suggested by the above estimates.

Huszár (1985) found that in the 1960s and 1970s individuals with "low" incomes (incomes less than one-half the average income) constituted a rapidly shrinking segment of the population (Table 3). The improvement was especially sharp during the 1970s. According to his data, the share of the population living below the social minimum dropped from about one-third in 1962 to around 6-7 percent in 1977. The proportion living below the subsistence minimum fell considerably more slowly, from perhaps 11 percent to 9 percent between 1962 and 1972. Between 1972 and 1977 the latter percentage probably declined by one-third.

Table 3: LOW-INCOME GROUPS IN HUNGARY^a
(Totals And Percentages Of The Population, 1962-77)

Year	Income (forints) ^b	Total (000s)	Share of Population	
			%	Cumulative
1962	<400	1,084	10.2	10.2
	400 - 600	2,243	21.1	31.3
	600 - 800	2,551	24.0	55.3
1967	<600	1,002	9.8	9.8
	600 - 800	1,513	14.8	24.6
	800 - 1,000	1,952	19.1	43.7
1972	<600	374	3.6	3.6
	600 - 800	561	5.4	9.0
	800 - 1,000	956	9.2	18.2
	1,000 - 1,200	1,331	12.8	31.0
1977	<800	160	1.5	1.5
	800 - 1,000	202	1.9	3.4
	1,000 - 1,200	362	3.4	6.8
	1,200 - 1,400	574	5.4	12.2

Source: Huszár (1985), page 18.

^a In 1967 the subsistence minimum was 620 forints and the social minimum 830 forints, both per person per month. No adjustment has been made for inflation, which was low during the period.

^b Per person per month.

The 1960s and 1970s witnessed not only a general rise in incomes but also, despite the declared objectives of the "new economic mechanism", a levelling of incomes in the formal economy, although an increase in incomes from the unreported "second economy" may have partially offset this development. Between 1962 and 1977 incomes among the lowest income decile climbed from 39 percent to 45 percent of average incomes (Huszár 1985).

Huszár (1985) found that in 1977 more than 40 percent of all low-income households contained inactive breadwinners, usually elderly pensioners. In another one-half of these households the breadwinners were poorly educated agricultural labourers. He therefore

argued that poverty was mainly a rural phenomenon and that elderly families or families with many children, that is, households with a lower than average number of active wage earners, were particularly at risk of being poor. Among the major features of this "disadvantaged situation" were low income, poor housing conditions, inadequate education, health problems and deviant behaviour.

The progress in this area began to slow at the end of the 1970s, and the unfolding crisis of the 1980s led to a partial reversal of the positive trends (Szalai 1989, 1992). According to household survey data, the poverty ratio nonetheless remained fairly stable at around 14-17 percent of all households between 1978 and 1987 (Table 4; also see Table 1, page 8). Income surveys, which are conducted every five years, show a somewhat lower figure of 10-13 percent, bottoming out in 1982 and peaking in 1987. Both types of survey are biased toward the mid-income social strata. They tend not to include the homeless or those unable (the poor) or unwilling (the very rich) to cooperate with survey teams.

The profile of poverty changed during this period. The incidence of poverty among households with active wage earners marginally increased, while it fell among economically

Table 4: POOR HOUSEHOLDS IN HUNGARY
(In Percentages Of All Households By Type, 1977-87)

	1977	1978	1980	1982	1983	1985	1987
<i>According to Income Surveys</i>							
With active income earners	10.7	--	--	10.0	--	--	13.5
Without active income earners	18.0	--	--	11.9	--	--	8.5
All households	11.7	--	--	10.3	--	--	12.7
<i>According to Household Surveys</i>							
With active income earners	--	14.4	13.2	15.0	16.5	16.0	14.5
Urban	--	--	--	--	--	17.7	17.3
Rural	--	--	--	--	--	13.9	10.7
Without active income earners	--	21.1	17.2	13.3	18.0	14.2	10.5
Urban	--	--	--	--	--	16.0	14.5
Rural	--	--	--	--	--	12.1	9.6
All households	--	15.4	13.8	14.8	16.7	15.7	13.8

Source: Szalai (1989), Tables 4 and 5.

inactive households. By 1987 the proportion of poor households, especially ones containing active wage earners, had become higher in urban areas than it was in rural areas. The share of urban dwellers among the poor rose from 61.6 percent in 1985 to 67.1 percent in 1987. This may be explained by an increase in the percentage of rural households relying on auxiliary economic activity, namely, farming. According to some estimates, around 40 percent of the total income of the population was being generated by auxiliary or private-sector economic activity toward the end of this period (Kolosi 1989).

Between 1.1 million and 1.8 million people were living below the poverty line in the late 1970s and during the 1980s. Szalai (1989, 1992) has found that, according to income surveys, the risk of falling below the poverty line is greatest and is increasing among 0-to-18-year-olds, who represented 50 percent (under-14-year-olds: 46 percent; under-6-year-olds: 40 percent) of those below the line in 1987, compared to their share in the total population of only 26 percent. Larger families are more at risk than are those with no children, or with one or two children, although toward the end of the period the risk of poverty faced by even dual-wage families with one child was more significant than it had been previously (Table 5). Between 1977 and 1987, the share of children from small families in the poor population rose from 24 to 25 percent, while their share in the population of all active households dropped substantially, from 34 to 17 percent. Household surveys showed that the risk of falling below the poverty line was 28 percent among urban children, whereas the average risk was around 15-16 percent.

Table 5: HOUSEHOLDS BELOW THE SUBSISTENCE LEVEL*
(As Percentages Of The Population In The Group, 1977, 1982 And 1987)

Number of Dependent Children	1977	1982	1987
None	3.4	3.3	3.5
One	7.7	7.5	8.6
Two	10.5	9.6	9.8
Three	14.5	15.9	18.8
Four or more	56.1	49.4	51.6

Source: Szalai (1989), Table 11, page 39.

* The data are from income surveys and refer only to households containing active wage earners. The subsistence minimum for families with four or more children is estimated.

Thus, it appears that changes in the structure and composition of poverty in Hungary were significant in that the typical poor individual of the 1960s came from a rural setting, was relatively old and lived alone or with a spouse on a pension or on welfare, while the typical poor individual of the 1980s was relatively young, was a member of an economically active urban family and was raising several children (Szalai 1989).

The USSR

1. **More Inequality than Expected.** Contrary to longstanding Soviet rhetoric and a common belief in the West, the distribution of incomes was rather unequal in the former USSR. Benefiting from the improved access to information made possible by glasnost and, more recently, the democratic movement in the former USSR, Atkinson and Micklewright (1992) have now confirmed that which some Western experts already suspected for years (for example, see Bergson 1984). A comparison of earnings and income inequalities in 1986 in the UK and "socialist" Czechoslovakia, Hungary, Poland and the USSR reveals that the USSR had the highest ratio of income distribution. Measured by the interdecile method, the ratio in the USSR was in fact higher than that in the UK (Table 6).

Table 6: INTERDECILE EARNINGS RATIOS IN SELECTED COUNTRIES
(1986)

	CSFR ^a	Hungary	Poland	UK	USSR
Interdecile ratio ^b	2.45	2.64	2.77	3.23	3.28

Source: Atkinson and Micklewright (1992), Table 4.3, page 103.

^a Czechoslovakia.

^b The income of the top earnings-decile of the population divided by that of the bottom earnings-decile.

Atkinson and Micklewright (1992) have also shown that, while in Western countries the distribution of incomes is more unequal than that of wages, in most Central and Eastern European nations there is no difference between the two. In Hungary and the USSR incomes are actually distributed somewhat less unequally than are wages because of the contribution of the personal income deriving from income transfers. On the basis of an annual household

survey in Taganrog, an industrial town in central Russia, Rimashevskaya (1989) points out that income differentiation (2.64) is lower than wage differentiation (3.05).

This relatively wide wage dispersion was not a new phenomenon in the USSR. Indeed, immediately after the Bolshevik Revolution, such a "planned distribution" was sanctioned by a 17-step wage-tariff system which fixed a one-to-five ratio between the lowest and the highest pay levels. In principle, the guaranteed minimum wage of "step" 1 (junior janitors, messengers, nightwatchmen and so on) represented the subsistence minimum. In the early 1920s the calculation of this minimum came to the forefront in policy efforts to regulate wages and increase welfare (Mozhina 1991, Matthews 1986, Dumnov and Dmitrichev 1984, Sarkisyan and Kuznetsova 1967).

Then in the second half of the 1920s the calculation of the subsistence minimum lost its key role in wage and welfare policy as decisionmaking began to fall out of touch with the real needs of society. During the period of forced "socialist primitive accumulation", living standards were increasingly viewed as merely constraints on investment and economic growth. The publication and analysis of household budget survey data were accordingly suspended after 1928. Although household surveys were resumed after 1951, there is little evidence concerning the way decisionmakers used the data or whether a poverty threshold was calculated for policy purposes.

2. **The "Khrushchev Minimum".** The Khrushchev "thaw" made possible a fresh effort to compute a subsistence minimum. However, the focus was not poverty alleviation or social policy, but the design of "socialist wage regulation" and the optimum level of in-kind income transfers. Thus, in line with Marxist theory, Sarkisyan and Kuznetsova (1967) argued that minimum wages, together with in-kind social transfers, mainly in the form of the government provision of social services, were to reflect the price of the "reproduction" of the labour force and the maintenance of the families of unskilled workers whose jobs are not physically demanding. They implied that consumer subsidies and in-kind social benefits, such as the government provision of health care and education, would usually assure equivalence and that, whenever equivalence cannot be guaranteed because of special circumstances, such as in the case of an invalid, a family with many children, or a household with no an active breadwinner, social assistance transfers would be able to compensate. Having so easily brushed aside any problems created by variations in individual situations and family size and composition, they proceeded to conclude that the "objective minimum wage" (which, in the

absence of exploitative behaviour, is supposed to be determined exclusively by the level of development of "productive" forces) can be expressed as a "budget of minimum material provision". They compared this minimum budget with a subsistence minimum as follows:

"The [budget of] minimum material provision is by substance principally different from the 'subsistence' or physiological minimum despite a few similarities in terminology. What are the differences? Firstly, the minimum material provision includes all the needs which are seen as reasonable in a given period in socialist society. It follows from this that the minimum of material provision does not exclude the satisfaction of certain spiritual and social needs of workers. Secondly, the amount of the needs of workers under socialism is unavoidably determined by objective tendencies in the increase of national welfare. This is why the minimum material provision increases along with needs and with the possibilities to satisfy them." (Sarkisyan and Kuznetsova 1967, pages 18-19)

What Sarkisyan and Kuznetsova call the "minimum provision" appears from this vague definition to be in fact closer to a social minimum than it is to a subsistence minimum.

The authors followed a very detailed, fully normative method to calculate three minimum family budgets (Table 7). The "current minimum" budget was determined on the basis of the situation in the 1960s. The "prospective" budget was meant to be the target of a Soviet antipoverty programme for the "nearest future". Matthews (1986) sees this budget as a proxy for a poverty line for the next decade, during which no more such budgets were ever made public. The third budget, the so called "rational budget", was utopian. It reflected an ideal consumption pattern for the "Soviet Man" during the first phase of a Communist mode of production and is therefore not relevant to this analysis.

Table 7 shows the per capita minimum budgets as of the mid-1960s for an urban family composed of a husband, a wife, a 13-year-old boy and an 8-year-old girl. The expenditure on housing and communal services was very limited because of the subsidies applied to rents and service fees, and no expenditure was included for education or health care (except for medicines) since these were provided free of charge by state institutions. The current minimum budget did not account for savings.

In the current minimum budget the share of food expenditure in total expenditure was 56 percent, and even in the prospective budget it was 51 percent. Both these shares would be below poverty line values in Western countries. Matthews (1986) argues that a pricing of the budgets in the West would involve reductions in the share of food expenditure because of nominal charges for subsidized housing, services, health care and education. While

Table 7: THE "KHRUSHCHEV MINIMUM" PER CAPITA FAMILY BUDGETS
(In Rubles And Percentages, Mid-1960s)

	Current		Prospective		Rational	
	Rubles	%	Rubles	%	Rubles	%
<i>Tangibles</i>						
Food	28.8	55.9	34.0	51.0	52.5	34.3
Clothing, footwear	10.8	20.9	13.4	20.1	33.3	21.7
Furniture, household goods	1.2	2.6	2.5	3.8	7.0	4.6
Hygiene, medicines	0.7	2.2	1.2	1.7	4.3	2.8
Cultural and sporting goods	1.1	1.3	1.2	1.8	5.6	3.6
Tobacco	-- ^a	-- ^a	0.4	0.6	0.9	0.6
Alcohol	1.4	2.7	2.2	3.4	5.1	3.3
Other	--	--	0.2	0.3	7.0	4.5
Subtotal	44.0	85.7	55.1	82.7	115.6	75.4
<i>Intangibles</i>						
Housing, communal services	2.8	5.4	3.4	5.1	6.8	4.5
Vacations and various	0.7	1.4	3.3	4.9	8.7	5.7
Movies, theatre and so on	0.9	1.7	1.4	2.1	5.2	3.4
Hairdressers, laundry	1.2	2.3	--	--	--	--
Transportation and communications	1.2	2.3	2.5	3.7	12.0	7.7
Membership fees	-- ^b	-- ^b	0.7	1.0	-- ^b	-- ^b
Other	0.6	1.2	0.3	0.5	5.0	3.3
Subtotal	7.4	14.3	11.5	17.3	37.7	24.6
Total	51.4	100.0	66.6	100.0	153.3	100.0

Sources: Sarkisyan and Kuznetsova (1967), pages 66, 125 and 166; Matthews (1986), page 20.

^a Expenditure on tobacco has been added to that on alcohol.

^b Membership fees have been added to "Other".

this may be true, food was also heavily subsidized in the USSR, and the net impact of a recalculation might therefore be less than he expects. Moreover, the calculation for the nonfood items was rather generous from the perspective of a poverty threshold. It included

not only furniture, but also furniture repair. Housing costs were "overestimated" since the current minimum budget included the "sanitation" norm of 9 square metres per person, which was slightly higher than the average living space available per person. Atkinson and Micklewright (1992) question whether alcohol and tobacco should be included in a normative subsistence budget at all. The exclusion of alcohol and tobacco and a recalculation based on actual housing conditions and more restrictive "other" expences might partially offset the distortion stemming from subsidized prices. Thus, the high share of food expenditure in the "Khrushchev budgets" does not appear entirely unrealistic.

Furthermore, it should be borne in mind that Sarkisyan and Kuznetsova were not attempting to calculate a poverty line. They were designing budgets which were supposed to reflect the minimum consumption potential in a socialist society in which, at the time (the mid-1960s), living standards and production were still rising quickly. Thus, their current minimum budget could be used to compute a "normative" minimum wage for a "typical" family of two adults and two children, once cash transfers, certain in-kind transfers like bonuses and the food provided in cafeterias at the workplace or in school, and consumption from "auxiliary" activities like gardening and home repair had been deducted.

3. **The Incidence of Poverty, 1960-90.** It is clear that these budgets were not developed to be used as poverty lines. From the point of view of methodology or social policy, it is also clear that, even in an adapted form, they cannot be used as substitutes for a poverty line. They are too "normative" and reflect only the most typical case.

Matthews (1986, page 21) argued that:

"In 1965 the average wage, net of standard income tax and union dues, was only 87.8 rubles, or 175.7 rubles for two earners. Yet the statistical family of two working adults and two children required an income of 205.6 rubles (i.e., 4×51.4) to reach the stipulated subsistence level. No data were provided for single persons or families of different sizes, but Sarkisyan and Kuznetsova's figures clearly implied that even an average urban family would still be way below this level, despite the improvements in living standards in previous decades."

However, this does not reckon with transfers and other incomes not accounted for in the budgets. Household budget and income surveys routinely deal with these incomes elsewhere. Even Sarkisyan and Kuznetsova consider them when they assess the level of a minimum wage in the light of the minimum family budget.

"According to budget survey results among industrial workers in 1964," they argue, "the share of wages in the cash incomes of families ranged from 70 percent in the case of families having per capita incomes at the level of the minimum to 85 percent in the case of families with more than 1,200 rubles per person annual income" (Sarkisyan and Kuznetsova 1967, page 75). Furthermore, nonsalaried "auxiliary" activities are important in meeting the needs listed in the budget. According to their data, 42 percent of the overall production of meat in 1964 came from "auxiliary" farms, while the share of these farms in the production of meat for the commercial sector was only 20 percent. The same indicators were 42 percent and 8 percent for milk, 73 percent and 43 percent for eggs and 60 percent and 44 percent for potatoes. The share of subsistence production in total consumption and production was four times higher among families with a per capita annual income of less than 480 rubles than it was among families with a per capita annual income of more than 900 rubles.

Considering these factors, Sarkisyan and Kuznetsova (1967, page 76) conclude that:

"Concretely speaking, at this stage of development of our society..., on the basis of the normative budget and the given level of social consumption funds [that is, transfers], the monthly minimum wage should be established at 50 rubles.... With this amount and share of social consumption funds, [it is] possible to support the consumption levels [in the budget] or correct [that is, supplement] consumption in the light of needs and the possibilities for introducing measures to widen the benefits for the least provided [that is, the poorest] families."

Therefore, if the average share of wages in family income among industrial workers is 75-78 percent, then the earnings of a "typical" family of two adults and two children should be around 150 rubles per month. It is clear that two minimum wages would not sum to this amount. However, according to Sarkisyan and Kuznetsova, in the 1960s less than 1 percent of all families received the equivalent of two bare minimum wages, while 99 percent received more. If the incomes of these families were supplemented by social transfers to the level of the minimum budget, then the share of wages in their incomes would drop to 60 percent.

Sarkisyan and Kuznetsova viewed this as undesirable. They therefore proposed that the minimum wage should be raised to 60 rubles per month. They arrived at this figure by breaking down the family income of 150 rubles per month into two wages: that of the head-of-household and that of a second wage earner. The average wage of around 90 rubles per month, along with a second wage at the proposed minimum wage of 60 rubles, could be expected to provide the needed income of 150 rubles for the minimum budget at the given

level of social transfers. Since two-thirds of those who received the minimum wage lived in families for which this wage represented a second income, Sarkisyan and Kuznetsova felt that for the "typical" family the proposed minimum wage of 60 rubles per month would reduce the need for additional social assistance to nil. For nontypical families, such as those headed by a single mother or those which were very large, social assistance benefits were supposed to bring family "consumption" up to this minimum. For the children of those families which did not fit this scheme for one reason or another, institutionalization was suggested.

However, Sarkisyan and Kuznetsova also admitted that too many children fell into the "underprovisioned" category (Table 8). The average size of families in the lowest 20 percent income group was more than double that of those in the highest; children accounted for more than 60 percent of the members of the poorest families, but barely more than 10 percent in the richest ones.

Table 8: THE SIZE AND COMPOSITION OF FAMILIES BY INCOME GROUP IN THE USSR*
(Averages, 1965)

	I	II	III	IV	V	Average
Members per family (total)	5.2	4.2	3.5	2.2	2.3	3.4
Under-17-year-olds per family (%)	60.5	52.1	42.6	27.8	10.5	39.0
Under-13-year-olds per family (%)	55.3	54.4	36.5	23.4	8.6	33.5

Source: Sarkisyan and Kuznetsova (1967), page 104.

* Group "I" represents the poorest 20 percent of all families, group "V", the richest.

In spite of their observation that children were overrepresented among the poor, Sarkisyan and Kuznetsova maintained that the minimum wage should be the principal vehicle of antipoverty measures. Moreover, for some unexplained reason, they assigned "social consumption funds" (that is, "social expenditure") a gradually elevated role. However, it should be pointed out that this was the official view of the era. According to a textbook on "mature socialism", public consumption funds (a surrogate for social expenditure and transfers) were growing more quickly than wages because this is "one of the main laws of social development under the conditions of developed socialism" (Rogovin 1984, page 135).

Sarkisyan and Kuznetsova dismissed alternative income support systems, especially

universal child and family benefits, on the grounds that they make sense only in the case of poor families; they would encourage "undesirable" individualism by fostering "private" rather than "social" consumption, and the private consumption thus supported would entail higher social costs because of losses in economies of scale.

Although the budget and subsistence minimum level proposed by Sarkisyan and Kuznetsova was never officially accepted and the work on a subsistence minimum was eventually suspended altogether, some social policy measures of the early 1970s reveal certain elements of the official view toward the poverty line and permit a rough count of the poor.

In 1974 a means-tested benefit for "underprovided" families was introduced. Families with an income of less than 50 rubles per person per month (no adjustment was applied for variations in family size or composition) could qualify for the benefit. This is very close to the figure calculated by Sarkisyan and Kuznetsova for the 1960s as a subsistence minimum. Indeed, the difference with their minimum is even somewhat narrower if open and hidden inflation is taken into account. On the other hand, as an income supplement threshold, the figure tacitly recognizes production and incomes outside the "socially organized" sphere and those social transfers not included in the subsistence minimum.

Sixteen percent of the families of workers and employees fell below this poverty line in 1974. The corresponding proportion in agriculture was as high as 39 percent. By 1984, with the requirements for eligibility unchanged, only 3.6 percent of the families of workers and employees and 8 percent of rural agricultural families qualified for the benefit. However, if the poverty line had been adjusted to 75 rubles, as suggested by economists and sociologists in light of modest official and more substantial "free" market price increases, growing supply problems and a very slight broadening of the "normatives", the decline in the number of qualifying families would have been entirely eliminated among the families of workers (16.3 percent would have fallen below the line), and 27.6 percent of all rural agricultural families would still have qualified for the benefit. Moreover, data from household expenditure surveys suggest that the "real qualitative boundary of underprovision" was between families with a per capita monthly income of 66-70 rubles and those with a per capita monthly income of 71-5 rubles (Mozhina 1991). There are signs that the former suffered serious poverty. Families with a per capita monthly income of 76-80 rubles exhibited a consumption profile which was not very different from that of families in the 71-5-ruble bracket. This reinforces the view that a poverty line set at a per capita income of 75 rubles per month would have been reasonable.

Toward the end of the 1970s work on new "nutritional minimums" was initiated at the State Commission of Labour and at the Institute of Nutrition of the Academy of Sciences (Mozhina 1991). This work led to the identification of a "food basket minimum" of 33 rubles per person per month at official 1980 prices. Household budget survey data show that the items in the same food basket would have cost 42 rubles in 1985. The 1980 and 1985 figures are equivalent to 1.10 rubles and 1.38 rubles per day, respectively. (Average food expenditure was 1.42 rubles in 1980, 1.52 rubles in 1986 and 1.56 rubles in 1987.) According to budget survey data, the average share of food expenditure in overall household expenditures among the 51-75-ruble income bracket was 49.3 percent in 1985. The application of a straightforward Engel coefficient (see earlier) to the "normative" nutritional minimum and the average share of food expenditure in the overall household expenditure of poor families results in a poverty line of 85 rubles per month.

Thus, it is reasonable to assume that a per capita family income of 75 rubles per month would have represented an effective poverty line in the USSR in the early 1980s. Moreover, this poverty line would have risen in monetary terms throughout the decade and would have eventually affected more and more families with per capita monthly incomes in the 75-to-100-ruble range (Table 9). Indeed, a poverty line for 1990 set at a per capita family income of around 100 rubles per month would not have been unrealistic. In any case, the number of poor families must have decreased somewhat during the 1980s, but by exactly how much is difficult to judge.

4. **Poverty by Republic.** Aside from demographic factors, geographic differences were the most significant in causing variations in income distribution and welfare levels in the USSR (Atkinson and Micklewright 1992; Riazantsev, Sipos and Labetsky 1992). Thus, for example, in 1981 the proportion of the inhabitants that was receiving a per capita income at or below the realistic poverty line for that year of 70 rubles was 49.6 percent in Tajikistan, 59.1 percent in Uzbekistan, 60.2 percent in Azerbaijan, 68.7 percent in Kirghizia and 71.2 percent in Turkmenia. Likewise, while the average share of food in total expenditure among households with a monthly per capita income of 51-75 rubles was 49.3 percent in 1985, it ranged from 40 percent in Latvia to 60 percent in Azerbaijan (Mozhina 1991). Indeed, these latter figures may seem surprising, since the average share of food expenditure in total expenditure for this income group was much higher in poor, agricultural and "southern" Azerbaijan than it was in rich, industrial, nonagricultural and "Nordic" Latvia. This suggests

Table 9: PEOPLE NEAR OR BELOW THE POVERTY LINE IN THE USSR, BY INCOME^a
(1980, 1985 And 1990)

	1980	1985	1990
Total mid-year population	266	277	288
By income			
Below 75 rubles	68.6 (25.8)	49.6 (17.9)	22.3 (7.7)
75-100 rubles	61.6 (23.2)	54.8 (19.8)	30.6 (10.6)
Below 85 rubles ^b	-- (35.1)	-- (27.2)	-- (12.0)
Below 100 rubles	130 (49.0)	104 (37.7)	53 (18.3)
Composite incidence of poverty ^c	-- (24.1)	-- (17.9)	-- (12.0)

Source: Goskomstat (1991), pages 115 and 166.

^a The figures in parentheses are percentages, the others are in millions.

^b The distribution of incomes among the people in the 75-100-ruble income bracket is assumed to have been balanced. The figures for the income bracket "below 85 rubles" have therefore been calculated by multiplying the figures in the income bracket "75-100 rubles" by 0.4 and adding the result to the figures for the income bracket "below 75 rubles".

^c Calculated by using poverty lines assumed to be realistic for the given year. The calculation is similar to that employed to determine the figures for the income bracket "below 85 rubles" (see above); 0.933 has been used as the multiplier.

that in Azerbaijan, where almost one-half of the population was living below or at the absolute poverty line, consumption based on "auxiliary" activities or relatively low local free market prices had not cut the share of food expenditure and had thus not alleviated poverty (Table 10). On the basis of this evidence, it is tempting to doubt the relevance of a unified poverty line for the republics of the USSR. The newly independent states of the former Soviet Union will inevitably have to grapple with the calculation of poverty indicators.

5. **Child Poverty.** Children and young people represented an important segment of the poor in the USSR in the late 1970s and during the 1980s. According to all-Union surveys, families with many children accounted for one-half of all poor people, young couples another one-third, and pensioners around one-fifth (Mozhina 1991). However, these surveys were criticized because of questionable data-collection methods and the lack of proper equivalence scales. The Institute of Social and Economic Problems of the Population therefore initiated a small annual household survey based on a different methodology (Popkin 1992). Carried

Table 10: PEOPLE NEAR OR BELOW THE POVERTY LINE IN THE SOVIET REPUBLICS, BY INCOME^a
(1990)

	Population (millions)	% of Population with Monthly per Capita Ruble Incomes of			
		0-75	75-100	0-85*	0-100
Baltic States					
Estonia	1.6	0.6	2.7	1.7	3.3
Latvia	2.7	0.9	3.8	2.4	4.7
Lithuania	3.7	1.2	4.5	3.0	5.7
Europe					
Byelorussia	10.2	1.5	5.9	3.9	7.4
Ukraine	51.6	2.7	8.6	6.1	11.3
Russia	147.9	3.2	8.2	6.5	11.4
Moldavia	4.4	6.1	12.5	11.1	18.6
Trans-Caucasia					
Armenia	3.3	5.4	11.3	9.9	16.7
Georgia	5.4	6.5	11.2	11.0	17.7
Azerbaijan	7.1	29.7	19.7	37.6	49.4
Central Asia					
Kazakhstan	16.7	10.0	14.4	15.8	24.4
Kirghizia	4.4	24.8	21.7	33.5	46.5
Turkmenia	3.7	26.9	22.3	35.8	49.2
Uzbekistan	20.4	34.1	23.0	43.4	57.1
Tajikistan	5.3	45.1	22.7	54.2	67.8
Total USSR	288.4	7.7	10.6	12.0	18.3

Source: Goskomstat (1991), page 115.

* See Table 9, note "b".

out in the industrial city of Taganrog in central Russia, this "alternative" survey shows a quite different picture from the all-Union survey (Table 11). For example, in 1978, households composed of pensioners were the largest single group among the poor, accounting for nearly one-half of those people below the poverty line set for the survey, a per capita monthly income of 70 rubles. Families with three or more children represented the second most important segment of the poor, representing 15 percent of the households in the sample that were below the poverty line. The elderly represented more than two-thirds of those people

Table 11: THE COMPOSITION OF THE POOR IN TAGANROG, RUSSIA, BY INCOME
(In Percentages, 1978)

Rubles per Person per Month:	≤25	26-30	31-40	41-50	51-60	61-70	Total
Families of pensioners	72.8	82.4	68.7	57.7	48.7	24.0	45.6
Families with three or more children	--	--	--	10.8	10.7	26.7	15.0
Families in which the adults are not always employed	22.7	11.7	7.6	12.6	12.0	11.6	11.8
Families in which the mother is a housewife	--	5.9	7.0	7.2	4.0	1.4	3.8
"Incomplete" families	4.5	--	13.5	7.2	15.2	7.5	10.9
Low-wage families	--	--	3.2	0.9	0.7	0.7	0.8
Other	--	--	--	3.6	8.7	28.1	12.1

Source: Mozhina (1991), page 41.

living on an income of less than one-half of the poverty-line income.

The large number of poor families with many children characteristic of the southern republics may have led to the high poverty rate among these families and among children in general that was reported by the all-Union surveys, which applied a single poverty threshold in all the republics (Popkin 1992, Riazantsev, Sipos and Labetsky 1992). At the end of the 1970s, poverty, especially extreme poverty, was much less common among children and much more common among the elderly in Russia and probably also in the European republics. Since the data on the dynamics of poverty are inconclusive, it is not clear at this stage whether the European republics were experiencing a trend similar to that observed in several European countries, namely, the rise in the proportion of children among the poor (Riazantsev, Sipos and Labetsky 1992, Olsson and Spånt 1991, Kamerman and Kahn 1991, Bradshaw 1990, Cornia 1990, Danziger and Stern 1990, Saraceno 1990).

It appears from the foregoing analysis that poverty must have been declining in the USSR prior to 1985. To measure the incidence of poverty since then is difficult because of the deteriorations in the supply and transportation system and the impact of accelerating "open" inflation. Research which is able to take these factors into consideration would probably find that the decrease in poverty had been arrested or that the incidence of poverty had increased marginally before the demise of the USSR.

Poland

After World War II the Polish Central Statistical Office began carrying out household budget surveys. These surveys were discontinued in 1951 and then, in an improved and broader form, were taken up again in 1957. In the 1960s experimental household budget surveys relying on a "rotational" (quarterly) approach were started. Though useful for research on poverty, these surveys, which sampled 30,000 households, did not specifically focus on poverty, since the existence of poverty was denied on ideological grounds in Poland as elsewhere in the region. The same was true of the more comprehensive surveys on living conditions that sampled 120,000 households. These latter surveys were not fully utilized for the measurement of poverty before 1988 (Kordos 1991).

In the early 1970s a number of studies and a handful of technical books appeared in Poland on the methodology of the calculation of social minimums and, thus, poverty lines (Deniszczuk 1972, Tymowski 1973). Nonetheless, only toward the end of the 1980s could international standards be applied in Poland for research on poverty. Equivalence scales such as those employed by the Organization for Economic Cooperation and Development and Eurostat, the Statistical Office of the European Communities, were adopted only in 1991. However, the data accumulated by the various budget surveys and the application *ex post* of standard equivalence scales adjusted to conditions in Poland permit a fairly accurate reconstruction of the dynamics of poverty in the 1980s.

1. **The Poverty Line.** In Poland the first minimum "budget" which can be regarded as a poverty line dates back to 1957. Three definitions and the corresponding methods were eventually developed. However, unlike in Czechoslovakia and Hungary, where a subsistence minimum and a social minimum were both used, in Poland the social minimum emerged as the sole poverty indicator. The Central Statistical Office computed a "minimum cost of living" index in the 1970s, but this was regarded as "classified" information and was made available only to policymakers and a tight circle of researchers. However, in August 1981 the Council of Ministers adopted a resolution which specified that the index should be taken into consideration when determining:

- "(1) The low income [scale], retirement and disability pensions and other social benefits in cash that constitute a source of maintenance for the population.
- "(2) The social policy aimed at the improvement of the living conditions of the

population and providing compensation for increases in the cost of living.
"(3) The distribution of governmental and employer resources allocated for wages, salaries and social benefits, taking into account, first of all, the improvement of the living conditions of families with the lowest incomes.
"(4) The proper market procurement, with special attention to the supply of goods and services." (Kordos 1991, page 9)

This indicator was intentionally focused on the poor, and in public discussions and the press it became synonymous with a poverty line. However, after the declaration of martial law, its publication was suspended. Nonetheless, the Central Statistical Office began at that time to publish a new category of "low incomes" that was based on the 1980 per capita social minimum and was regularly updated according to the consumer price index.

Milanovic (1991a, page 201) found that, "the Polish social minimum... is less, in real terms, than the subsistence minimum in Yugoslavia and Hungary." While this fact may facilitate international comparisons, it does not guarantee that the Polish social minimum was functionally identical with a "subsistence minimum" as the term has been defined in this paper or as it was used elsewhere in Central and Eastern Europe.

The method used to calculate the Polish social minimum provides no clear guidance on the issue. The minimum was determined on the basis of a "normative" basket of goods and services identified by the Institute of Labour and Social Affairs. Ten percent was added to the value of the basket in order to compensate for "personal discretion". However, because the basket already included shoes, clothing and expenditures for hygiene, housing, health care and communications, the suspicion arises that the extra 10 percent may have been equivalent to the effective 15 percent difference between subsistence and social minimums in Czechoslovakia and Hungary and may thus have actually represented those "nonessential goods and services which have become mass requirements within society" (see earlier). Moreover, unlike in Hungary, where the actual costs to the poor were taken into account, but like with the "Khrushchev minimum" in the USSR, the expenditure for housing was estimated on the basis of needs determined by family size. This assumption was unrealistic, since most poor families were living in inadequate housing.

The social minimum was calculated for the households of employees (one or four members) and the households of pensioners (one or two members). Kordos (1991) found that the ratio of the "social minimum" incomes of the two economically active (that is, "employee") households in the calculation was 1 to 3.36 in 1989. In the majority of the countries in the Organization for Economic Cooperation and Development the corresponding ratio would

have fallen somewhere in the range of 1 to 2.25 and 1 to 2.80. This means either that the social minimum for the one-member employee household was underestimated, or that the social minimum for the four-member employee household was overestimated.

Kordos then calculated an alternative poverty line by using actual household survey data. He selected those households which had spent 50 percent of their total expenditure on food. Based on this criterion, he found that the "normative" poverty line for a one-member employee household had indeed been underestimated. While his minimum for a four-member employee household was also somewhat higher than the normative, the ratio of his two minimums would have been 1 to 2.49 in 1984 and 1 to 2.46 in 1985. This was well within the OECD range. Kordos therefore concluded that the Polish social minimum was not appreciably different from absolute poverty indicators in the West.

2. **The Incidence of Poverty.** The share of households in the "low income" category (see earlier) fluctuated appreciably during the 1980s, although no equivalence scale was employed in the calculations (Kordos 1991). A peak in 1990 coincided with the introduction of a "shock therapy" economic policy package. The lows and peaks of the figures for all household types generally followed a similar pattern (Table 12). A somewhat smaller share of worker and "mixed" households was in the low income category, while the share among farm labourers and pensioners was substantially higher. Although pensioner households showed the highest figure, almost 41 percent in 1983, they represented the second lowest share in 1990. In the meantime, the relative and absolute positions of the households of farm workers deteriorated.

A study (Gulbicka and Michna 1991) on the incidence of low incomes in Poland found that consumption among poor rural households follows basic biological needs. Throughout the 1980s these households spent around 60 percent of their incomes on food. If other rudimentary items such as clothing, electricity and the cost of personal hygiene are added, the share of basic needs in the total expenditure of these households reached 76 percent, a figure which is no doubt symptomatic of absolute poverty.

Relying on household surveys, Szulc (1991) has worked out specific equivalence scales for Poland (Tables 13 and 14). Measurements of the incidence of poverty that are based on more detailed calculations, including the use of these equivalence scales and annually updated poverty lines, yield figures for each year during the 1980s that are generally lower than those resulting from measurements based simply on the 1980 social minimum adjusted according to consumer price indexes (compare Tables 12 and 15).

Table 12: THE "LOW INCOME" CATEGORY BY HOUSEHOLD TYPE IN POLAND
(In Percentages, 1981-90)

Year	Low Income Category ^a	Total	Household Type			
			Worker	Mixed ^b	Farm Labourer	Pensioner
1981	2.5	14.2	10.6	16.4	16.9	23.3
1982	5.0	20.0	16.8	22.1	21.7	27.7
1983	6.0	27.2	22.3	25.0	31.9	40.9
1984	7.0	24.4	19.6	23.7	33.0	37.7
1985	8.0	22.6	18.5	21.1	30.3	34.9
1986	9.5	21.3	17.9	20.6	29.8	29.9
1987	12.0	25.3	24.1	23.9	31.9	26.9
1988	20.0	20.0	17.9	16.6	24.9	28.9
1989	70.0	16.3	13.7	12.3	22.3	26.4
1990	450.0	33.2	33.2	28.3	41.8	32.2

Source: Kordos (1991), page 12.

^a A single per capita value, defined as the 1980 poverty line, or "social minimum", adjusted according to consumer price indexes, was used for each year. The figures in this column are in thousands of zlotys per month.

^b A household in which income is received from activities in two or more separate economic sectors, whether by one or by more than one individual, is considered "mixed". In this case, "mixed" refers to households receiving income from agricultural and "employee" activities.

Table 13: EQUIVALENCE SCALE BY HOUSEHOLD SIZE AND THE HEAD-OF-HOUSEHOLD'S AGE
(1987-8)

Household Size	The Age of the Head of Household			
	Over 64	45-64	30-44	16-29
One member	1.00	1.23	1.16	1.15
Two members	1.61	1.97	1.83	1.82
Three members	2.12	2.58	2.41	2.39
Four members	2.56	3.14	2.93	2.90
Five members	3.01	3.66	3.41	3.38
More than five members	3.37	4.16	3.88	3.83

Source: Szulc (1991), page 5.

Table 14: COMMODITY-SPECIFIC EQUIVALENCE SCALE BY HOUSEHOLD SIZE
(1987-8)

	Size 1		Size 2		Size 3	
	Urban	Rural	Urban	Rural	Urban	Rural
Food ^a	0.95	1.38	1.72	2.44	2.39	3.40
Clothing ^b	1.26	1.39	1.90	2.08	2.41	2.64
Housing ^c	1.36	1.39	1.95	2.00	2.42	2.48
Other ^d	1.40	1.40	1.99	1.99	2.45	2.45
General scale	1.15	1.39	1.83	2.23	2.41	2.92

Source: Szulc (1991), page 6.

^a Food, alcohol and tobacco.

^b Clothing, footwear, hygiene and medical services.

^c Housing and energy.

^d Transportation, education, entertainment and other expenses.

In any case, no matter which method of calculation is employed, the pattern is unambiguous (see Table 1, page 8, and Tables 12 and 15). The poverty rate increased from 9-15 percent in 1981 to 22-30 percent in 1983-4. It fell to 19-21 percent between 1984 and 1986, jumped 4-5 percentage points in 1987 and then dropped again in 1988 and 1989.

3. **Poverty gap indicators** show, in an aggregate form, the "intensity" of poverty, or how poor the poor were, by measuring how far individual household incomes fell below the poverty line. The two Dalton poverty gap indicators for Poland were fairly stable in the 1980s (Table 15). They fell from 20 and 26 percent in 1980 to 17 and 23 percent in 1982, respectively. They were thus not yet reflecting the rise in poverty rates registered in 1982. However, by 1984 the increase to 28 and 37 percent in the "intensity" of poverty had exceeded that in the incidence of poverty. The indicators fell back to 21 and 27 percent in 1985 and remained in this range until 1988. Between 1986 and 1988 the poverty gap indicators only marginally followed the fluctuation in poverty rates. However, in 1989 they exceeded the incidence of poverty once more. The Blackorby-Donaldson and Jorgenson-Slesnick composite poverty indexes showed characteristics which were similar to those of the Dalton poverty gap index. This means that at the end of the decade not only were there more poor in Poland, but the poor had become poorer and were exhibiting less ability to reduce their poverty.

Table 15: VARIOUS POVERTY INDEXES FOR POLAND^a
(1980-9)

	H	D _A	D	BD _A	BD	JS _A	JS
1980	.144	.203	.264	.029	.038	.017	.024
1981	.093	.190	.251	.018	.023	.009	.013
1982	.139	.169	.226	.023	.031	.014	.020
1984	.299	.281	.366	.084	.109	.059	.082
1985	.195	.208	.273	.041	.053	.023	.032
1986	.188	.206	.269	.039	.051	.023	.033
1987	.237	.212	.275	.050	.065	.033	.046
1988	.153	.203	.266	.031	.041	.016	.023
1989 ^b	.167	.241	.321	.042	.055	.022	.031

Source: Szulc (1991), page 8.

^a "H" = headcount index, poverty incidence. "D_A" = aggregate Dalton poverty gap index with egalitarian assumptions. "D" = aggregate Dalton poverty gap index with antiegalitarian assumptions. "BD_A" and "BD" = Blackorby-Donaldson combined poverty indexes ("H" x "D_A" and "H" x "D"). "JS" and "JS_A" = Jorgenson-Slesnick poverty elimination index. For a detailed description of these indicators, see Szulc (1991), Dalton (1920), Blackorby and Donaldson (1980), Jorgenson (1989).

^b The data for 1989 have been calculated by the author as arithmetic averages of the quarterly data provided in Szulc (1991).

Czechoslovakia

Czechoslovakia stood out in the 1980s for its particularly repressive political regime, but also because it exhibited the lowest interdecile income ratio among the nations of Central and Eastern Europe (see Table 6, page 17) and one of the lowest Gini coefficients, 0.17-0.20, in the world (Atkinson and Micklewright 1992, Milanovic 1991b). Thus, while research into poverty was even less tolerated in Czechoslovakia than it was elsewhere in the region, there was also less incentive to undertake it. Nonetheless, probably the most comprehensive and succinct overview of the calculation of subsistence and social minimums in Central and Eastern Europe, Hirs' 1990 study, was written and published in Czechoslovakia.

1. **Competing Poverty Lines.** Research on minimum incomes was initiated in the mid-

1960s by the Slovak Central Statistical Office, in Bratislava. This resulted in a major work (Bútora 1969) concentrating on the minimum income of economically inactive (pensioner) households. The research was taken into consideration when the minimum incomes used in the 1968 law on minimum pensions were updated in 1970 (Hirsl 1990). Subsequently, these benefits were increased somewhat. The minimum incomes were updated again in 1976, 1979, 1982, 1987 and 1990, and the minimum pensions were also adjusted.

As with other minimums in Central and Eastern Europe, the basis of the Bútora minimum was a "normative" household budget. In this case, food represented 64 percent of the total, clothing 8 percent and housing and energy 12 percent. There was also a 15 percent flat rate provision for "other" expenditures. However, despite the apparently high share of food expenditure, the budget was not seen or accepted as a general subsistence minimum, nor was it adjusted for different household types and compositions.

Alternative and narrower minimums were calculated at the Institute of Living Standards in Bratislava in 1967-9 (Rendos, Cerven and Brezník 1967, Cerven 1969). In contrast with that of Bútora, this calculation was based on observations of real consumption patterns and contained no provisions for "culture", medicines or "other" expenditures. The resulting "physiological" minimums represented approximately 73 percent of Bútora's minimum. The new indicator was not used as a tool of social policymaking. An alternative social minimum was also developed at the same institute between 1968 and 1978 (Kucerák and Pekník 1968).

A subsistence and social minimum indicator grounded on Bútora's normative basket was computed by Hirsl at the Research Institute of the Federal Ministry of Labour and Social Affairs in Prague in 1970 (Hirsl 1990). Based on microcensus data for that year, normative baskets for the social minimum were set for all major types and sizes of economically active households. The values determined for the various consumption units were 55-6 percent of average household incomes expressed in "adult equivalent" terms. The subsistence minimum was assumed to be 75 percent of the social minimum and therefore represented 42 percent of average household incomes expressed in "adult equivalent" terms. The subsistence and social minimum ratios thus produced were eventually applied to microcensus data for 1958, 1965, 1970, 1973, 1980, 1985 and 1988 (see later). The resulting minimums were then adjusted according to cost of living indexes. The real value of these "living standard" minimums rose by 11 percent, or an average 2.8 percent each year, between 1958 and 1985. However, during the last ten years of this period the real purchasing power of the minimums increased by only 1 percent. This clearly showed that living standards had been stagnating.

The method employed to calculate these living standard minimums was similar to that used to determine the "low income" category in Poland (see earlier), inasmuch as the normative household budget was computed for a "base" year and then adjusted for other years. However, while the Polish "low income" category does not facilitate comparisons in real terms over time since the base-year value has been adjusted according to the cost of living index, the Hirs living standard minimums can be readily used for this purpose since the poverty lines have been fixed as percentages of average incomes.

2. **The Eradication of Poverty?** On the other hand, the Czechoslovak method contains an obvious shortcoming: because the overall amount of goods in the consumer basket is modified as wages rise, changes in the "composition" of consumption and therefore in the normative budget are overlooked. This makes it difficult to decide whether the "social" minimum or the "subsistence" minimum should be taken to represent a de facto poverty line. Statistical data on the incidence of poverty over the period 1958-88 as measured by these two minimums (Table 16) suggest that the subsistence minimum had probably been defined too narrowly, since no sizeable share of the population had fallen below this line by 1988, and poverty therefore appeared to have been eradicated. Although the portion of the population below the social minimum was still quite significant, this "at risk" segment was also tending to diminish and, moreover, accounted for a percentage of households that was lower than that represented by the lowest income decile. In any case, that the social minimum was more realistic than the subsistence minimum as a poverty line seems clear.

The generation and interpretation of data based on these minimums were necessarily biased by the assumptions concerning the poverty line. Some of the data could be seen as revealing the beneficial impact of a radical antipoverty programme, which had been undertaken to redistribute incomes in favour of those people whose earnings had placed them below the more generous poverty line. The programme seemed to have more of an effect on the poverty gap than on the overall number of the poor. Indeed, Atkinson and Micklewright (1992) suggest that after 1958, as a result of conscious policy, the degree of income inequality fell sharply at first and then more gradually, since both the interdecile income ratio and the Gini coefficient had dropped substantially. Thus, if the subsistence minimum is taken as an effective poverty line, then poverty had been eradicated by 1988.

Nonetheless, the share of the population that would have been considered at risk because their incomes were below the social minimum remained unaltered between 1958 and

Table 16: HOUSEHOLDS AND INDIVIDUALS BELOW THE MINIMUM INCOMES*
(1958-88)

	1958	1965	1970	1973	1976	1980	1985	1988
<i>The Subsistence Minimum**</i>								
Households	223 (5.5)	145 (3.4)	109 (2.4)	100 (2.1)	115 (2.3)	60 (1.1)	50 (1.0)	0 (0.0)
Individuals	725 (5.5)	363 (2.6)	315 (2.2)	287 (2.0)	289 (2.0)	141 (0.9)	142 (0.9)	0 (0.0)
Children	244 (5.7)	108 (2.5)	116 (2.8)	100 (2.4)	96 (2.2)	49 (1.1)	59 (1.3)	0 (0.0)
<i>The Social Minimum***</i>								
Households	439 (10.9)	429 (10.0)	568 (12.3)	606 (12.6)	583 (11.7)	506 (9.5)	406 (7.7)	404 (7.3)
Individuals	1,434 (10.9)	1,259 (9.1)	1,502 (10.6)	1,539 (10.7)	1,539 (10.1)	1,233 (8.2)	1,039 (6.8)	1,141 (7.4)
Children	499 (11.7)	445 (10.3)	487 (12.0)	466 (11.0)	500 (11.4)	423 (9.3)	386 (8.3)	456 (10.0)

Sources: Data for 1958-85: Hirsl (1990), page 50; data for 1988: Vecerník (1991), page 12.

* The figures in parentheses are in percentages; the others are in thousands.

** Computed at 42 percent of average household incomes expressed in adult equivalent terms.

*** Computed at 56 percent of average household incomes expressed in adult equivalent terms.

1976 and decreased only slightly thereafter. Thus, if the social minimum is accepted as the effective poverty line, then, although the total number of the poor changed relatively little, the poverty gap definitely narrowed during the period, so that the poor became less poor.

The data available on child poverty in Czechoslovakia are especially sensitive to these varying interpretations. If the subsistence minimum is accepted as the poverty line, then poverty had also been eradicated among children by 1988, though much more slowly than among other age groups (see Table 16). The size and share of the child population benefiting from incomes below the social minimum and, thus, at risk of poverty remained virtually unchanged during the period, although they did increase during the second half of the 1980s.

However, if the social minimum is taken as the poverty line, then poverty did not decline among children between 1958 and 1988, despite a 25 percent reduction in the overall incidence of poverty. Child poverty was stable or rose only slightly between 1958 and 1970, fell between 1970 and 1985 and then substantially increased between 1985 and 1988.

In fact, the two poverty lines devised by Hirsl were not employed as "official" poverty lines in the Ministry of Labour and Social Affairs, although they did provide useful theoretical clues to the incidence and intensity of poverty in Czechoslovakia. The "orientation line of social needs for social policy" was the tool which came closest to be accepted as an official poverty threshold.

According to Vecerník (1991, page 2):

"From the mid-1980s, there has been something like an official poverty line ('social necessity') that serves as an orientation base for local authorities to administer means-tested social benefits. It is a composition of individual and household benefits, with requirements for special diet and rent considered separately. No exact rationale was given by government authorities for the amounts of money to be given to households in need. No statistical information on the number of households and proportion of the 'officially poor' was ever published. This differs from the situation in Poland, Hungary and Yugoslavia, where the officially established minimum is not connected to social benefits but where statistical information on the percentage of the poor is available."

Hirsl (1990) also acknowledged that the "orientation line of social needs" was the only official standard-of-living minimum in Czechoslovakia. Moreover, he offered figures for this minimum for 1976, implying that it may have been used well before the mid-1980s (Table 17).

Table 17: THE OFFICIAL "ORIENTATION LINE FOR SOCIAL NEEDS"*
(1976-88)

	1976		1980		1985		1988	
	CSK	%	CSK	%	CSK	%	CSK	%
Two-parent families								
One child	667	41.8	833	46.9	967	49.6	--	45.6
Two children	675	46.9	800	50.1	925	52.7	--	48.8
Three children	680	50.8	780	52.5	900	55.1	--	51.0
Four children	683	53.9	767	54.5	883	57.1	--	52.9
Five children	686	56.0	757	56.1	871	58.8	--	54.4
Lone-parent families								
One child	650	42.7	900	53.1	1,050	56.5	--	52.3
Two children	667	49.9	833	56.2	967	59.4	--	55.0
Single "inactive" person	700	49.3	880	55.8	1,100	63.4	--	58.7
"Inactive" couple	650	47.3	750	49.2	875	52.2	--	48.3

Source: Hirsl (1990), page 47.

* "CSK" = Monthly per capita "needs" in Czechoslovak koruna. "%" = Percent of average incomes according to equivalence scales.

It appears from Table 17 that the poverty line used for "orientation" by Czechoslovak authorities tended to fall in the range of HirsI's subsistence minimum and social minimum, 42 percent and 56 percent, respectively, of average household incomes expressed in "adult equivalent" terms. This represents further evidence that, as absolute poverty indicators, the subsistence minimum calculated by HirsI was probably too narrow and his social minimum was probably too broad. If this is so, then poverty was not eradicated in Czechoslovakia, although it was reduced substantially in both numbers and intensity.

Dlouhy (1991) confirms this conclusion by pointing out that at the end of 1988 around 5.8 percent of the population was living below the level of the "orientation line of social needs". In evaluating this indicator, he argues that (pages 14-15):

"This limit represents 55 percent of the mean income, which is somewhat above the poverty line often used, 50 percent of the median income (due to flat income distribution, the mean and the median in Czechoslovakia are not very different: in 1988 the difference was 4 percent). In 1988, there were 320,000 (5.8 percent) of these households in [Czechoslovakia], comprising 890,000 people (5.8 percent). These were primarily households with children (namely young families) and pensioners (mainly single older women). By December 31, 1988, there were 230,000 single women, 23,000 single men, and 35,000 couples of pensioners having the minimum pension as the only source of income. While the share of the poor among households with one or two children did not exceed 5 percent, it amounted to 11 percent for households with three children and 40 percent for households with four or more children.... From a total of 3.91 million children less than 15 years of age, 347,000, or 8.9 percent, lived in families with monthly per capita incomes under 1,000 CSK [the poverty line]."

Another study (World Bank 1991a) put the share of the poor in the population at 6 percent, apparently accepting the "orientation line of social needs" as the de facto poverty line. Analysing social dynamics during the previous three decades, the study concluded that the number of poor had also remained relatively stable.

3. **Poverty by Republic.** The territorial distribution of poverty can furnish further clues to an understanding of the profile and the dynamics of poverty in Czechoslovakia. Atkinson and Micklewright (1992) have found that the 72 percent difference in average incomes in favour of the Czech Republic in 1958 fell to 37 percent in 1965, 21 percent in 1970 and about 10 percent in the 1980s. This levelling out of incomes between the Czech Republic and Slovakia coincided with a much sharper reduction of income inequality in Slovakia, where

income inequality had been significantly greater at the beginning of the period relative to that in the Czech Republic. Indeed, by 1988 the difference between the rates of income inequality in the two republics had all but disappeared. On the other hand, surveys conducted in December 1990 and in June 1991 showed that the gap between poverty levels in the two republics had widened somewhat (Table 18).

Table 18: THE INCIDENCE OF POVERTY GAUGED BY THE OFFICIAL POVERTY LINE
(Late 1990 And Mid-1991)

	December 1990			June 1991		
	Households	Individuals	Children	Households	Individuals	Children
Czechoslovakia	4.4	5.9	8.1	10.5	13.5	20.1
Czech Republic	3.7	4.9	6.2	10.1	12.7	19.7
Slovakia	5.9	7.6	11.1	11.3	15.0	20.7

Source: Compiled by the author from Vecerník (1991), page 13.

While Table 18 shows the results of surveys which focused on economic expectations, the percentages have been determined on the basis of the same indicator, the "orientation line of social needs". Due to differences in the methodology of data collection, a strict comparison with the figures for 1988 (see earlier) is probably not possible. Moreover, 1991 already falls into the period of the transition to the market economy. However, the 1990 results may be taken as descriptive of the last stage of the socialist era.

In 1990, although household poverty rates were low in both republics, the rate in Slovakia was still 60 percent higher than the rate in the Czech Republic, 5.9 percent compared to 3.7 percent. The difference narrowed to 20 percent in 1991 due to a substantial rise in poverty rates in the Czech Republic.

In the country as a whole in 1990 the child poverty rate was some 37 percent higher than the overall poverty rate. The child poverty rate in Slovakia was almost 90 percent higher than the overall poverty rate and 80 percent higher than the child poverty rate in the Czech Republic, while the difference between the two republics was only 55 percent in terms of the overall poverty rate.

Although these findings, particularly those for 1991, require further scrutiny, it could be argued that interrepublican differences in poverty rates were reduced substantially during

and especially by the end of the socialist era. However, poverty was more enduring among children, especially in Slovakia, than it was among other age groups, and child poverty could by no means be treated as marginal before the transition to the market economy.

Yugoslavia

1. **The Poverty Line.** The Federal Secretariat of Labour, Health and Social Policy began calculating the "socially agreed minimum living standard" in the early 1980s. This indicator apparently played only a very limited role in social policymaking in Yugoslavia.

"The social minimum... was used only by the Federal Secretariat of Labour, Health and Social Policy in its analysis of the socioeconomic situation in Yugoslavia for the Yugoslav Federal Assembly. It was also used (by the same secretariat) as an indicator for the level of minimum wages. But, in general, it did not have any 'official' purpose. Perhaps it would have had one, if Yugoslavia had survived. The republics used other eligibility criteria for social assistance." (personal communication to the author by Aleksandra Posarac)

The results of the 1986 and 1987 social minimum calculations were used by Milanovic (1991a) to compute headcount ratios (see Table 1, page 8). He applied retail price indexes to produce poverty lines for the previous years. For the short term, "deflation" as a method of calculating a retrospective poverty line presents no major problems. However, for a longer period, ten years for example, this approach fails to address properly the effects of changes in consumption patterns, as seen earlier in the case of the Polish "low income" category or Hirsľ's minimums in Czechoslovakia.

The "socially agreed minimum living standard" was computed based on empirical evidence. It consisted of the cost of a basket of 120 goods and services divided into seven groups: food, housing, clothing and footwear, hygiene and health care, home appliances and furniture, transportation and communications, and education, culture and entertainment. Survey data on consumption patterns among nonagricultural four-member households in the lowest income decile were used in the calculations. Actual consumption figures, particularly those for food and housing costs, were adjusted according to criteria reflecting what was judged to be socially desirable, healthy and rational consumption. While this rendered the calculations somewhat more normative, there were flaws in the application of these criteria. For example, to establish the housing costs in the basket, it was assumed that an average urban family of four would live in a flat of 56 square metres, which was far from the case

among poor households (see earlier on Poland, where similar flaws were introduced into the calculations). Moreover, market rents were not taken into consideration.

In any case, in January 1990 the share of food in the minimum budget was 53.6 percent; that of clothing and footwear, 14.4 percent; housing, 11.1 percent; home appliances and furniture, 6.5 percent; hygiene and health care, 4.6 percent; education, culture and entertainment, 5 percent, and transportation, 4.8 percent. Because of widely contrasting consumption patterns and levels of development, separate minimums were computed for the Federation and for each republic and province.

Milanovic (1991a) and Posarac (1989, 1991a, 1991b) found that the "socially agreed minimum living standard" was more like a social minimum. Therefore, Posarac (1991a) discounted two groups of items, clothing and footwear and home appliances and furniture, in order to produce a proxy for the narrower subsistence minimum. Based on this proxy indicator, she then produced headcounts by aggregating data at the republic level. Although the exclusion of clothing, for example, but the inclusion of entertainment may not yield a credible subsistence minimum, this solution was rendered necessary since the relatively small outlays for entertainment and "culture" could not be segregated from those for education, and the exclusion of the clothing group seemed to represent an appropriate alternative.

Moreover, although three household types, agricultural, "mixed" and nonagricultural, had been sampled in the household surveys, adjustments for various household sizes and compositions had not been applied by the Federal Statistical Office. Milanovic (1991a), who also used headcounts aggregated from republic-level data, and Posarac (1991a) acknowledged this problem. Rather than employing per capita poverty lines in their headcounts, they relied on data on average disposable income per consumption unit. This reduced the distortions, although it did not eliminate them entirely.

There are some statistical differences between the results of Milanovic (see Table 1, page 8) and those of Posarac (Table 19). However, these are probably due more to the fact that Posarac used revised data than to methodological disparities.

2. **The Incidence of Poverty.** In terms of the poverty rate the years 1978-89 can be divided into two subperiods: in 1978-83 the overall poverty rate dropped from 17.2 percent to 12.5 percent, and in 1983-9 it nearly doubled, from 12.5 percent to 23.6 percent. Between 1978 and 1989 those below the poverty line increased in number and as a share of the population. The redistribution of the population toward the three lowest income groups was

Table 19: THE INCIDENCE AND PROFILE OF POVERTY IN YUGOSLAVIA*
(1978-89)

	1978	1983	1984	1985	1986	1987	1988	1989
<i>Total Poverty</i>								
Population (millions)	19.9	21.5	22.3	21.8	21.5	20.9	22.6	22.6
The poor (millions)	3.4	2.7	4.7	5.8	5.4	5.1	5.5	5.3
Poverty rate (%)	17.2	12.5	21.3	25.4	25.0	24.5	24.5	23.6
<i>The Distribution of Poverty (%)</i>								
Agricultural	42.3	25.4	16.0	16.2	19.3	18.4	14.3	16.9
Mixed	33.2	30.5	40.1	39.5	42.2	34.5	35.0	33.9
Nonagricultural	24.4	44.1	43.9	44.3	38.1	47.1	50.7	49.7
<i>Poverty by Household Type</i>								
Agricultural								
Population (millions)	3.6	2.7	3.0	2.5	2.4	2.3	2.0	2.0
The poor (millions)	1.5	0.7	0.8	0.9	1.0	0.9	0.8	0.9
Poverty rate (%)	40.4	24.9	25.6	35.4	43.9	41.4	39.8	41.6
Mixed								
Population (millions)	6.6	6.2	6.8	7.0	7.6	6.6	7.6	7.6
The poor (millions)	1.1	0.8	1.9	2.2	2.3	1.8	1.9	1.8
Poverty rate (%)	17.3	13.2	27.9	31.0	29.9	26.7	25.4	23.4
Nonagricultural								
Population (millions)	9.7	12.5	12.5	12.2	11.5	12.0	12.9	12.8
The poor (millions)	0.7	1.2	2.1	2.4	2.1	2.4	2.8	2.7
Poverty rate (%)	8.6	9.5	16.6	20.0	18.0	20.0	21.7	20.7

Source: Compiled by the author from Posarac (1991a), pages 103 and 105.

* The figures for "Population" are based on data from household surveys and represent the estimated number of households multiplied by the average number of persons per household. The figures for "Poverty rate" represent the percentage share of the poor in the corresponding population group.

also substantial (Posarac 1991a, 1991b). While only 29.2 percent of the population belonged to these groups in 1978, the figure had grown to 55.4 percent by 1989. This is as a clear sign that Yugoslavia was becoming impoverished.

3. **Poverty by Republic.** The differences in the welfare and poverty levels among the republics were extreme (Table 20). Thus, for example, the incidence of poverty in Kosovo, the least developed province, was 30-48 times greater than it was in Slovenia, the most highly developed republic. While the Federal poverty rate remained stable between 1985 and 1990, the poverty rate in Kosovo jumped by around 15 percentage points as poverty came to embrace more than four of every five individuals. The variations in the incidence of poverty were becoming even more extreme on the eve of the breakup of the Federation.

Table 20: POVERTY RATES IN YUGOSLAVIA
(In Percentages Of The Population, 1985-90)

	1985-9	1987	1989	1990
Low poverty areas				
Slovenia	2.0	2.1	2.9	1.7
Vojvodina ^a	8.5	8.3	8.0	6.0
Croatia	14.0	11.6	14.5	14.0
Medium poverty areas				
Serbia ^b	20.0	23.1	21.0	19.5
Bosnia-Herzegovina	33.0	33.7	27.3	30.9
Montenegro	34.0	35.3	34.2	34.0
High poverty areas				
Macedonia	40.0	43.8	53.2	35.0
Kosovo ^{a, c}	65.0	66.7	81.9	82.0
Yugoslavia	24.6	24.5	23.5	23.8

Source: Posarac (1989), page 5; (1991a), pages 96-7; (1991b), pages 5-6.

^a A province of Serbia.

^b Excluding Kosovo and Vojvodina.

^c The 1985-7 rates for Kosovo have been calculated by adjusting the 1983 rate of 39.8 percent.

4. **Changes in the Profile of Poverty.** Aggregated data on the former Yugoslavia should obviously be treated with caution, since fluctuations in Federal averages may conceal widely divergent trends in the republics. Nonetheless, it appears that the shifts in the composition

of the poor in Yugoslavia, though similar in nature to those observed elsewhere in Central and Eastern Europe (see earlier), were even more prominent. Thus, poverty became less prevalent in rural farming areas and among the elderly and more prevalent in urban centres and among younger people with children.

While the share of agricultural labourers and their families in the total population fell from 18 percent to less than 9 percent between 1978 and 1989, the share of these people among the poor plunged from 42 to 17 percent. This latter decline was steady between 1978 and 1984, when it bottomed out at 16 percent. It coincided with a drop in the incidence of poverty among the farming population from more than 40 percent to around 25 percent. After 1983-4 this drop in the incidence of poverty was all but reversed. Although the share of agricultural labourers and their families among the poor rose slightly, by 1989 the poverty rate among this group had jumped back up to 41.6 percent, more or less the 1978 level.

The relative position of "mixed" households (those with incomes from agricultural, as well as nonagricultural, activities) changed very little in terms of the distribution of poverty. In both 1978 and 1989 one-third of the poor belonged to this group, and one-third of the total population of Yugoslavia fell into the mixed household category. On the other hand, the incidence of poverty among this segment of the population fell by 4 percentage points to 13 percent between 1978 and 1983 and then increased to 31 percent by 1985. In the second one-half of the decade there was a drop of 7 percentage points in the incidence of poverty among mixed households, but in 1989 the share of this category among the poor stood at 23.4 percent, still 6 percentage points higher than it had been in 1978.

The most radical change occurred within the nonagricultural category of households. The share of this category among the poor doubled between 1978 and 1989; whereas less than one-fourth of the poor belonged to nonagricultural households in 1978, the share had reached around one-half by 1988-9. During the same period the proportion of this category in the total population grew by only 16 percent, rising from 49 to 57 percent. In 1978 only 8.6 percent of all nonagricultural households fell below the poverty line; by 1985 the proportion had risen to 20 percent. During the second half of the 1980s every fifth nonagricultural household could be regarded as poor. Although agricultural and mixed households are not identical with rural households, nor nonagricultural households with urban households, the overlap is considerable. To assume that there was a substantial shift of poverty from rural to urban areas is therefore reasonable. This occurred despite the fact that the overall incidence of poverty increased in rural areas as well.

According to Milanovic (1991a, page 197):

"...increased urban poverty did not occur as a result of rapid migration to the cities; it was caused by the gradual impoverishment of the already existing urban labour [force]. The descent into poverty of the... established urban population was, among other things, associated with the inability to procure replacements for worn-out consumer durables. Televisions, washing machines and other consumer durables suddenly became too expensive for an ordinary household. Increased rents and electricity bills sharply compressed the affordable standard of living to a level that households might have had some 20 years earlier."

Posarac (1991a, 1991b) found that the key factor behind the surge in poverty was the decrease in average real disposable incomes at an annual rate of 2.2 percent for the total population and 3.6 percent for nonagricultural households. This drop was associated with the economic crisis in the country. A disaggregation of the components of disposable income reveals that real wages fell by 30 percent and real pensions by 18 percent between 1978 and 1988. In 1989, the last year before the emergence of the current crisis, real wages were still 13 percent below the 1978 level, while real pensions had recuperated and even showed a slight increase. In general between 1978 and 1989 real wages fell appreciably more than did real pensions. A notable exception was 1984-5, when the value of real pensions was 30-2 percent less than it had been in 1978. This coincided with a huge jump in poverty rates.

Unemployment also influenced the spread of poverty. The rate of unemployment rose from 12 to 15 percent during this period. Ninety percent of the unemployed were under 40 years of age and were therefore likely to be supporting a family with young children. One-half of the unemployed were in the 18-to-24-year-old age group, and many of these people were seeking a first job.

5. **Income Transfers and Poverty.** Other studies have found that social transfers were more unequal than was the distribution of original incomes (see Vukotic-Cotic 1991, Uvalic and Bartlett 1991, Milanovic 1991b). These transfers could thus play only a very limited role in alleviating poverty. Pretransfer incomes were distributed rather unevenly between the poor and the rich, the largest gap being in the case of nonagricultural households (Table 21). Social transfers tended to favour the rich, particularly in the case of nonagricultural (and urban) households, among which poverty rose the most during the period. Social transfers tended to benefit the poor more than they did the rich only among agricultural labourers and their

Table 21: INDEX OF SOCIAL TRANSFERS TO RICH AND POOR HOUSEHOLDS IN YUGOSLAVIA*
(1988)

	Agricultural			Nonagricultural			Mixed			Total		
	A: Rich	B: Poor	A/B	A: Rich	B: Poor	A/B	A: Rich	B: Poor	A/B	A: Rich	B: Poor	A/B
Original income	322	37	8.70	249	25	9.96	270	32	8.44	262	29	9.03
Social transfers	95	132	0.72	120	84	1.43	124	98	1.27	123	50	2.46
Cash transfers	117	68	1.72	161	39	4.13	193	39	4.95	182	35	5.20
Old-age pensions	99	49	2.02	169	31	5.45	198	32	6.19	191	27	7.07
Special pensions	32	26	1.23	98	60	1.63	129	71	1.82	108	55	1.96
Child allowances	--	144	--	22	173	0.13	122	145	0.84	51	145	0.35
Scholarships	--	187	--	259	21	12.33	306	26	11.77	287	24	11.96
Sick pay	879	11	79.91	127	21	6.05	129	16	8.06	145	17	8.53
Social relief	106	162	0.65	42	304	0.14	27	188	0.14	44	236	0.19
Unemployment benefits	--	--	--	120	130	0.92	794	10	79.40	437	68	6.43
Transfers in kind	94	136	0.69	65	145	0.45	89	127	0.70	74	137	0.54
Education	69	176	0.39	21	202	0.10	80	143	0.56	55	177	0.31
Health care	114	104	1.10	81	124	0.65	99	108	0.92	89	104	0.86
Final income	287	52	5.52	219	39	5.62	236	47	5.02	230	43	5.35

Source: Adapted by the author from Vukotic-Cotic (1991), page 7.

* The average per capita amount of a given type of income has been taken as the index of 100.

families. Cash transfers were even more progressive, especially among nonagricultural and "mixed" households. The same was true of all categories of pensions, scholarships, sick pay and unemployment compensation. On the other hand, in-kind transfers and transfers for education and health care tended to have a marked redistributive effect in favour of the poor. The sharpest "regressivity" was exhibited by social "relief" benefits and family and child allowances. However, this positive redistributive impact was limited by the small size and overall weight of these transfers.

In examining data for one year during this period, Milanovic (1991b) found that pensions, "other" social transfers and total transfers demonstrated positive "concentration coefficients".¹ This meant that these transfers were favouring the rich rather than the poor. In Czechoslovakia and Poland these transfers were either negative or less positive than they were in Yugoslavia. Milanovic also found that the overall "progressivity index" was close to zero (-0.9) in Yugoslavia.² This indicates that transfers were only slightly reducing overall pretransfer inequality. (By comparison, in Czechoslovakia the progressivity index was -19.2 and in Poland -30.1.) It thus appears that the ineffectiveness of social transfers contributed indirectly to the surge in poverty rates in 1978-89.

Bulgaria

Among the Central and Eastern European countries, experience with the measurement of poverty and with research on poverty was least developed in Bulgaria. Until fairly recently, no political groups in Bulgaria had focused on the issue of poverty, and even technical or scholarly research on the impact of basic social policy measures was nonexistent (Stoikov 1992, Deacon 1987). Statistics on poverty are therefore unavailable, and figures on income distribution are excluded from international statistics because of inaccuracies and the lack of comparability in categories.

¹ The concentration coefficient of income transfers is a "synthetic" indicator showing the concentration of an income source, "x", when recipients are ranked by their total disposable income or any other amount of a variable "y". The concentration coefficient ranges from "-1" (all income transfers are received by the poorest individual, all individuals having been ranked according to their pretransfer incomes) through "0" (all individuals receive the same amount of transfers) to "+1" (all transfers are received by the richest individual).

² This index represents the difference between the concentration coefficient of total transfers (the source in general) and the Gini coefficient of pretax income. In the index, a negative value means that transfers reduce overall inequality.

On the other hand, during the late 1960s the Khrushchev "thaw" and probably the example of Soviet and Central and Eastern European initiatives had an echo in Bulgaria as well. At that time some research into minimum budgets was undertaken at the Institute of Labour (Kostov, Berov and Canev 1970). Separate subsistence and social minimums were calculated for a family of four on the basis of household surveys in 1968-70 (Hirsl 1990). The subsistence minimum was computed by using a combination of a "normative" food basket and an empirical accounting of all other needs. The resulting figure, 450 lev per person per year, was around 50 percent of the average per capita income of a family of four and was supposed to be close to a "physiological" minimum. A higher social minimum was also calculated; it was about 60 percent of average per capita household income. Unfortunately, headcounts and equivalence scales are not available.

There are signs that these or similar calculations were continued through specific surveys on subsistence budgets in 1970, 1976, 1980 and the years after 1984, although the results of these surveys were not made public. Thus, no poverty rates exist for the 1970s and 1980s (Stoikov 1987, 1992). The first study on minimum budgets published in the 1980s did not include headcounts of the poor (Vladkov 1985).

In any case, indirect evidence suggests that the results, if not the methodology, of such calculations may have been used to determine subsistence minimums for practical social policy measures. Thus, between 1974 and 1989 the amount of the minimum pension was periodically revised, so that it consistently represented about 50 percent of the average pension. In 1989 the minimum pension was indirectly linked to the social minimum (Stoikov 1992, World Bank 1991b).

Toward the end of the 1980s three minimum budgets emerged from research initiated at the National Institute of Statistics: an "existence" minimum covering five groups of basic goods satisfying "biological" needs, a "living" minimum covering ten groups of goods, including food and drink, clothing, housing, utilities, medicine and sanitary supplies, and a social minimum covering 14 groups of goods, including recreation and communications. Empirical and "normative" budgets were both tested, and preliminary results were released in 1989. In 1990 the issue became more political, and the task of calculating the minimum budgets was transferred to the Ministry of Labour and Social Policy.

The "living" minimum is about 90 percent of the social minimum, while the "existence" minimum is around 80 percent (Stoikov 1992). Among these three indicators, the social minimum has been used the most frequently in economic and social policymaking. It has

been regarded as the effective poverty line since 1987. 28.5 percent of the population was found to be below this line in 1989, 38.6 percent at the end of 1990, and 67.2 percent in 1991 (Stoikov 1992, Chernozemski 1991). Bogdanov (1990) gives a somewhat different estimate. According to him, the ratio of those below the social minimum fell from 46.6 percent in 1978 to 40.9 percent in 1989.

Despite the severe economic crisis and the difficulties which emerged in 1991 in the transition to the market economy, these figures are suspiciously high. The composition of the social minimum budget reveals that the share of food in total household expenditure was set at around 34-47 percent in 1989-91. This appears unrealistically low for a poverty line budget, particularly since the corresponding figure in actual average household budgets was 36-47 percent and the average share of food in poverty budgets in Central and Eastern Europe was 49.3 percent (Yugoslavia, 54 percent; USSR, 40-60 percent; Poland, 60 percent; and Czechoslovakia, 64 percent).

The social minimum represented 80-2 percent of the observed average household incomes in 1989 and 1990. In 1991 it exceeded budget survey averages by almost a one-fourth. Thus, if the indicator had been accepted at face value during that year, almost everybody would have been regarded as poor. Part of the distortion in the minimum may be explained by the fact that, while the social minimum had been calculated for the entire year, the household budget data cover only January to October, during which time inflation was very high, although most of the inflation occurred in February through June. However, purely because of its internal structure, the social minimum budget cannot withstand closer scrutiny as a reasonable poverty line. It may merely have been a tool for "social bargaining" in the political tug-of-war which preceded the transition to the market economy.

Figures for the other two minimum budgets are not available, but if they were found to be 90 and 80 percent of the social minimum, respectively, then for the two more reliable years the "living" minimum was 73-4 percent of the average household income and the "existence" minimum (allegedly "physiological") was about 64-6 percent. Even if the relatively low income levels and the balanced income distribution in Bulgaria are considered, these figures are a far cry from Hirsli's 42 percent "subsistence" minimum or the minimums calculated in Bulgaria in 1968-70.

In 1990 around 20 percent of the population received social assistance benefits. However, any reliance on this information must be tempered by the fact that there is no guarantee that the criteria for eligibility for these benefits reflected a realistic poverty line.

Moreover, it cannot be assumed that everyone who would have qualified to receive these benefits (and therefore who could be classified as "poor") actually applied for them.

Clearly, the methodological and political debate on the measurement of poverty does not seem to have subsided in Bulgaria, where still there is no uniform, widely accepted and adequately tested method of measuring welfare minimums and poverty.

Romania

To evaluate the extent and dynamics of poverty in Romania prior to the transition to the market economy is next to impossible because of the lack of information. The best indirect information at hand, that on the way social assistance benefits were distributed, provides even fewer clues than does the similar information in the case of Bulgaria.

Thus, the first World Bank mission to Romania in 1990 found that:

"Romania's social assistance programmes currently represent an insignificant expenditure (0.1 percent of total government expenditure). They are for the most part not designed to benefit households with low income, but vulnerable individuals (handicapped or the elderly). Eligibility rules are strict, and benefits are low. For example, in order to receive 500 lei/month (one-fourth of the minimum wage), a handicapped son must be severely handicapped, have no income, and have no close relatives with wages above a specified limit." (World Bank 1992)

Nonetheless, a study by the Institute of Research on Living Standards sheds some light on the structure and incidence of poverty in Romania during the first year of the transition to the market economy and probably during the previous period as well (see Barbu, Gheorghe and Puwak 1992).

1. **The Unorthodox Structure of Poverty.** The Institute of Research on Living Standards worked out three living standard minimums in order to develop a realistic poverty line. Fully "normative" baskets were applied that took into consideration actual consumption patterns among the population. These three minimums were the "level of decent life" minimum, which allowed for the satisfaction of basic needs but also of some other "needs" such as cultural activities and sports; the minimum "living standard during the transition", which was narrower, reflected the then current economic situation and permitted less deviation from nutritional needs; and the "subsistence" minimum, which was the narrowest minimum and

seems to have been similar to a standard subsistence minimum.

An equivalence scale was also developed for use, along with the minimums, in generating headcounts (see Table 2, page 9). This differed from the normal practice in Central and Eastern Europe. The scale set the needs of economically active and inactive single individuals at roughly the same level (the needs of pensioners were set at 4 percentage points higher). Moreover, the impact of economies of scale as the size of a household increases was considered to be greater than that reflected in the poverty calculations elsewhere in Central and Eastern Europe, although still not as great as that generally accepted in the West.

The three minimums differed significantly. For economically active households the "transition" and "subsistence" minimums were, respectively, 19 percent and 46 percent lower than the corresponding "decent life" minimum, while for pensioners these minimums were, respectively, 21 percent and 34 percent lower than the "decent life" minimum (unfortunately, average incomes were not indicated). The poverty lines thus defined were applied to a sample of 2,105 households in a household budget survey in October 1991 (Table 22).

In contrast to the situation elsewhere in Central and Eastern Europe, in Romania nonagricultural (urban) households, whether economically active or inactive, were apparently more likely to fall below a poverty line than were farming households. The elderly appeared to be 1.5 times more at risk of falling below the poverty line in rural farming areas and 1.3-3.2 times more at risk in urban (nonagricultural) areas (the narrower the minimum, the larger the difference). Elderly people who were living alone were 1.5-2.0 times more likely to be poor than were retired couples. The presence of children increased the probability that a household was poor, especially among those households with three or more children. In the case of the subsistence minimum, the risk of poverty faced by active nonagricultural families with three children was more than two times greater than that faced by the same type of families with only two children. The difference in the risk of poverty between those active nonagricultural families with one child and those with two children was marginal in the case of the lowest poverty line, the subsistence minimum, but it was 17-34 percent in the case of the "transition" and "decent life" minimums. This shows that the "loss" in welfare associated with having more than one child was substantial.

According to the October 1991 survey, the gap in rural areas was significant between the poverty rate among one-, two-, or three-member families and that among families with two children or families with three or more children.

Table 22: ROMANIA: POVERTY INCIDENCE MEASURED BY THREE POVERTY LINES
(In Percentages Of The Specific Group, 1991)

	"Decent Life"	"Transition"	"Subsistence"
<i>By Occupation</i>			
Active nonagricultural	42.5	28.6	10.7
Active agricultural	26.5	17.2	8.2
Nonagricultural pensioner	57.2	51.5	36.8
Agricultural pensioner	41.8	32.4	26.4
<i>By Family Size*</i>			
Active nonagricultural			
One	41.6	15.3	13.3
Two	25.8	23.2	9.3
Three	31.3	24.7	9.9
Four	36.7	33.2	10.7
Five	57.0	47.7	22.1
Six or more	71.9	49.1	29.3
Active agricultural			
One	21.0	10.1	3.0
Two	24.0	14.0	6.0
Three	26.0	18.8	8.8
Four	35.4	28.2	17.9
Five or more	37.5	35.5	25.0
Pensioners			
One nonagricultural	64.5	58.6	51.3
One agricultural	51.3	38.9	24.9
Two nonagricultural	49.0	38.1	27.5
Two agricultural	36.4	28.8	20.7

Source: Adapted by the author from Barbu, Gheorghe and Puwak (1992), pages 6-7.

* Families with one or two members are assumed to consist only of adults. Larger families are assumed to consist of two adults and one or more children. In principle, household composition by size varies much more widely than this. Thus, for example, a three-member household could consist of three adults and no child, or of one adult and two children.

2. **The Poverty Gap.** In an attempt to gauge the budgetary burden necessary to eradicate poverty, the Institute of Research on Living Standards calculated the average amount needed to bring incomes up to each of the minimums (Barbu, Gheorghe and Puwak 1992). This information can be used to determine a cursory "poverty gap" indicator (Table 23).

The average income of poor, economically active nonagricultural (urban) households appears to have been about one-third less than the minimums. In the case of the subsistence minimum, this indicates that poverty was probably severe and a large segment of the population was destitute. The situation of the average poor urban (nonagricultural) pensioner household was especially serious, since it had to survive on about 60 percent of the minimums. Household size apparently did not appreciably affect the average poverty gap.

Romania was unique inasmuch as poverty seems to have been more common in cities

Table 23: THE POVERTY GAP AMONG NONAGRICULTURAL HOUSEHOLDS IN ROMANIA
(In Rounded Figures, 1991)

Households: Members:	Active						Pensioner	
	One	Two	Three	Four	Five	Six	One	Two
<i>"Decent Life" Minimum</i>								
A: Amount of minimum (lei/month, 000s)	6.4	10.9	14.1	17.3	21.8	25.0	5.5	9.3
B: Average income of households below minimum (lei/month, 000s)	4.4	8.1	10.0	13.0	16.3	17.8	3.6	6.4
B/A (%)	68.5	74.3	71.2	75.2	74.7	71.3	65.2	68.7
<i>"Transition" Minimum</i>								
A: Amount of minimum (lei/month, 000s)	5.2	8.8	11.4	14.0	17.6	20.2	4.5	7.3
B: Average income of households below minimum (lei/month, 000s)	3.5	6.5	8.1	10.3	12.9	14.3	2.7	4.5
B/A (%)	67.3	74.2	71.1	73.8	72.9	70.5	58.7	61.3
<i>"Subsistence" Minimum</i>								
A: Amount of minimum (lei/month, 000s)	3.5	5.9	7.6	9.3	11.7	13.4	3.5	6.1
B: Average income of households below minimum (lei/month, 000s)	2.1	4.4	5.6	7.1	8.3	8.6	2.0	3.8
B/A (%)	61.4	74.4	73.9	75.9	70.4	64.2	58.3	62.7

Source: Adapted by the author from Barbu, Gheorghe and Puwak (1992), pages 3 and 9-12.

than in rural areas. The elderly appear to have faced a particularly high risk of poverty and tended to be among the poorest of the poor. The presence of a child in a family does not seem to have increased the risk of poverty. On the other hand, families with many children were more likely to be poor. Further research must be carried out to clarify the reasons for this rather unique poverty profile in Romania.

IV. SUMMARY AND CONCLUSIONS

This paper focuses primarily on the issue of absolute poverty as defined and measured by policymakers and academics in Central and Eastern Europe prior to the transition to the market economy or during its initial stages. It points out that official orthodoxy viewed "poverty" as ideological incompatible with socialism. Thus, little attention was paid to efforts to eradicate poverty despite research, both official and dissenting, which showed that poverty had persisted under socialism. Indeed, evidence on poverty was withheld from the public eye, and independent research was banned or suppressed.

However, research on living standards (and, therefore, at least indirectly on poverty) was permitted, especially during periods of more open or more liberal regimes, such as in the USSR in the early 1920s and during the Khrushchev "thaw" in the 1960s. Although "poverty" was not acknowledged as such, it became possible for ministries of labour, ministries of social welfare, trade unions, central statistical offices and academics to discuss and carry out research on families and households in the "underprovisioned" category or those facing "multiple disadvantageous situations".

The economic and social problems associated with the economic slowdown which began in the early to mid-1970s forced many governments in the region to reconsider their approaches to the issue of poverty. In most countries some (often tightly controlled) measurement of poverty and the effects of social problems came to be accepted, and "confidential" research was again more or less tolerated. In Hungary, Poland and even Czechoslovakia the publication of some work on the subject was permitted. In Bulgaria, the USSR and Yugoslavia this gradually became possible after 1985 because of perestroika and glasnost. In Romania only after the fall of Ceausescu in 1989 did poverty receive any kind of serious attention.

Various "minimums" were developed as indicators in these countries (Table 24). Two

Table 24: MINIMUMS IN CENTRAL AND EASTERN EUROPE: SUMMARY*
(1958-91)

Country Period/Source	Name/Nature	Normative	Method Equivalence Scale	Panels	Food Share (%)	% of Average Wage	Headcount Ratio (%)
<i>Bulgaria</i> 1978-89/CSO, ML	Subsistence Social	P P	Yes Yes	P P	-- 34-42	65->53 82->67	-- --
<i>Czechoslovakia</i> 1958-88/Hirsl	Subsistence Social	F F	Yes Yes	P P	60 50	42 (AHI) 55-6 (AHI)	6->0 11->7
1976-90/ML	Orientation	F	Yes	P->F	60	42-56 (AHI)	6
<i>Hungary</i> 1967-82/CSO	Subsistence Social	P P	Yes Yes	P P	35-7 29-31	45-55 54-66	10->7 14->14
1983-90/CSO	Subsistence Social	P P	Yes Yes	P->F P->F	30-8 25-32	40-58 48-70	7->10 15->15
1987-90/UJCSAKÖ	Subsistence Social	F F	Yes Yes	F F	32-40 27-33	50-5 60-6	-- --
<i>Poland</i> 1981-9/ML	Subsistence "Social"	F	Yes	P	50-60	--	14->17
1981-90/CSO	Subsistence "Low income"	F	No	No	60	36 (1987)	14->33
<i>Romania</i> 1991/ILSR	Subsistence Social	F F	Yes Yes	P P	-- --	-- --	13 42
<i>USSR</i> 1967/Sarkisyan	Subsistence Social	F F	P P	No No	56 36	58 76	U: 16; R: 39 --
1980-90/ML	Subsistence	F	P	No	49 (1985)	U: 72->59; R: 90->67	24->12
<i>Yugoslavia</i> 1978-89/ML	Subsistence "Social"	P	No	No	54 (1989)	U: 28->32 (1982-6)	17->24

Source: Compiled by the author.

* ->: from starting year to closing year. *AHI*: per average household income. *CSO*: central statistical office. *F*: full. *ILSR*: Institute for Research on Living Standards. *"Low income"*: called "low income". *ML*: ministry of labour. *Orientation*: orientation line for social policy assistance. *P*: partial. *Panels*: allowing individual calculations. *R*: rural. *"Social"*: called "social" minimum. *U*: urban. *UJCSAKÖ*: Centre for the Provision of Assistance to Families in Uipest District in Budapest.

features were common to the varied approaches adopted to calculate these minimums. First, the calculations were aimed at producing a narrow "subsistence minimum", which was usually only slightly more generous than a "physiological" minimum, and one or two broader "social minimum" indicators. Second, the resulting minimums were fully or partially "normative" in that they involved adjustments according to actual surveys or existing data on "rational" consumption patterns, especially for food and housing. In most cases one of these "minimum" indicators emerged as a poverty line.

This paper focuses on subsistence minimums because this type of indicator was more objective than the social minimum inasmuch as those individuals living below the subsistence minimum could be treated as poor without major reservations. Moreover, because of the critical situation in these countries today due to the transition to a market economy, the narrower poverty line is more practical in terms of the creation of a viable social safety net.

Due to the variety of methodologies applied in the calculation of the minimums and the divergent economic and social conditions in these countries, a straightforward comparison of poverty levels in Central and Eastern Europe is not possible either in retrospect or at the present time. Despite their merit in providing useful insights into the issue, existing studies should be treated with caution. An ex post application of equivalence scales to the available results of household surveys could greatly enhance the comparability of the data. That there will ever be enough interest in this issue to generate adequate resources for such a costly exercise is doubtful, particularly since the differences in the survey questions and methodologies would still not be fully eliminated by such an approach.

However, changes in the profile of poverty in each country over time do provide some leeway for making generalizations about poverty in the region. Poverty was a common phenomenon in all of these countries up in the 1950s. During the 1960s and the first half of the 1970s the incidence of poverty fell dramatically. Poverty was more typical among rural households and the elderly during those years. Although there was much fluctuation, from the mid-1970s to the mid-1980s the poverty rate appeared to stagnate or rise only slightly. Then, it started to increase more steadily again. During this period the profile of poverty slowly shifted toward urban areas and young families with children. This shift now appears to be accelerating as industries confront the challenge of restructuring.

Poverty was always significant among children, who usually represented a proportion among the poor that was larger than their share in overall populations. Where data are available, they show that around 40 percent of the poor were juveniles. In the 1970s and early

1980s the risk of poverty became greater among children in large families and the children of ethnic "minorities" such as gypsies. By the second half of the 1980s the risk of poverty had also grown among children in smaller urban families despite the emergence of extensive, quasi-universal child and family "benefit" programmes and free public services such as education and health care. The economic decline was quickly swelling the number of the marginalized, and social policy was unable to keep pace with economic deterioration and demographic change. This was a major reason for the increase in child poverty.

The analysis in this paper of the situation in Yugoslavia and the USSR (and partly Czechoslovakia as well) underlines the importance of employing disaggregation in measuring poverty. Indeed, entirely different (and perhaps biased) results are obtained if a unified poverty line is applied to populations and regions at widely divergent levels of development. Such an approach might make sense if anyone falling below the unified poverty line automatically became eligible for benefits in a nationwide system of social provisions (as was the case in the USSR; in Yugoslavia the administration of social assistance was very decentralized). The application of differentiated or unified criteria in the measurement of poverty is therefore primarily a political and social policy question.

At least until now, subsistence and social minimums have not been widely used in social policymaking in Central and Eastern Europe. These minimums may have been employed in some cases to determine minimum pensions, although the evidence is sketchy. As more information is released and becomes available, further research on this issue will become possible. However, it is clear that these minimums were viewed as "orientation lines" in some cases in which social policy decisionmakers had to seek a balance between overall government resource (budget) constraints and specific problems such as child and family benefits or pensions. As a result, these minimums usually did not become tools for the integration of social policy and income transfers.

It appears desirable for both research and social policy to focus on the development of well-designed poverty indicators which, in one way or another, could serve as clear guidelines for social policy decisionmaking. No matter how fragmented it may be today, West European practice could be especially relevant in such an effort.

Meanwhile, the painful transition process is raising new and burning problems for the solution of which the proper targeting of social assistance is crucial. A well-defined subsistence minimum which can be used as a viable poverty line and which would thus help in the generation of accurate data is necessary for such targeting.

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