

IS MONEY THE MEASURE OF WELFARE IN RUSSIA?

BY RICHARD ROSE

University of Strathclyde

AND

IAN MCALLISTER

University of Manchester

The transformation of a non-market to a market economy ought to change fundamentally the significance of money incomes for welfare. Whereas in a stressful non-market economy such as the former Soviet Union, non-monetized resources could substitute for money income and promote welfare, in a modern market economy money income should be a good proxy for household welfare. This article tests the extent to which Russians are now in a modern market economy by analyzing data from nationwide Russian surveys in January, 1992, and April, 1994. Modern influences are increasingly important as a determinant of the distribution of money incomes, but not as an influence upon household welfare. The "randomness" of temporary disruptions of welfare is in accord with Rawlsian principles of equity.

With prices below clearing levels, money income ceases to be the sole determinant of capacity to acquire goods.

Abram Bergson (1984: 1058)

Among essential features of a Soviet-type economy is the low "moneyness" of money
Gregory Grossman (1986: 49)

In a modern market economy, money is conventionally the measure of individual and household welfare. Although there are many disputes about how and where the poverty line ought to be drawn (for a review, see Polish Statistical Association, 1992; Förster, 1994), there is a consensus that welfare requires an individual or household to have a money income above the poverty line. Government cash-transfer programs are intended to promote welfare by raising the income of households above the poverty line.

In a traditional economy, however, money was not the sole source of goods and services. The Greek root of the word economy reminds us that production and consumption originally took place in the household without money changing

Note: The persistence of Alan Gelb in asking about the relation between money measures and non-monetized resources has stimulated this paper; John Micklewright and two anonymous reviewers have made constructive criticisms. The New Russia Barometer I survey was organized by the Centre for the Study of Public Policy, University of Strathclyde, and financed by grants from the National Science Foundation and the Centre for Research in Communist Economies. The New Russia Barometer III survey was organized by the Paul Lazarsfeld Society, Vienna in collaboration with the CSPP and financed by grants from Austrian banks and the British Know How Fund. Evgeny Tikhomirov efficiently moved computer files between Moscow and Glasgow, and his work was supported by the East/West Initiative of the British Economic and Social Research Council grant Y 309-25-3047.

hands. Developing countries are transitional, combining a pre-market traditional sector with a sector in which money is the measure of economic activity; in such circumstances the significance of money is contingent (see e.g. Moser, 1984; Thomas, 1992).

The non-market economy of the Soviet Union was neither a traditional economy without money, nor was it a modern market economy. Instead of prices in the market allocating goods and services, political leaders and bureaucratic ministries were central to decisions about inputs and outputs (Kornai, 1992). In a command economy “transactions are not necessarily monetized” (Kornai, 1990: 2), and Alec Nove (1991: 578) concluded: “Soviet prices are a poor measure of efficiency, inefficiency or the effects of allocation or reallocation.” Individuals and households could fall back upon a multiplicity of “second” “black” or “rainbow-colored” economies (see e.g. Katsenelinboigen, 1978). In a non-market economy, as Grossman (1986: 49) explains:

One’s material condition is a consequence not only of one’s command over money but—much more than in most other modern systems (where the case to some degree also holds)—of several variables: legal (official) money income and wealth, official perks (including access to scarce goods and to low prices), opportunities for illicit (or otherwise “left”) gain, always subject to risk, one’s quantum of politico-administrative power, and one’s location in the lattice of informal personal relations.

The transformation of the Russian economy from a non-market to a market system is fundamentally different from the transitional status of a developing country. In the latter, there is already a modern market sector. In Russia, the market sector was introduced at the beginning of 1992. Its progress since has been substantial but uneven and unstable. Moreover, in a turbulent economic environment individuals socialized into life in a non-market economy may maintain old patterns of behavior as long as doing so enables them to maintain their welfare (cf. Rose, 1994). In the initial stage of transformation, there have been dramatic moves to monetize consumption, extraordinary rates of inflation, and a dramatic contraction in the officially reported gross domestic product (see e.g. EBRD, 1995; Economic Commission for Europe, 1995). Insofar as money is the measure of welfare in a society in transformation and valid micro-economic inferences can be drawn from imperfect macro-economic data, many Russians should be in dire economic straits. However, official reports admit that official statistics tend to exaggerate disturbances to household welfare (Gavrilenkov and Koen, 1994).

This paper first tests the extent to which Russian incomes are modernized, that is, determined by influences significant in a modern market economy such as education, rather than by influences relevant to a non-market command economy, such as membership in the Communist Party or work in shadow economies. As a second test of modernization, the paper examines the extent to which money income (or other modern influences) are the major determinant of households maintaining their welfare. The data analyzed come from two nationwide New Russia Barometer surveys, the first in January, 1992, when the market was introduced, and the second before Easter, 1994.

I. MONEY INCOMES IN A SOCIETY IN TRANSFORMATION

Specialists in Soviet economics have been very critical of official statistics. Firstly, because statistics were an integral part of the planning and control system of the command economy there were strong pressures for “withholding data, utilizing erroneous methodologies, and providing inaccurate and misleading information” (Heleniak and Motivans, 1991: 474; Ofer and Vinokur, 1992: Chapter 2). Even when money incomes were reported, there was no account of “rewards for political loyalty and privileged in-kind benefits” (Gregory, 1987: 250, 267). Commenting upon a 1988 Goskomstat estimate of poverty involving 14.5 percent of the Soviet population, Michael Ellman (1990: 147) argues that “the figures are a very imperfect measure of the actual income distribution.”¹ Gregory and Kohlhasse (1988: 23) go further: “It is not possible to study Soviet wage differentials using official Soviet data.” Secondly, by definition official statistics could not incorporate economic activity in unofficial economies, monetized and non-monetized.

The Russian economy has changed greatly since 1991, but “there has been virtually no change in the way that statistics are collected, defined and presented in the former Soviet Union. Many of the problems associated with Soviet statistics remain” (Ellam and Layard, 1993: 60). The consequence, as Judy (1993: 15) notes, is that “As the economy becomes more private, the statisticians become more blind.” An OECD (1993: 9) report on the creation of the new system of Russian national accounts emphasizes: “The instruments and mechanisms in the economy are undergoing rapid changes as a result of reforms, which will also require changes in the methodology to match reality.”

One consequence of perestroika and all that followed is that it is now possible to measure money income in Russia from all sources—unofficial as well as official—through normal social science sample survey methodology independent of official control. This paper examines the results of two New Russia Barometer (NRB) surveys. NRB I was conducted by VCIOM (the All-Russian Centre for Public Opinion Research) between 26 January and 25 February, 1992. The timing is particularly important; the survey started three weeks after the first steps were taken to introduce market prices; the non-market economy was still the pre-eminent influence upon how Russians lived. The hour-long questionnaire was developed as part of the Centre for the Study of Public Policy, University of Strathclyde program to measure mass response to transformation in post-Communist societies. It was designed to collect reliable and valid empirical data about household activity in a variety of economies, unofficial as well as official, non-monetized as well as monetized. The universe was the urban population of the Russian Republic, constituting 73 percent of the residents of Russia age 16 and above. Of the stratified random sample of 2,547 names, face-to-face interviews were completed with 2,106 persons.² The results thus constitute a base line for assessing the degree of subsequent change to a modern monetized market

¹Atkinson and Micklewright (1992) included Russia in their survey of income distribution in command economies, but they recognized the generally inferior nature of Soviet data, even by comparison with command economies elsewhere.

²The NRB I sample included youths from age 16 upwards. Since the youngest respondents were invariably in school, this analysis only uses responses by individuals age 18 or above, a total of 2,106 respondents. For full details of the sample and questionnaire, see Boeva and Shironin (1992: 45ff).

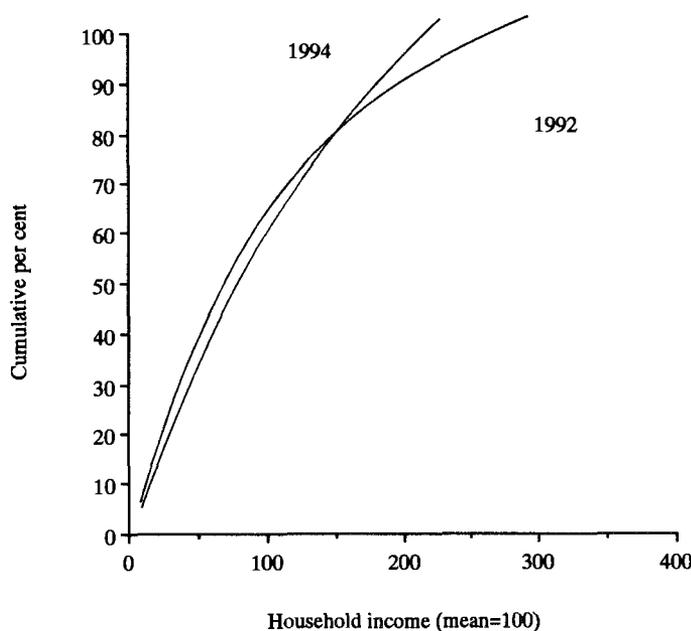


Figure 1. The Distribution of Household Incomes, 1992 and 1994

Sources: New Russia Barometer I, January/February 1992 (Boeva and Shironin, 1992) and New Russia Barometer III, March/April 1994 (Rose and Haerpfer, 1994).

Note: Means standardized to 100. The unstandardized means and standard deviations are, respectively: 1992, 2, 130 roubles and 1,826 roubles; 1994, 268,000 roubles and 186,000 roubles.

economy. New Russia Barometer III dates from March–April, 1994; it was a nationwide representative urban and rural sample survey conducted by MNENIE Public Opinion Service with 3,535 completed face-to-face interviews (for full details, see Rose and Haerpfer, 1994). By the second survey, there was time for the process of marketization to have a pervasive macro-economic impact. Comparing results from the two NRB surveys thus makes it possible to test the extent to which macro-economic changes had an equivalent impact on micro-economic conditions.

Since it is Russian practice to pool resources within the household (Shlapentokh, 1989), total household income from all sources is more important than the fraction contributed by an individual. Income was measured by asking respondents a simple straightforward question: What is your average monthly family income, including salaries, pension, scholarships and other regular payments? The question was asked near the end of each interview, after detailed questions covering household production, social exchange and “black” sources of income. Only 2.8 percent of respondents refused to indicate the money income of their household in NRB I, and 4.4 percent in NRB III.

In New Russia Barometer I the median respondent reported a family household income of 1,700 roubles; the mean was 2,130 roubles; in NRB II, the mean was 268,000 roubles, and the median, 200,000 roubles.³ Given high and unsteady

³VCIOM, like many other survey institutes in East Europe, asks individuals to give income per household member, including children; hence, the figures reported here have been arrived at by multiplying the average income per person by the total number of persons in the household.

levels of inflation, reported income is best considered an indicator of a position on a scale of income distribution (Figure 1). The standard deviation shows that the distribution of income is very wide; the coefficient of variation in 1992 was 0.86 and in 1994, 0.69.

The validity of self-reported income can be cross-checked against two other indicators of economic well-being: the number of consumer goods owned by the family; and a subjective assessment of satisfaction or dissatisfaction with the household's economic situation. If the income data is accurate, reported income should increase with each step up in these measures of economic well-being, and this is the case (Figure 2). The income of families with a car, telephone and a dacha was 56 percent above the mean; those who have none of these major consumer goods reported an income half that. In 1994 a similar pattern is found,

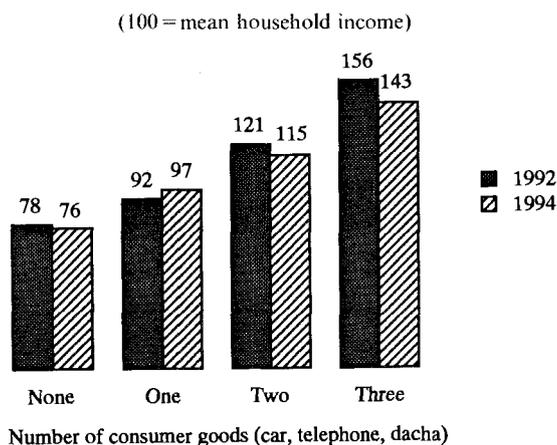


Figure 2. Measures of Economic Well-Being

Sources: New Russia Barometer I (Boeva and Shironin, 1992) and New Russia Barometer III (Rose and Haerpfer, 1994).

albeit disparities are not so great. In addition, satisfaction with the position of one's household correlates with economic satisfaction. The mean income among those most satisfied was more than half again the average in both NRB surveys; the mean for those most dissatisfied was a quarter to a third below average.

Although there are inevitably shortcomings in any measure of household income (cf. Atkinson and Micklewright, 1992: Chapter 3), the strong relationship between money income and material and subjective measures of economic well-being indicates that NRB figures give a reasonable placement of households on a scale that runs from very low to very high money incomes from all sources.

II. WHO MAKES MORE MONEY?

There are two contrasting errors in analyzing Russian incomes. Those who approach Russia with a model of a modern market economy may err by assuming that officially reported money income is the only source of welfare, ignoring both unofficial and non-monetized economies. The other extreme is to generalize from anecdotes about making money in the shadow economy and assume that everybody is doing it. When deputy prime minister in charge of the economy, Boris Fyodorov remarked: "Everyone, apart from poor people on the street, are shifting out of roubles into dollars, legally and illegally. I would do the same" (quoted in Lloyd, 1993). In fact, NRB survey evidence shows that only a very small fraction of the Russian population uses dollars or has dollar savings.

The transformation of the Russian economy raises a third alternative: Everybody used to be doing it (that is, living from a multiplicity of monetized and non-monetized incomes)—but not any longer. The logic of marketization hypothesizes: *The transformation of the Russian economy is causing a rapid fall in the significance of non-market as against modern market determinants of money income.* Since New Russia Barometer surveys include six varied indicators of the ability of households to extract resources in a non-market economy (e.g. membership in the Communist Party, using foreign currencies) as well as nine influences relevant in a modern market economy, this hypothesis can be tested by OLS multiple regression, using as the dependent variable money income from all sources. The results are reported in Table I.

Modern influences on money income. Modern influences are consistently important in determining Russian income. In January, 1992, influences common to command and market economies together accounted for 26 percent of variations in household incomes. Modern influences upon income determination have remained important during transformation, accounting for 24 percent of variance.

A two-income household is a mark of modernity in Western societies. A woman is no longer a housewife, but leaves the house for paid employment. Since labor force participation by women in Russia is almost as high as that for men, the majority of households have at least two incomes, and this is the single most significant influence upon household earnings. Households with children are more likely to have a higher income; this reflects the widespread provision of childcare facilities and the fact that middle-age couples tend to have higher incomes than the young or old. The patterns are found both in 1992 and 1994; the lesser significance of two incomes in 1994 implies that incomes may be less equal than

before, with high individual salaries boosting some household incomes independent of the number employed in them.

TABLE I
DETERMINANTS OF HOUSEHOLD INCOME, 1992 and 1994^a

	1992			1994		
	% Respondents	b	Beta	% Respondents	b	Beta
<i>(Modern influences explain:)</i>		(25.9)			(24.3)	
Number employed in household						
One	25	0.45*	0.26*	28	0.31*	0.19*
Two or more	63	0.89*	0.57*	58	0.58*	0.40*
Number of children						
One	30	0.15*	0.09*	33	0.31*	0.20*
Two or more	20	0.16*	0.08*	22	0.36*	0.21*
Region: European Russia	38	-0.20*	-0.13*	26	-0.31*	-0.19*
Russian nationality	82	-0.07	-0.03	83	0.04	0.02
University education	18	0.08	0.04	24	0.14*	0.08*
Young: age 18-29	26	0.02	0.01	24	0.05	0.03
Pensioner	17	-0.09	-0.04	17	-0.09	-0.04
<i>(Non-market influences explain:)</i>		(9.2)			(3.7)	
Uses foreign currency	4	0.35*	0.09*	4	0.20*	0.05*
Communist party member	13	0.17*	0.08*	16	0.11*	0.06*
Job in second economy	27	0.13*	0.07*	29	0.11*	0.07*
Grows foods, repairs house	51	0.14*	0.09*	45	0.02	-0.01
Queues one hour or more a day	67	-0.10*	-0.06*	26	-0.01	-0.01
Involved in tips, paid connections	36	0.08*	0.05*	12	-0.01	-0.01
Percent variance explained	35.1			28.0		
Constant	6.52			3.16		

Sources: New Russia Barometer I (Boeva and Shironin, 1992) and New Russia Barometer III (Rose and Haerpfer, 1994).

^aEstimated for respondents aged 18 years or more living in non-rural areas. 1992 $n = 1,959$; 1994 $n = 2,494$.

* $p < 0.01$.

Region of residence has a significant influence upon income, but being an ethnic Russian or non-Russian does not. People in European Russia are likely to have an income 20 percent lower net of other influences in NRB I and 31 percent lower in NRB II. Metropolitan life does not have a statistically significant effect on earnings, for it not only creates high incomes for some but also low incomes for others. That explains why residence in Moscow or St Petersburg, included in the preliminary statistical analysis, is omitted from Table 1.

The peculiarities of income distribution in a politicized command economy are shown by university education *not* having a significant net influence upon income in 1992. The failure of education to influence income reflected the bias in the command economy toward "productive" industrial workers and relatively low nominal income differentials. Evidence of the move to a market economy is that in 1994 university education did begin to have a significant influence upon income, albeit still less than other modern influences.

Many discussions of Russia in transition assume that pensioners must be in poverty, given the relatively low monetary value of a pension. However, being a pensioner has no significant influence on money income in the household, and this finding holds for both NRB surveys. One reason is that pensioners are divided into two groups, a slight majority living in a small household in which no one is employed, while almost half live in a household where one or more persons is in work, whether a spouse or adult offspring, and in some cases pensioners themselves remain in employment.

Influences from the non-market command economy. At the time of the first NRB survey, the incomes of Russians had been determined in a non-market system in which individuals had a wide variety of choices about ways to supplement their official income, from dealing in foreign currencies to growing and selling food or consuming it themselves. Multiple regression analysis shows that six different economic activities distinctive to a non-market economy had a significant influence upon income distribution, in total accounting for 9 percent of the variance in income (Table 1).

The money that mattered in the shadows of a non-market economy was not roubles but dollars. The best way to make money in Soviet Russia was to make bucks. Dollars (or any other hard currency) could be used to acquire goods that could be bought with the national currency, or only at grossly inflated prices. In the NRB I survey, those who used a foreign currency in the past year reported an income 35 percent higher net of other influences. Having a job in the unofficial shadow economy produced an increase in income of 13 percent, consistent with the fact that most people work at a second job about one day a week. A second job was thus an income supplement rather than an alternative source of income. Tips and bribes were also a way of improving income. People with lower incomes could compensate by queuing more than an hour a day to buy goods at controlled prices.

The Communist Party did not rely solely upon ideology to recruit and reward membership; the party also provided substantial material incentives to join, giving entry to the *nomenklatura*. Millar (1985: 703f) describes Brezhnev's "acquisitive socialism" as seeking to "maintain party loyalty by increasing special-access stores, closed medical clinics and similar special distribution systems to reward those whom the party wanted to reward," measures deemed to have "an important impact upon the distribution of real income." At the time the Soviet Union collapsed, Communist party membership was a significant positive influence upon the money income of the eighth of the adult population in the party, giving a 17 percent boost net of all other influences.

The significance for income of the party card as against a university diploma is a striking example of the contrast between a command economy and a modern market economy. Another example is that savings were not an indication of an individual being better off. Households with savings did not have a significantly higher income than those without savings, for savings were often forced because of a shortage of goods to buy.⁴

⁴The beta coefficient was an insignificant 0.02 when savings were included in the NRB I regression; the variable is not reported in Table 1 because a comparable question was not asked in the NRB II survey.

The advance of the market economy since January, 1992 is shown by the absolute and relative decline of non-market influences upon income by the time of the second New Russia Barometer survey. In NRB II non-market influences explained less than four percent of total variance in household incomes from all sources. Queuing and growing food in the household had become insignificant; so too had receiving bribes and tips, which were often paid to acquire consumer goods in a shortage economy. Of the three significant influences, a job in the second economy could also raise income in a market economy; former membership in the Communist Party and using foreign currency continued as significant influences from the non-market past. Another indicator of marketization is that the impact of the three significant non-market influences in NRB II was less than in NRB I (cf. b-values in Table 1). For example, Communist Party membership raised income only 11 percent net of other influences in 1994, compared to a 17 percent boost in 1992.

At the start of the transformation of a command economy to a market economy the income of Russian households was subject to both modern and non-market influences. Together, these influences accounted for 35 percent of the substantial variance in income; non-market influences accounted for more than one-quarter of explained variance and modern influences for three-quarters. In spring, 1994 modern influences remained important, accounting for 24 percent of total variance. However, non-market influences had shrunk greatly in significance, indicating the squeezing out of non-market influences in the determination of money incomes.

III. WELFARE NOT DETERMINED BY MONEY INCOME

In the turbulence of an economy in transformation, people without experience of living in a market economy cannot have a simple income goal. Nor is it easy to calculate how much income is “enough,” when inflation reaches quadruple digits on an annual basis; changes in prices for basic necessities tend to be irregular in relation to other commodities; the cost of living and prices can vary substantially between cities; and high inflation rates are unstable from month to month. In such circumstances money is a problematic unit of account.

Since money is but a means to the end of maintaining well-being, a household can define goals in material terms; here, it is taken to be sustaining welfare that is, a basic minimum of goods and services needed to keep a household going, such as food, clothing, and heat, without consuming capital or running into debt. The avoidance of debt or capital consumption is important, for such behavior is not indefinitely sustainable. So defined, welfare is not an optimal condition, but what Herbert Simon (1979: 503) would describe as a “satisficing” goal, avoiding destitution.

Resourceful Russians. Living in a non-market command economy makes households resourceful, for it offers a wide variety of alternatives to produce or consume goods and services. Conceptually, we can distinguish between economic activities that are official and monetized (for example, wages and the purchase of goods at prices dictated by the plan); unofficial and monetized (for example, earnings in second jobs or services produced by the payment of tips or bribes)

and unofficial and non-monetized goods and services (such as food grown in a dacha garden, or building a room on a house with the help of friends).

In the days of the non-market economy, virtually every Russian household drew upon a multiplicity of "economies," official and unofficial, monetized and non-monetized. The first New Russia Barometer in January, 1992 found that the average Russian household was active in 3.7 economies, and the median in four different economies. Nearly every household had at least one cash income from an official job or a state income-maintenance grant (Table 2), but nearly every household also drew upon resources from social economies, non-monetized and unrecorded in official accounts. Uncivil economies, monetized but illegal, involved almost half of all households. Each household combined modern and non-market economic activities in a portfolio aimed at maintaining welfare (Rose, 1993).

TABLE 2
PARTICIPATION IN NINE ECONOMIES

	% Russian Households	
OFFICIAL economies: monetized, legal		(94%)
1. Employed in official economy	81	
2. Pensioner	16	
SOCIAL economies: non-monetized, illegal		(96%)
3. Household produces food, home repairs	81	
4. Regular help, friends and relatives	27	
5. Exchanges free favors	37	
6. Queuing more than half day a week	66	
UNCIVIL economies: monetized, illegal		(48%)
7. Works in second economy	27	
8. Paid, is paid as connection	35	
9. Uses foreign currency	2	
() % involved in at least one economy in the category		

Source: New Russia Barometer I (1992).

Russians are not only active in the official economy but also make meta-choices *between* different types of economies. For example, a person who loses a job in a state enterprise may substitute income from shadowy cash-only activities. The substitution of unofficial market, household or party-network activities can compensate to a greater or lesser degree for the decline of official resources in a household's attempt to satisfy.

The introduction of the market is intended to transform the way in which Russians look after themselves, making non-monetized production incidental to everyday life. People should rely on shops to sell them food rather than on home produce, and pay a market price for their housing, heat and utilities rather than rely on high housing subsidies, low wages and do-it-yourself work. Shadow economies are meant to be replaced by money-making activities reported in official statistics. Since there was a symbiotic relationship between the official planned economy and other forms of economic activities, the collapse of the command economy puts pressure on unofficial economies too (Sik, 1995). The implication is: *The transformation of a non-market to a market economy should lead to a growing importance of money incomes for sustaining welfare.*

Sustaining welfare. In a modern market economy, earnings from the official economy are normally sufficient to enable families to buy basic necessities. The stability of prices and incomes is regarded as justification for defining basic necessities in money terms, instead of by the actual consumption of material goods and services. Discussions of welfare therefore focus on data about household incomes above, below or around the poverty line.⁵

In an economy in transformation, money measures of income are at best problematic, because they ignore the production and consumption of non-monetized services. This is particularly true of measures of poverty in use by Russian ministries, such as costing the price of a basket of food (Braithwaite, 1995: 5). A legacy of the shortage economy is that more people in cities grow food than in the countryside, and more grow food for their own consumption than for sale in a market (Rose and Tikhomirov, 1994). Housing is peculiarly subject to unofficial do-it-yourself activities, and rents in a housing market dominated by state ownership are sticky and alter erratically in relation to inflation. Due to the technology of centralized heating systems, energy can be provided to householders virtually free of charge in many types of housing. Wages too are problematic, even for employed persons, since employers are failing to pay wages on schedule and sometimes not paying wages at all (Rose and Haerpfer, 1994: 5f).

One way to circumvent the lack of a satisfactory income definition of poverty is to ask people to assess the sufficiency of what they earn in relation to what they need. While a subjective assessment is likely to vary between individuals, it avoids the opposite fault of assuming that every household in the Russian Federation requires the same amount to maintain themselves and it also eliminates the difficulties of trying to “price” poverty in circumstances where official data on prices and incomes is often inadequate.⁶

When the 1992 New Russia Barometer asked people in employment whether they earned enough to meet their basic needs, less than a third reported official income adequate (Table 3). The introduction of the market has initially had a negative impact, as prices have risen faster than earnings. In consequence, by spring, 1994 less than one-sixth of Russians in employment said that they earned enough from their regular job to meet their basic needs.

To assume that a modern money economy is the only type of economy in which people can secure welfare is ethnocentric. As two American Sovietologists explain: “We have found it difficult to comprehend the politics of survival in economies that are dominated by non-market forces” (Fleron and Hoffmann, 1993: 374). Socialization into a non-market economy taught Russians survival skills rarely required in a modern market economy.

In an economy in transformation, sustainable welfare can be conceived as the capacity of a household to live without spending savings or becoming indebted

⁵It is also possible to analyze income data in terms of income equality, but making equality the definition of welfare introduces disputed political values into the analysis.

⁶Even if a poverty definition at the moment it is created were to make appropriate allowances for differences in family size, region of residence, and other factors, amidst the turbulence of transformation there is no assurance that the assumptions made will remain valid for a twelve-month period.

TABLE 3
ADEQUACY OF EARNINGS FROM REGULAR JOB

<i>Q. Currently, do you and your family earn enough from your regular job to buy the things that your family needs?</i>		
	1992 (%)	1994 (%)
Definitely enough	1 } 31	4 } 15
Just enough	30 }	11 }
Not quite enough	54 } 69	42 } 85
Definitely not enough	14 }	43 }

Source: New Russia Barometer I (1992); New Russia Barometer III (1994).

by borrowing money, courses of action that cannot continue indefinitely. In colloquial terms this may be described as “getting by.” The standard of living may not be that of Western Europe (or even that of the same family prior to the introduction of the market), but it can continue indefinitely.

At the start of transformation, nearly two-thirds of Russians reported that they were living without spending savings or borrowing money, and in 1994 the percentage had risen to 77 percent (Table 4). The percentage able to get by approaches the level of an established market economy. When the two questions used in the New Russia Barometer were asked in a parallel survey in Austria in 1991, 83 percent said they were able to get through the year without borrowing or spending savings (Rose and Haerpfer, 1992). The difference between Austria and Russia is that 72 percent of Austrians in employment said that their regular job provided enough to meet their needs, more than double the proportion of Russians in 1992 and almost five times the proportion of Russians in 1994.

People can maintain an equilibrium between consumption and resources at many different levels, but it would be misleading to describe most Russians as living in third world conditions. In 1992, the distribution of consumer goods in Russia shows at least 70 percent of the population had one of three major consumer goods (car, telephone, dacha), and in 1994 the number had risen to 84 percent. The main things that people are frequently doing without are not food and heat, but visits to the cinema and newspapers (Rose, 1994: 51).

TABLE 4
CAPACITY OF RUSSIAN FAMILIES TO SUSTAIN THEMSELVES

<i>Q. In the past year, has your family been able to:</i>		
	1992 (%)	1994 (%)
Save some money	13 } 63	8 } 77
Just get by	50 }	69 }
Spend some savings	27 } 37	15 } 22
Had to borrow money	10 }	7 }

Source: New Russia Barometer I (1992); New Russia Barometer III (1994).

Initially, the third to a quarter of Russians having to spend savings or rely on borrowing are likely to cope by such strategies as eating cheaper foods or tightening their belts and eating less; wearing clothes until they are threadbare; and depending upon social networks developed in a non-market economy. Whether individuals become destitute depends upon the duration of difficulties. In market economies, groups such as students, first-time home buyers and the temporarily unemployed spend savings or borrow money to tide them over difficulties, and they constitute a sixth or more of the population. Destitution is a consequence of continuous rather than intermittent difficulties. Parallel research by the author in the Ukraine shows that two-thirds of those who report lacking basic resources are only temporarily without necessities over the course of the year (Rose, 1995). Analysis of the 1992–94 Hungarian Panel Survey of households finds that over the course of 36 months very few households are continuously doing without basic necessities. As a consequence of the turbulence of economic transformation, there is a substantial flow of people in *and* out of difficulties.

What difference does money make to sustaining welfare? Is the capacity of Russians to get by primarily a reflection of their household income, as in a market economy, or has life in a stressful non-market economy caused households to become adept at meeting their needs with resources from non-monetized social economies as well as from money economies? The logic of transformation suggests that both points may be correct, as non-money resources may have been more important in getting by up to 1992, and money income of substantial importance by 1994. This is consistent with evidence about influences upon the distribution of money income shown in Table 1.

In fact, money income does *not* influence a family's ability to sustain welfare (Table 5). At the start of transformation in 1992, being in a high or a low income group had no significant influence on the likelihood of getting by. Since the income measure combines cash from unofficial and regular employment, this is particularly striking evidence of welfare being independent of money in Russia. Even more striking is the fact that in 1994, notwithstanding the introduction of market practices to many aspects of everyday life, money income again has no significant influence on the ability of Russian households to get by.

None of the conventional modern indicators of economic difficulty—children in the family, being a pensioner, or lacking a good education—has a significant influence upon the capacity of a household to get by. In 1992 the only significant influence was Russian nationality. In 1994, the only significant modern influence was age: young people entering the labour market at the time of transformation found it more difficult to avoid borrowing money or spending whatever savings they had. Two income-augmenting strategies to earn money on the side—a job in the second economy and using foreign currency—are negatively and significantly related to getting by, suggesting that they may be activities adopted when households are under stress or else that they are associated with a prosperous life style that is also difficult to maintain amidst the turbulence of transformation.

Modern and non-market influences together can explain only 1 percent of the variance in households' capacity to get by at the start of transformation. A parallel regression analysis confined to employed persons explains only two

TABLE 5
TESTING THE DETERMINANTS OF GETTING BY, 1992 AND 1994

	1992		1994	
	b	Beta	b	Beta
<i>(Modern influences explain:)</i>	(0.9)		(1.2)	
Number employed in household				
One	0.04	0.03	0.05	0.05
Two or more	0.09	0.09	0.07	0.08
Number of children				
One	-0.03	-0.01	0.01	0.01
Two or more	-0.03	-0.02	0.00	0.00
Region: European Russia	-0.04	-0.04	0.02	0.02
Russian nationality	0.12*	0.07*	0.02	0.02
University education	0.02	0.01	0.00	0.00
Young: age 18-29	-0.03	-0.02	-0.09*	-0.08*
Pensioner	0.05	0.04	0.05	0.04
Family income:				
Lowest quartile	-0.03	-0.03	0.00	0.00
Second quartile	-0.05	-0.05	0.00	0.00
Third quartile	-0.03	-0.03	0.02	0.02
<i>(Not-market influences explain:)</i>	(0.3)		(0.8)	
Uses foreign currency	0.01	0.00	-0.16*	-0.06*
Communist party member	-0.08	-0.06	0.03	0.02
Job in second economy	-0.01	-0.01	-0.06*	-0.06*
Grows foods, repairs house	-0.04	-0.04	-0.01	-0.01
Queues one hour or more a day	-0.03	-0.03	0.06*	0.05*
Involved in tips, paid connections	-0.01	-0.01	0.00	0.00
Percent variance explained	1.2		2.0	
Constant	0.56		0.64	

Sources: New Russia Barometer I (Boeva and Shironin, 1992) and New Russia Barometer III (Rose and Haerpfer, 1994).

* $p < 0.01$.

percent of the variance. Notwithstanding the marketization and monetization of the economy since 1992, in the 1994 New Russia Barometer the amount of explained variance in welfare remains trivial. To verify that multiple regression chosen for comparability with Table 1 yields a valid interpretation when applied to a dichotomous dependent variable, the analysis was repeated as a logistic regression with the same independent variables as in Table 5 (details available from the authors). The picture is the same: money income is an insignificant influence upon the capacity of a household to get by. In a logistic regression with the same independent variables, the adjusted r^2 explains only one one percent of the total variance in 1992 and again in 1994.

The absence of any influence by income or other variables on sustaining welfare suggests that the capacity of Russian households to get by depends on idiosyncratic characteristics of families best identified by anthropological studies rather than categorical attributes relied upon by bureaucratic officials and social scientists. The strategy that a family adopts to get by might be described as "household privatization," since it is outside official national accounts. In a society in which the state has been distrusted as intrusive and oppressive, at the micro-level (see Rose, 1995a; Shlapentokh, 1989), there remains a substantial capacity of households able to look after themselves.

Implications for equity. A researcher living in an established democracy in which the rule of law is assured and the state neither oppressive nor corrupt may define equity in terms of income equality, a goal that necessarily requires a high level of taxation to finance income redistribution measures. Russian experience is different, for most people have spent most of their lives in a political economy that promised equality but maintained gross disparities in living standards between the *nomenklatura* and the mass. Equality was most obvious at election time, when everyone voted for the same Party candidate.

In societies in turbulent transformation, a more appropriate conception of equity may be derived from John Rawls' (1971) proposition that equity is achieved if individuals would accept measures as fair without knowing whether they would be gainers or losers from the outcome. The criterion is particularly relevant here, for Rawls endorses as just some gaining greater rewards than others—as long as the overall outcome brings benefits to everyone in society. This is precisely the point of economic transformation, to rid Russia of the institutions of a non-market economy and introduce a market economy that will gradually raise the living standards of society individually and collectively.

Economic transformation cannot occur without short-term costs such as inflation and economic insecurity affecting virtually everyone in society and such costs as unemployment falling on minorities. Bruises will be felt whether the method chosen is described as “shock treatment” or the ineluctable squeezing out of inefficiencies of a non-market economy. The New Russia Barometer surveys confirm that transformation is underway, for many more Russian households report their standard of living falling rather than rising.

From a Rawlsian perspective, the statistically random distribution of difficulties between households would be equitable, for it would not respect the privileges that the non-market system conferred upon party members or the advantages that a market economy confers on those with higher education. The trivial amount of variance resulting from attempts to explain the capacity to get by supports the view that in Russia shocks are felt across all income levels. Since those in difficulties are not a *lumpenproletariat* nor are their difficulties due to unalterable characteristics such as old age, we may expect that their problems are likely to be short-term rather than permanent. Short-term problems are real problems, but they are also problems that can be coped with by many strategies that Russians learned in a non-market economy.

REFERENCES

- Atkinson, A. B. and J. Micklewright, *Economic Transformation in Eastern Europe and the Distribution of Income*, Cambridge University Press, Cambridge, 1992.
- Bergson, A., Income Equality Under Soviet Socialism, *Journal of Economic Literature*, 22, 1052–1099, 1984.
- Boeva, I. and V. Shironin, *Russians between State and Market: The Generations Compared*, U. of Strathclyde Studies in Public Policy No. 205, Glasgow, 1992.
- Braithwaite, J., The Old and New Poor in Russia: Trends in Poverty, World Bank ESP Discussion Paper Series No. 57, Washington, 1995.
- Economic Commission for Europe, *Economic Survey of Europe in 1994–95*, United Nations, Geneva, 1995.
- Ellman, M., A Note on the Distribution of Income in the U.S.S.R. Under Gorbachev, *Soviet Studies*, 42, 1, 147–148, 1990.

- Ellman, M. and R. Layard, Prices, Incomes and Hardship, 39–61, in A. Anders and R. Layard (eds.), *Changing the Economic System in Russia*, Pinter Publishers, London, 1993.
- EBRD, *Transition Report Update*, European Bank for Reconstruction and Development, London, April, 1995.
- Fleron, F. J. Jr. and E. P. Hoffmann (eds.), *Post-Communist Studies and Political Science*, Westview Press, Boulder, 1993.
- Förster, M., "Measurement of Low Incomes and Poverty in a Perspective of International Comparisons," OECD Labour Market and Social Policy Occasional Papers No. 14, Paris, 1994.
- Gavrilentov, E. and V. Koen, How Large Was the Output Collapse in Russia? IMF Working Paper No. 154, Washington DC, 1994.
- Gregory, P. R., Productivity, Slack and Time Theft in the Soviet Economy, in Millar, J. R. (ed.), *Politics, Work and Daily Life in the USSR*, 241–278, Cambridge University Press, New York, 1987.
- Gregory, P. R. and J. E. Kohlhase, The Earnings of Soviet Workers: Evidence from the Soviet Interview Project, *Review of Economics and Statistics*, 70, 23–35, 1988.
- Grossman, G., A Note on Reform, Money and Administrative Supremacy, in Thalheim, K. C. (ed.), *Stagnation or Change in Communist Economies?* Centre for Research into Communist Economies, London, 1986.
- Heleniak, T. and A. Motivans, A Note on *Glasnost* and the Soviet Statistical System, *Soviet Studies*, 43, 3, 473–490, 1991.
- Judy, R. W., Russia at Risk, *Hudson Country Report*, Hudson Institute Number 3, Indianapolis, 1993.
- Katsnelinboigen, A., *Studies in Soviet Economic Planning*, M. E. Sharpe, White Plains, NY, 1978.
- Kornai, J., *Vision and Reality, Market and State*, Harvester Wheatsheaf, Hemel Hempstead, 1990.
- , *The Socialist System: the Political Economy of Communism*, Princeton University Press, Princeton, 1992.
- Lloyd, J., Fyodorov Bares All on Russia's Economic Woes, *Financial Times*, 27 May 1993.
- Millar, J. R., The Little Deal: Brezhnev's Contribution to Acquisitive Socialism, *Slavic Review* 44, 694–706, 1985.
- Moser, C. O. N., The Informal Sector Reworked: Viability and Vulnerability in Urban Development, *Regional Development Dialogue* 5, 2, 135–178, 1984.
- Nove, A., Allocational Efficiency—Can It Be So?, *Soviet Studies*, 43, 3, 575–79, 1991.
- OECD, *National Accounts for the Former Soviet Union: Sources, Methods and Estimates*. OECD Centre for Co-operation with the European Economies in Transition, Paris, 1993.
- Ofer, G. and A. Vinokur, *The Soviet Household under the Old Regime*, Cambridge University Press, New York, 1992.
- Polish Statistical Association, *Poverty Measurement for Economies in Transition in Eastern European Countries*, Central Statistical Office, Warsaw, 1992.
- Rawls, J., *A Theory of Justice*, Harvard University Press, Cambridge, MA, 1971.
- Rose, R. Contradictions between Micro- and Macro-Economic Goals in Post-Communist Societies, *Europe-Asian Studies* (formerly, *Soviet Studies*). 45, 419–444, 1993.
- , Getting By Without Government: Everyday Life in Russia, *Daedalus*, 123, 41–62, 1994.
- , Adaptation, Resilience, Destitution, *Problems of Post-Communism*, 52–61, November/December, 1995.
- , Russia as an Hour-Glass Society: A Constitution without Citizens, *East European Constitutional Review*, 4, 3, 34–42, Summer, 1995a.
- Rose, R. and C. Haerpfer, *New Democracies between State and Market: A Baseline Report*. U. of Strathclyde Studies in Public Policy No. 204, Glasgow, 1992.
- , *New Russia Barometer III*. U. of Strathclyde Studies in Public Policy No. 228, Glasgow, 1994.
- Rose, R. and T. Makkai, Consensus or Dissensus about Welfare in Post-Communist Societies? *European Journal of Political Research*, 28, 2, 203–224, 1995.
- Rose, R. and E. Tikhomirov, Who Grows Food in Russia and Eastern Europe? *Post-Soviet Geography*, 34, 2, 111–126, 1994.
- Shlapentokh, V., *Public and Private Life of the Soviet People*, Oxford University Press, New York, 1989.
- Sik, E., Measuring the unregistered Economy in Post-Communist Transformation, *Eurosocial Report* No. 52, European Centre for Social Welfare Policy and Research, Vienna, 1995.
- Simon, H., Rational Decisionmaking in Business Organizations, *American Economic Review*, 69, 493–513, 1979.
- Thomas, J. J., *Informal Economic Activity*, Harvester Wheatsheaf, London, 1992.