

# Inequalities and Poverty in Russia and Bulgaria – a Comparative Analysis

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**Abstract**—Two main issues are considered – the dynamics of inequalities and the dynamics of poverty in Russia and Bulgaria. A comparative analysis is made on both problems. Four indicators are used to study the dynamics of inequalities. To study the dynamics of poverty, five indicators are used – three for absolute poverty and two for relative poverty. The results of the research show the much better adaptability of the Russian economy compared to the Bulgarian one in the conditions of war and social disasters. They show the much better economic and social policy of the Russian ruling class, compared to that of the Bulgarian ruling class. Inequalities in Russia are smaller compared to those in Bulgaria. And the Human Development Index is higher. Poverty in Russia is smaller by all indicators, compared to that in Bulgaria.

**Index Terms**—absolute poverty, inequalities, relative poverty, war

## I. INTRODUCTION: MOTIVES OF THE RESEARCH

Russia and Bulgaria are currently in a state of war. Since 2014, Russia has been an object of aggression by NATO. Bulgaria, as a member of NATO, enthusiastically participated in this war against Russia. After participating in the First and Second World Wars against Russia, Bulgaria participated in the same way in the Third World War against Russia. Our participation in the first two world wars ended in national catastrophes. Most likely, the same will happen with our participation in the current world war.

The world wars that take place in the first half of each century play an important role in the dynamics of the world economy: First, because through them the clash between the old center of world trade and the new pretender is resolved; Second, because through them world capital sharply accelerates the processes of concentration and centralization of capital, lowers the value of labor power and gets greater opportunities to implement the technologies of the ascending phase of Kondratiev first wave in the field of the entire world market [1]. In such periods, inequalities and poverty intensify.

Are inequalities and poverty in the two warring countries actually increasing at present? What are their dynamics in the object country and the subject country in the war – these are the questions we ask in the present study.

## II. DYNAMICS OF INEQUALITIES IN RUSSIA AND BULGARIA

### A. Gini index

The Gini index shows what the income inequality is in different countries. In case of complete equality, i.e., when everyone receives the same income, the coefficient is 0. When all income is appropriated by only one person or group, the coefficient is 100. During the time of Soviet state capitalism, in Bulgaria the Gini coefficient is about 20. That is, as much as Great Britain, Germany, etc. After 10.11.1989, it increased significantly. In 2016, it exceeded 40 and since then it has remained above 40 for a long time. That is, inequality in Bulgaria is very high. Like countries at war or experiencing severe disasters.

What does the comparative analysis of its dynamics in Russia and Bulgaria show? (See Fig. 1)

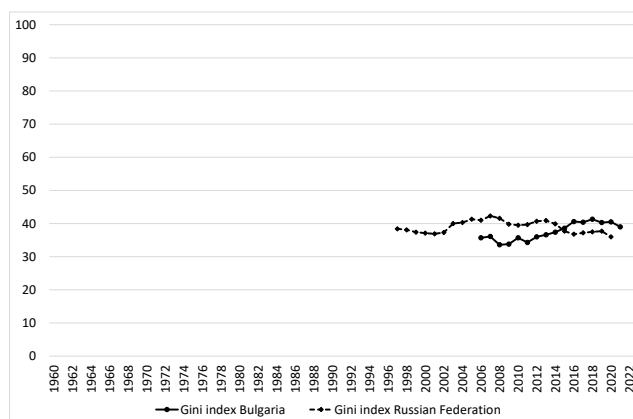


Fig. 1. Gini index (Source: World Bank)

In 2006, the Gini index in Bulgaria was lower, and significantly so, than that in Russia – 35.7 versus 42.0. Since 2008, however, a permanent increase in the Gini index has begun in Bulgaria and, at the same time, a decrease in the index in Russia. In 2008, it was 33.6 in Bulgaria and 41.6 in Russia. In 2015, for the first time, the Gini index in Bulgaria became greater than that in Russia – 38.6 versus 37.7. In 2020, the difference is already too big – 40.5 in Bulgaria, against 36.0 in Russia.

The conclusion that can be drawn is that since the middle of the first decade of the new century, Russia has been leading a much more successful policy in terms of reducing social inequality than Bulgaria. However, this policy

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continues even when in 2014 NATO staged a coup in Kiev and started a war against Russia.

### B. S80/S20

This indicator is a ratio of the total income of the richest 20% of the population to the total income of the poorest 20% of the population. This indicator shows how many times the richest 20% are richer than the poorest 20%.

What does the comparative analysis of its dynamics in Russia and Bulgaria show? (See Fig. 2)

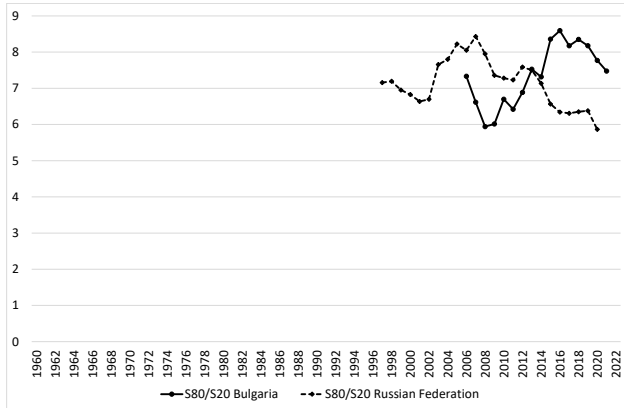


Fig. 2. S80/S20 (Source: Own calculations based on World Bank data)

In 2006, the inequality measured by this indicator was lower in Bulgaria than in Russia – 7.3 against 8.1. After that, for a short period in both countries, inequalities decrease. But while in Russia this trend continues, in Bulgaria, on the contrary, inequalities are beginning to increase. In 2013, they leveled at 7.5. That is, in both countries the aggregate income of the richest 20% of the population is 7.5 times greater than the aggregate income of the poorest 20% of the population. Since 2016, the aggregate income of the richest 20% of the population to the aggregate income of the poorest 20% of the population in Bulgaria has also started to decrease. But in 2020, the difference between Bulgaria and Russia on this indicator is still too big – 7.8 against 5.9.

It can be seen that both measures of inequality have similar results. And they show the much worse policies of the Bulgarian governments, compared to the Russian ones, in terms of inequality.

Except by income, another important inequality is that between the genders. Let's make a comparative analysis of the dynamics of this inequality in Bulgaria and Russia.

### C. Gender Inequality Index

“The Gender Inequality Index (GII) reflects gender-based disadvantage in three dimensions—reproductive health, empowerment and the labor market... It shows the loss in potential human development due to inequality between female and male achievements in these dimensions. It ranges from 0, where women and men fare equally, to 1, where one gender fares as poorly as possible in all measured dimensions” [2].

What does the comparative analysis of its dynamics in Russia and Bulgaria show? (See Fig. 3).

In 1990, when both Russia and Bulgaria began the transformation from Soviet state capitalism to corporate state capitalism, gender inequality in Russia was significantly greater than in Bulgaria – 0.447 versus 0.368. The Russian index is too big. It is possible that this is due to

the fact that for five years the USSR experienced the so-called "perestroika". And in hard times, gender inequality increases.

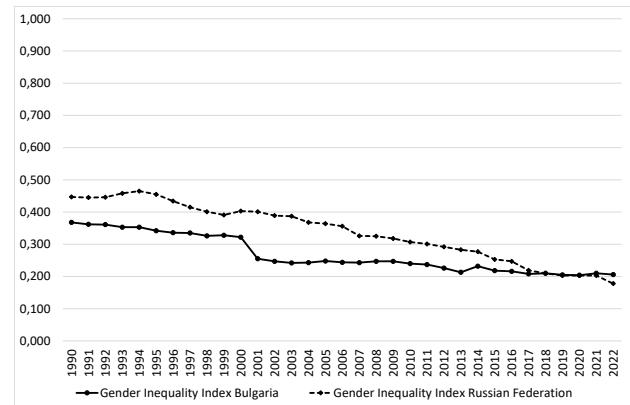


Fig. 3. Gender Inequality Index (Source: United Nations Development Programme (UNDP))

However, it is also possible that the imposed understanding that Russian society, according to G. Hofstede's terminology, is "female", is not entirely accurate. The index for Bulgaria is also high. Significantly higher than the early 1970s (then around 0.20). Although it was precisely at the end of the eighties and the beginning of the nineties that the social transformation called "transition" began, it is difficult to assess to what extent the disintegration processes associated with the fact that in 1976 the downward phase of the Kondratiev wave began, are responsible for this increase in gender inequality. Moreover, in the 1990s, when anomie in Bulgaria was extremely high, gender inequality decreased, not increased, as is the case in most cases of disintegration processes. In Russia, for example, it increases during this period.

Over the entire period from 1990 to 2021, gender inequality decreased in both countries. With brief exceptions. In Russia, the reduction is more significant than in Bulgaria. At the end of the second decade of the 21st century, gender inequality in Russia and Bulgaria was practically the same. In 2018, the index in both countries was 0.21. This is an index specific to developed countries. For Russia, it is a whole "feat" that in difficult times of anomie and wars, it managed to "reduce" the inequality between the genders doubly.

### D. Inequality-adjusted Human Development Index

“The Human Development Index (HDI) is a summary measure of achievements in three key dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living” [3]. Since 2010, an Inequality-adjusted Human Development Index has additionally been introduced.

What does the comparative analysis of its dynamics in Russia and Bulgaria show? (See Fig. 4)

In 2010, the index in Bulgaria and Russia was almost the same – 0.713 in Bulgaria and 0.712 in Russia. By 2019, it is increasing in both countries. In Bulgaria, with one decrease in the period 2014-2017. In Russia – steadily and at higher rates. In Bulgaria in 2019, it was 0.718, and in Russia – 0.773. But then comes the Covid 19 crisis. Over the next two years, the Inequality-adjusted Human Development Index declines in both countries.

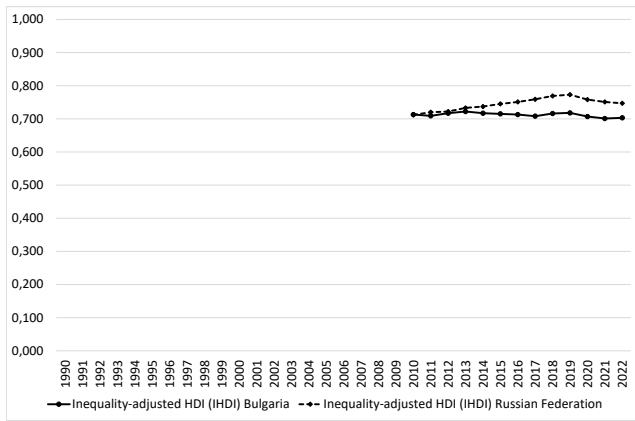


Fig. 4. Inequality-adjusted Human Development Index (Source: UNDP)

In 2021, it is 0.751 in Russia, and 0.701 in Bulgaria. It can be seen that in Russia the Inequality-adjusted Human Development Index has risen in the second decade of the 21st century and is greater than that of Bulgaria. In Bulgaria in 2021 it is even lower than in 2010. Taking into account that throughout this period Russia was subject to military action, and Bulgaria was not, we can definitely say that both economic and social policy in Russia it is more adaptable and successful compared to the Bulgarian one.

### III. DYNAMICS OF POVERTY IN RUSSIA AND BULGARIA

Poverty indicators are of two types – indicators of absolute poverty and indicators of relative poverty. In the case of absolute poverty, some absolute amount of money is taken as the poverty line, which is the same for all countries. In the case of relative poverty, amounts are taken as the poverty line, which are different in different countries.

#### A. Indicators of absolute poverty

##### A.1. Poverty headcount ratio at \$2.15 a day

We should note that this indicator of absolute poverty is measured in purchasing power parity dollars at constant prices. This ensures comparability both between countries and over time.

What does the comparative analysis of its dynamics in Russia and Bulgaria show? (See Fig. 5).

Since 1997, in Russia has seen a sharp jump in the poverty headcount ratio at \$2.15 a day. From 1.5% in 1997, it reached its highest value of 4.4% in 1999. It is obvious that the price shock in Russia coincided in time with the price shock in Bulgaria – the winter of 1996/97. Unfortunately, we do not have data for this indicator in Bulgaria! In Russia, the value of the indicator both rapidly increased and rapidly decreased after 1999. In 2002, it reached a value of 1.0%, which is even smaller than the one from which the price shock started. With the exception of 2003, a gradual decrease of this indicator began thereafter. In 2011, it reached its zero value. And this continues until the year for which we have data – 2020. That is, for ten years in Russia there are no people who live on less than \$2.15 a day at purchasing power parity and constant prices.

For Bulgaria, there are data from 2006. At that time, the percentage of the poor living on less than 2.15 dollars a day was 5.8%. It fell to 1.3% in 2009. But then the Great global financial and economic crisis began. The percentage of the poor living on less than \$2.15 a day is increasing and in 2011 reached its highest value of 2.5%.

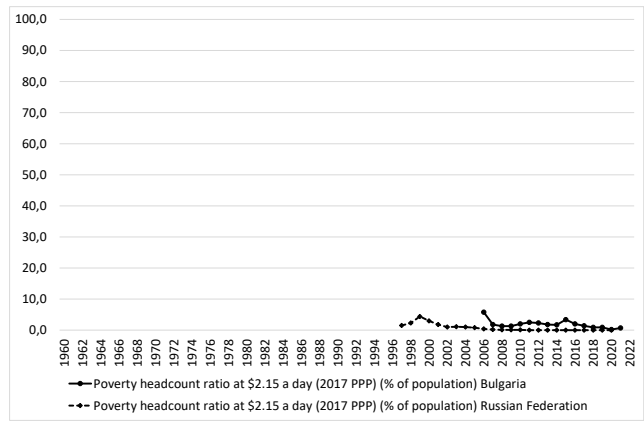


Fig. 5. Poverty headcount ratio at \$2.15 a day (Source: World Bank)

However, it is much lower than its value in 2006. Despite some fluctuations, the indicator decreases and in 2020 it reaches 0.2%. All this time, it has been significantly higher than Russia's indicator. This is a fact that does not speak well for the Bulgarian ruling class. But it is understandable, considering that, despite the lack of aggression towards our country, it fails, unlike the Russian ruling class, to ensure successful economic development.

##### A.2. Poverty headcount ratio at \$3.65 a day

This indicator of absolute poverty, like the previous one, is measured in purchasing power parity dollars at constant prices.

What does the comparative analysis of its dynamics in Russia and Bulgaria show? (See Fig. 6).

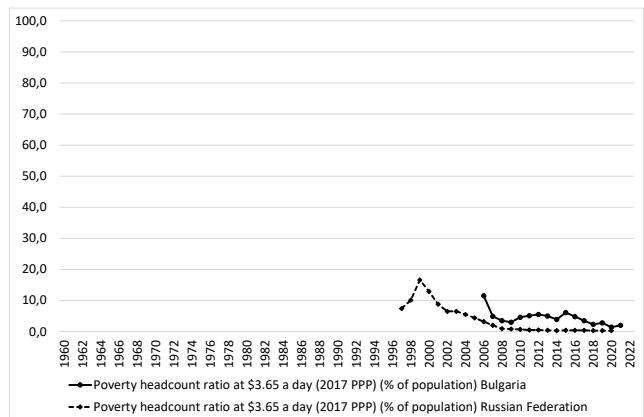


Fig. 6. Poverty headcount ratio at \$3.65 a day (Source: World Bank)

The graph of this indicator closely resembles the graph of the poverty headcount ratio at \$2.15 a day. But percentages, of course, have larger values. Because, in addition to the previous groups, they also include new groups. In Russia, the price shock started in 1997 from a value of 7.4%. After two years, it reached its highest value – 16.6%. After that, a rather accelerated decline of this percentage begins. In 2008, it was already 0.9%. The period after that is one of continued decline, but at a slower rate. In 2020, the percentage of Russia's population living on less than \$3.65 a day was just 0.3%. A remarkably low rate for a country subject to constant aggression.

For Bulgaria, we have data from 2006. At that time, the percentage of the poor living on less than 3.65 dollars a day was 11.5%. A decline followed, and in 2009, the indicator

had a value of 3.0%. Unfortunately, there comes a period when its value rises again. In 2012, its value was 5.5%. Again, there are two years of decline, but in 2015 the indicator was 6.1%. Since this year, the percentage of the poor living on less than \$3.65 per day has been steadily falling. In 2020, it is 1.4%. A relatively good percentage. But many times larger than that in Russia.

The dynamics of this indicator also confirms our thesis that the Bulgarian ruling class, despite the lack of aggression towards our country, fails, unlike the Russian ruling class, to ensure successful economic development.

### A.3. Poverty headcount ratio at \$6.85 a day

This indicator of absolute poverty, like the previous two, is measured in purchasing power parity dollars at constant prices.

What does the comparative analysis of its dynamics in Russia and Bulgaria show? (See Fig. 7)

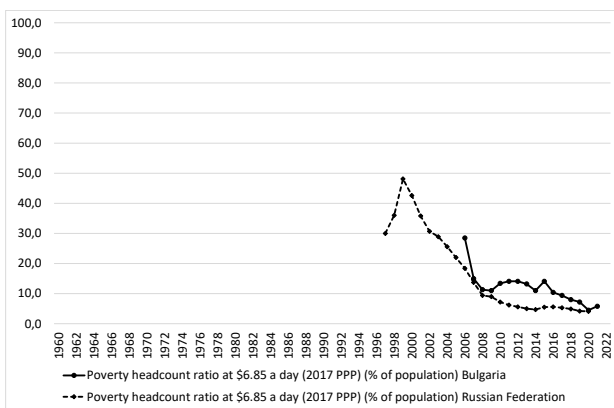


Fig. 7. Poverty headcount ratio at \$6.85 a day (Source: World Bank)

The graph of this indicator also resembles the graph of the previous two. The percentages are even higher than those at \$3.65 per day. A new moment is a certain "convergence" of values. The closest values are in 2008 and 2009. Then, in the first year, the poverty headcount ratio at \$6.85 a day in Bulgaria was only 1.9 percentage points higher than that of Russia – 11.3% versus 9.4%. In 2009, it was smaller by 2.0 percentage points – 11.0% to 9.0%. Then they "drift" again. But in 2020, they are already very "minimized" – in Bulgaria – 4.5%, and in Russia – 4.1%.

The dynamics of this, the last indicator of absolute poverty, confirms the thesis that for the period under study, the Bulgarian ruling class, despite the lack of aggression towards our country, failed, unlike the Russian ruling class, to ensure successful economic development.

## B. Indicators of relative poverty

There are two indicators of relative poverty – the poverty headcount ratio at national poverty lines and the proportion of people living below 50 percent of median income.

### B.1. Poverty headcount ratio at national poverty lines (See Fig. 8)

In 2000, the poverty headcount ratio at national poverty line in Russia was too high – 29.0%. There is nothing surprising in this. In the 1990s, the anomie in Russia was even greater than the anomie in Bulgaria.<sup>1</sup> Separately, the two wars in Chechnya were fought in this decade.

Subsequently, a rapid decline began for 12 years. In 2012, the indicator showed 10.2%. After that, however, there was an increase until 2016, when it reached 13.3%. And the decline begins again. In 2020, the percentage of the population living below the national poverty line in Russia was 12.1%.

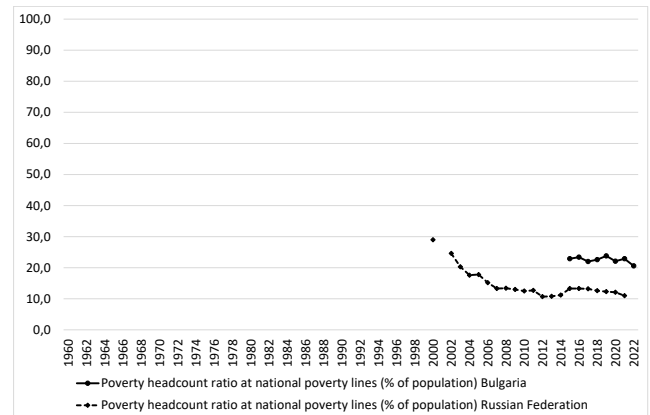


Fig. 8. Poverty headcount ratio at national poverty lines (Source: World Bank)

For Bulgaria, we have data from 2015. Then the indicator was 22.9%. Significantly higher than that in Russia, where it is 13.3%. A period of fluctuations followed, with no marked decline or increase. In 2021, the percentage of the population living below the national poverty line in Bulgaria is again 22.9%, as in 2015. The only thing that can be said is – a pitiful picture! Especially when compared to the reduction of this type of poverty in Russia, a country subject to decades of military aggression.

### B.2. Proportion of people living below 50 percent of median income (See Fig. 9)

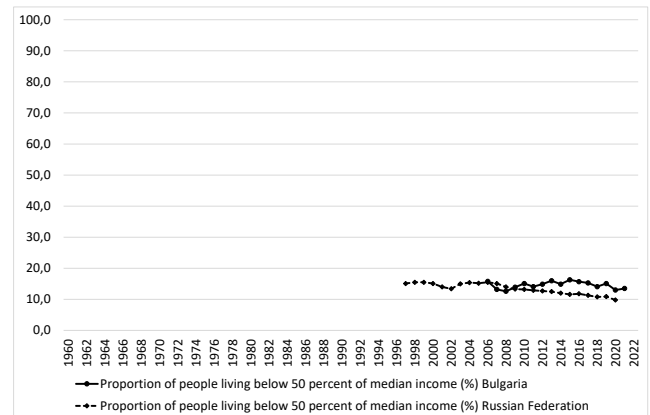


Fig. 9. Proportion of people living below 50 percent of median income (Source: World Bank)

Median income is the level of income in a country that divides individuals or households in it into two parts – half receive income greater than or equal to the median income, and the other half receive income less than or equal to the median income. Median income varies across countries.

Because the median income varies across countries, so does the half of the median income. We don't have absolute numbers to analyze. At the same time, however, it is clear that the lower the indicator, the fewer the poor.

<sup>1</sup> The expression remained in the vernacular for this period – „лихие 90-е“.

Proceeding from the above, we can say that this indicator also shows the better economic and social policy of the Russian ruling class compared to that of the Bulgarian ruling class. In Russia, from 1997 to 2020, there was a steady decline in the proportion of people living below 50 percent of median income. In Bulgaria, alas, this is not the case! No decline is detected. In Russia in 2020, the proportion of people living below 50 percent of median income was 9.8%. In Bulgaria it is 13.0%. The data speaks volumes!

#### IV. CONCLUSION

The results of the research show the much better adaptability of the Russian economy compared to the Bulgarian one in the conditions of war and social disasters. They show the much better economic and social policy of

the Russian ruling class, compared to that of the Bulgarian ruling class.

Inequalities in Russia are smaller compared to those in Bulgaria. And the human development index is higher. Poverty in Russia is smaller by all indicators, compared to that in Bulgaria. And this despite the fact that Russia has been an object of aggression for decades! We Bulgarians are bad!!! We are very bad!!!

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- [3] [https://hdr.undp.org/sites/default/files/2021-22\\_HDR/hdr2021-22\\_technical\\_notes.pdf](https://hdr.undp.org/sites/default/files/2021-22_HDR/hdr2021-22_technical_notes.pdf), p. 2