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**POVERTY AS A SOCIO-ECONOMIC
PHENOMENON: THE THEORETICAL AND
METHODOLOGICAL FEATURES OF ITS
INVESTIGATION**

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General Characteristics of the Thesis

Importance of the Research

The socio-economic inequality has always been and continues to be a problem that to a greater or a lesser extent is immanent for all countries and thus has a global character. Human beings' material inequality and poverty - this is one of the most vexed challenges that modern society faces today. Poverty is a problem that has not any historic or territorial boundaries. Elimination of global poverty - this is one of the most important problems of the modern reality affecting the world economy.

The efforts of international organizations with a high level of authority such as World Bank, United Nations, Organization of Economic Cooperation and Development, European Union, International Monetary Fund, International Labor Organization, and so on, are directed on the overcoming a poverty.

Despite the adoption and enactment of many programs aimed at combating poverty and making certain positive results, the problem of poverty remains insurmountable and the gap between the richest and the poorest (countries and peoples) is further enhanced.

In the The Global Risks Report 2017 presented by experts at the 47th World Economic Forum in Davos (Switzerland) on 17-20 January 2017 along with global ecological threats, population aging and increasing dependence on digital technologies, the economic inequality and population social stratification are mentioned as a one of the major global risks for the next ten years.

In 2015, about 10,7% of the world population lived in an extreme poverty or, according to the World Bank's new approach, with income less than 1,90 US dollars per day. Of this, a significant part of the poorest population (47,9%) lived in the southern Saharan region, Latin America and the Caribbean.

At the same time, according to Oxfam, the world's eight richest people in 2015 (Bill Gates (has a net worth of US\$75 billion), Amancio Ortega (has a net worth of \$67 billion), Warren Buffett (has a net worth of US \$ 60,8 billion), Carlos Slim US \$ 50 billion), Jeff Bezos (has a net worth of US \$ 45,2 billion), Mark Zuckerberg (His net worth is estimated to be US\$ 44,6 billion), Larry Ellison (has a net worth of US \$ 43,6 billion) and Michael Bloomberg (his net worth was estimated at \$40billion) jointly owned US \$ 426 billion. It means that their jointly wealth exceeded the jointly wealth of the world's 3.6 billion poor people. In average terms it means that each of eight richest people of the world have an average of US \$53,25 while each of

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3.6 billion poorest individuals has an average of only 120 US dollars per person.

Despite that the world today is more rich than it was two hundred years ago⁴², the economic inequality has increased and 70% of the world population today lives in countries where the economic inequality became deeper over last 30 years. Among these countries were the so-called Post-socialist countries, including Georgia, where the socio-economic and political changes and liberal transformation in 1990-s resulted in worsening of material position of the population and in the emergence of poverty.

If in the 19th century the wealth of the Western countries was 90% higher than the rest of the other part of the world, by 21st century the differences in wealth reached 750%⁴³.

According to the investigation conducted by the National Democratic Institution of USA (NDI) in Georgia from 18 June to 9 July 2017, the majority of 2261 respondents list the poverty as a most serious problem for Georgia after unemployment⁴⁴.

We can assume that developed countries do not suffer from poverty. But that's not the case.

In the 1960-s 20% of the US population lived below the poverty line. This figure decreased to 14% as a result of the "war on poverty" announced by the US in this period and amounted to 30 million people. 12,7% of households or 15.8 million households of USA suffered food shortages in 2015⁴⁵. According to United States Department of Agriculture (USDA) these households have suffered a lack of food during 7 months in 2014 and 97% of these households mentioned that were forced to reduce the volume of meal or skip one meal because they do not have enough money to eat and 27% said they were hungry all day long for the same reason⁴⁶. United States Census

⁴² Edward Peter, Andy Sumner, 2016, *Global Inequality and Global Poverty Since the Cold War: How robust is the optimistic narrative?* Global Challenges - Working Paper Series.

⁴³ Galasso V, Nicholas, 2014, *The Drivers of Economic Inequality*, Oxfam America Research Backgrounder, p. 9.

⁴⁴ Пять самых главных проблем для населения Грузии, Geomigrant.com.

⁴⁵ Coleman-Jensen Alisha, Christian Gregory, Anita Singh. 2016. *Report Summary: Household Food Security in the United States in 2015*, U.S. Department of Agriculture, Economic Research Service.

⁴⁶ *Household Food Security in the United States in 2014*, pp. 4-11.

Bureau (USCB) disseminates an information that 43,1 million people or 13,5% of USA population were poor in 2015⁴⁷.

Without a deep and comprehensive understanding of poverty as a social-economic phenomenon, it will not be possible it's overcoming and well-being achievement.

Why are people poor and why there are unable to escape poverty? What causes poverty? What are poverty consequences for individuals, families, and for society as a whole? Who is responsible for poverty? How real is the fight against poverty and how real is to overcome poverty? To answer those and many other questions were tried and are still trying the representatives of different scientific fields like political sciences, economics, psychology, anthropology, sociology etc. but the questions still remain unanswered.

In such a situation there is a growing need to unite a modern knowledge on one of the most important and complex social-economic problems, such poverty is and within this framework to develop a new vision and new understanding of this social-economic category with the purpose to overcome it.

Therewith, various authentic and high authoritarian sources often provide different and sometimes conflicting data and poverty assessments.

Today is a growing need to accumulate and generalize knowledge related to poverty which should facilitate the development of new approaches toward fighting poverty. Otherwise, any attempt to study this complex and multi-faceted problem is doomed to be incomplete.

The concept of "poverty" still has no clear scientific definition. Poverty is often associated with political processes or considered as a purely economic phenomenon. Such viewpoint is unilateral; it does not develop a comprehensive understanding of this socioeconomic event and does not allow the possibility to elaborate a national and global strategy for flight against poverty.

Fighting against poverty usually derived from the economic understanding of this phenomenon and is based on the economic methods of struggle against poverty. As scientific researches and socio-historical practice has demonstrated, such approach could not solve the poverty-related problems, could not reduce poverty. It does not provide a more or less complete and

⁴⁷ *Income and Poverty in the United States: 2015*, *Current Population Reports*, Issued September 2016, P60-256(RV). U.S. Department of Commerce, Economics and Statistics Administration, p.12.

comprehensive answer about sources of poverty and the perspectives of their overcoming and, therefore, it cannot achieve some sort of positive results.

The investigation of poverty is based on a multidisciplinary approach and is derived from various scientific beliefs. For this reason, the study begins to learn how the different scientific schools and approaches consider poverty and ways of its reduction.

Current state of problem study

The investigation of poverty has a long living history. Economic-material inequality, social stratification and an arrangement of community was important to Plato, Aristotle, Confucius, N. Machiavelli, T. Hobbes, and others.

The problem of poverty was studied by representatives of different social sciences. Certain aspects of poverty were studied by the representatives of the classical political economy – A. Smith, D. Ricardo, T. R. Malthus, P. Prudon, J. S. Mill, K. Marx, F. Engels, etc. However, it should be noted that in 19th century usually poverty was considered in the wealth being context. In this case P. Proudon and K. Marx should be considered as an exception.

Direct investigation of poverty problem starts in the late 19th century in the England and is associated with Charles Booth (1840-1916), Benjamin Seebohm Rowntree (1871-1954). Among the prominent researchers of poverty should be noted J. Mack, J. Sachs, A. Sen, P. Townsend, and others.

The problem of poverty was discussed by Niko Nikoladze, Iliia Chavchavadze, but the systematic investigation of this problem began in Georgia in the 1990th when poverty covered a significant part of the Georgian population and it became clear that the difficult problem such as poverty, needs long and thorough study. Some aspects of poverty were studied by L. Chigava, G. Papava, R. Asatiani, R. Abesadze, R. Javakhishvili, V. Burduli, M. kakulia, N. kapanadze, L. Kurkhuli and others.

Despite the considerable significance of the research and results obtained by the above mentioned foreign and Georgian authors, the alleviation of poverty-related problems still require attention and development of theoretical-methodological approaches toward the study of this complicate and ambiguous socioeconomic issue.

Despite the fact that many authors study poverty problems and whereas the fact that a large number of scientific works are created to poverty-related issues, there is not yet any solid vision and complex approach toward to investigate this problem.

Research Target and Tasks

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Research Target: The given work is aimed to study and improve the theoretical-methodological approaches toward to investigate poverty as a socio-economic phenomenon.

Research Tasks: To achieve the research target the following tasks should be solved:

- To display poverty as a multidisciplinary category;
- To study poverty-related theories developed in different scientific fields like political sciences, economics, sociology, anthropology, psychology;
- To analyze the evolution of the poverty-related perceptions in economic sciences;
- To study poverty as a complex and multidimensional socio-economic phenomenon;
- To identify the main problems of poverty investigation and to characterize the peculiarities of its methodology;
- To study the developed countries' poverty-combat-related experience and the peculiarities of poverty measurement in Georgia.

Research Objective and Research Subject

Research Objective: The objective of the thesis is poverty as a socio-economic phenomenon.

Research Subject: The subject of the thesis is the theoretical-methodological peculiarities of poverty investigation.

Theoretical-Methodological Basis of Research

The theoretical and methodological approaches of the thesis proceeds from the peculiarities of the study and are based on the opinions developed by leading scientists in economics, sociology, political sciences, anthropology, psychology which is a basis of the interdisciplinary approach for investigation poverty as a socio-economic phenomenon.

The research is based on the theoretical methods such as abstraction, dialectical method, induction-deduction, analysis-synthesis, graphical method, functional and comparative analysis method, mathematical modeling method, statistical analysis method, scientific grouping and classification method, historical-logical and chronological methods.

Scientific novelty

Proceed from the study of poverty theories developed by scientific fields such as political sciences, economics, psychology, sociology, and anthropology, the author elaborates own position on the theoretical-methodological approach to poverty investigation and considers poverty as an interdisciplinary category, as a phenomenon, which understanding and comprehensive study provides a perspective directions of its overcoming.

Thus, the scientific novelty of the thesis generally is a comprehensive and

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complex analysis of the theoretical-methodological peculiarities of the investigation of poverty as an interdisciplinary socio-economic phenomenon and development of the ways to its improving.

The scientific novelty of the research lies in following:

- Poverty is considered as an interdisciplinary phenomenon and is studied in the context of political, psychological, economic, anthropological and sociological sciences;
- The viewpoints of the representatives of different scientific schools on the poverty, its causes, nature, peculiarities etc. have been studied;
- Based on the analysis and systematization of the existing explanation and definitions of poverty seven groups of poverty determinations have been distinguished;
- The internal structure of absolute poverty has been developed and the interconnection between its elements is studied;
- In order to determine the share of food basket (C) in subsistence minimum (M) a "food basket-subsistence minimum proportion index" (k) is determined by which the ratio between food basket and the subsistence minimum ($C = kM$) is defined;
- Based on the subsistence minimum different levels of poverty has been determined;
- Based on the determination of poverty 28 types of 33 items of poverty have been identified and the classification of those types was done;
- The methods of poverty measurement were systemized and analyzed and their peculiarities were considered;
- The causes of poverty are identified and their classification is done;
- To each group of poverty causes are adapted specific poverty-related theories.

Theoretical and Practical Applications of the thesis

The thesis studied approaches used by various scientific fields such as economics, political sciences, sociology, anthropology and psychology to investigate poverty, the theories and concepts their have developed, analyses poverty-related perspectives and ideas that will be interesting and useful for wide range of studying poverty.

The results obtained by the research give the opportunity for a new understanding of poverty as a socio-economic category and for theoretical and methodological approaches for its investigation.

Typologisation of poverty according to its peculiarities, the study of the world experience of poverty measurement and the ways of poverty fighting, the development authorial views regarding theoretical and methodological approaches to poverty investigation, the definitions of main poverty-related concepts, the theoretical and practical results and recommendation developed by the thesis will be useful for the organizations which are aimed to fight

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poverty, for government and non-government institutions that monitor poverty-related issues. The results of the research can also be useful for the training of undergraduate, graduate and doctoral students.

Approbation

Particular chapters of the dissertation work are discussed at the meetings of the Department of Economics at Faculty of Business, Law and Social Sciences of the ATSU on the Doctoral Colloquiums (Protocol N9, 13.05.2016; Protocol N1, 08.09.2016; Protocol N6, 31.01.2017; Protocol N3, 28.09.2017). Revision of the dissertation was held at the Economic Department of the Faculty of Business, Law and Social Sciences (Protocol N12, 19.04.2018). The experts: I. Gabadadze - associate professor at ATSU, Ch. Todua - associate professor at ATSU, M. Tsetskhladze - associate professor at ATSU Batumi Sh. Rustaveli State University.

The main provisions of the Dissertation Study are presented in scientific-practical conferences and published in scientific publications.

The main results of the thesis are given in the following scientific works:

Published in abroad:

- **The Problem of Poverty: Alternative Views on its Sustainability**, International Journal "Word Science", ISSN 2414-6404, h-index-9, Poland, N 5(33), 2018.
- **The problem of poverty and the prospects for its overcoming**, St. Petersburg State University, XXIII International Conference of Young Economists, St. Petersburg, ISBN 978-5-288-05791-5, December 9, 2017.
- **The Poverty Problem in Villages of Imereti Region of Georgia**, Samara State Academy of Social Sciences and Humanities "Higher Humanities Education in the 21st Century: Challenges and Perspectives", 2015.

Published in Georgia

- **Poverty Problem in Neoclassical Economic Theory**, Journal "Economist", N2, 2017, p. 22-32.
- **The role of tourism in the overcoming the poverty in the villages of Imereti region**, TSU Paata Gugushvili Institute of Economics, International Scientific Practical Conference "Current Issues of Sustainable Development of National Economy", ISBN 978-9941-13-435-7, Tbilisi, 2015, p. 361-366. http://pgie.tsu.ge/contentimage/konferenciebi/2015_.pdf
- **Poverty as a challenge to modern reality**, the first Republican Conference dedicated to the 25th anniversary of the granting of University status to ATSU "Young Agrarian", 2016, pp. 41-46.

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Economic inequality and poverty in the individual and global context, Collection of materials of international scientific conference dedicated to the 65th anniversary of Professor George Tsereteli, structural and innovative problems of economic development (23-24 June, 2017), Tbilisi 2017, p. 201-208.

Poverty Typology Problems: Absolute and Moderate Poverty, ATSU, "Economic, Legal and Social Problems of Modern Development" II International Conference (29-30 September, 2017, http://atsu.edu.ge/E-Journal/BI_SS/)

Developing Countries: Who is Responsible for Poverty? (Alternative Opinion), International Scientific and Practical Conference on "Economics, Business and Tourism: Current Issues, Achievements and Innovations", Kutaisi University, November 11-12, 2017.

Psychological Theory of Poverty, International Conference "Globalization 2018", European University, Tbilisi, Georgia, Tbilisi, 2018.

Dissertation structure

The dissertation work consists of 220 printed pages and consists of the introduction, three chapters, eight paragraphs, conclusions and proposals. The text contains 6 tables, 12 charts, 9 diagrams. The work is accompanied by 4 Appendices and a list of the literature used in 258 nominations.

The thesis is represented by the following structure

Introduction

Chapter 1. Poverty as an interdisciplinary category: the analysis of theories

- 1.1. The political theory of poverty
- 1.2. The psychological theory of poverty
- 1.3. The anthropological theory of poverty
- 1.4. The sociological theory of poverty
- 1.5. Poverty in economic theory

Chapter 2. The main problems and theoretical-methodological peculiarities of poverty investigation

- 2.1. Poverty determination and typologization problems
- 2.2. Poverty measurement problems and its peculiarities in Georgia
- 2.3. The problem of determination the causes of poverty

Chapter 3. Overcoming poverty as a goal of its investigation

- 3.1. Poverty reduction experience in developed countries
- 3.2. The institutional basis for combating poverty in Georgia and its improvement necessity

Conclusions and recommendations

Bibliography Appendices

Main content of the work

The dissertation proceeds from the idea, that the investigation of the poverty problem shouldn't be confined by a fact of its existence and its description but it should have integrated character.

The first chapter of the dissertation "Poverty as an interdisciplinary category: the analysis of theoretical approaches" is implemented the theoretical analyses of poverty investigation by different fields of social sciences.

In the first paragraph of the first chapter "The political theory of poverty" is discussed the point of view of various ideologies of political powers like conservatives⁴⁸ and liberals⁴⁹ that give different answers on the question who is responsible for the social-economic inequality and poverty: the liberals rest the charge for the poverty on the society, while the conservatives – on the poor people themselves. In the political theory of poverty is distinguished the Theory of Justice⁵⁰ which is divided into the politics of distribution⁵¹ and the politics of recognition⁵², the politics of affirmation⁵³ and politics of transformation⁵⁴. A particular importance in the political theories of poverty belongs to antipoverty policy that can be realized on the two grounds: **people-based policies** and **place-based policies**⁵⁵. The differences between those policies proceeds from differences

⁴⁸ Gans, Herbert J., 1965, *Poverty and culture* // *Poverty in America* // Ed. by L. Ferman. University of Michigan press, 1965; Miller W., *Lower class culture as a generating milieu of gang delinquency* // *Journal of social issues*. 1958. V. 14. p. 5–19; Spencer, J.H., 2004, *People, places, and policy: A politically relevant framework for efforts to reduce concentrated poverty*. *The Policy Studies Journal*, 32, 545-567

⁴⁹ Lewis Oscar, 1959, *Five Families: Mexican Case Studies in the Culture of Poverty*. 1969, New York: Basic Books, Inc.

⁵⁰ Feldman L.C., 2002, *Redistribution, recognition, and the state: The irreducibly political dimension of injustice*. *Political Theory*, 30, 410-440.

⁵¹ Rawls John, 1999, *A Theory of Justice, Revised Edition*, the Belknap Press of Harvard University Press Cambridge, Massachusetts.

⁵² Fraser Nancy, Axel Honneth, 2003, *Redistribution or Recognition? A political-Philosophical Exchange*. London, NY.

⁵³ *Ibid.*, p. 73.

⁵⁴ Rawls John, 1999, *A Theory of Justice, Revised Edition*, the Belknap Press of Harvard University Press Cambridge, Massachusetts, 24; Fraser Nancy, Axel Honneth, 2003, *Redistribution or Recognition? A political-Philosophical Exchange*. London, NY, 75.

⁵⁵ Lang, Robert E., Steven P. Hornburg, 1998, *What is Social Capital and Why is it Important to Public Policy?*. *Housing Policy Debate*, Vol. 9(1): 1-16.; Sozialgesetzbuch (SGB) Zweites

achievement and discussing poverty as a hindering factor to furtherance this goal. In this case the views, developed by J. Proudhon could be considered as an exception because he estimated poverty as a result of conflict between limitless human consumption and limited opportunities of production. Another exception is K. Marx understands of poverty who considers poverty as a result of class exploitation⁶⁷. For J.M. Keynes the problem of poverty isn't the main subject of investigation. He discusses the problem from the angle of crisis and unemployment⁶⁸. Very special point of view is suggested by neo-Keynesian J. Stiglitz, representative of developing economics E.S. Reinert and institutionalist G. Myrdal, who were directly investigating poverty. They came out against prevailing views of classical economics particularly D. Ricardo's theory of comparative advantage, so-called principle of laissez-faire and free trade. They consider that overcome of poverty is possible for the purpose of increasing livelihood of society and active interference of government in economics when the government implements independent policy considering traditions and possibilities of a country⁶⁹.

If poverty for R.T.Malthus was associated with disproportion between redundant population and lack of resources⁷⁰, institutionalist J.Commons partly agrees with R.T.Malthus but claims that it is not obligatory the poor strata of society live in parasitic manner⁷¹. The representative of neoliberal school F. Hayek⁷² believes poverty can be overcome only through

Wife, London: Macmillan and Co., 1886; Маршалл А., 1993, *Принципы экономической науки*, Прогресс, 1993; Кларк Д. Б., *Распределение богатства: теория заработной платы, процента и прибыли*, Шумпетер Й., 2011, *Десять великих экономистов от Маркса до Кейнса* / пер. с англ. Н.В. Автономовой, И. М.Осадчей, Н.А. Розинской; под науч. ред. В.С. Автономова. ISBN 978-5-93255-302-2, М.: Изд. Института Гайдара,—416с; Pigou A. C., 1932 (1920), *The Economics of Welfare*, Fourth Edition, Macmillan And Co., Limited, London 1932.

⁶⁷ Marx K., *Capital: A Critique of Political Economy*, Volume I,

⁶⁸ Кейнс Дж. М., *Общая теория занятости, процента и денег*, пер. с англ. Н. Н. Любимова. ISBN: 978-5-85438-237-3, Издательство: Гелиос АРВ.

⁶⁹ Stiglitz J. E., 2002, *Globalization and Its Discontents*, New York, W.W. Norton. & Company, 2003; Райнерт Э.С., 2011, *Как богатые страны стали богатыми, и почему бедные страны остаются бедными*, Издательский дом Государственного университета — Высшей школы экономики Москва; Маршалл Г., 1972, *Современные проблемы "третьего мира"* (Asian Drama), М., 1972.

⁷⁰ Malthus R., 1826, *Essay on the Principle of Population*, 2 vols., 6-th ed.

⁷¹ Commons J. R., 1907, *Races and Immigrants. In America*, New York, The Macmillan Company, London: Macmillan and Company.

⁷² Хайек Ф. А. фон, *Пугающая самонадеянность: Ошибки социализма*, Русский текст печатается по изданию: ISBN 978-5-468-00159-2. The Collected Works Of F. A. Hayek,

achievement of common prosperity while for M. Friedman overcoming of poverty is possible by charitable activities⁷³.

Different scientific directions (psychology, anthropology, political sciences, economics, and etc.), as well as the concepts developed within them are based on different methodological approaches toward investigation of poverty and they develop different recommendation against poverty. But none of them can offer a full, comprehensive and universal theory. That's why investigation against poverty can't be developed in a separate scientific discipline or theory, it should be based on interdisciplinary approach by integrating different scientific concepts and deep analyses.

The research has distinguished four different directions of poverty assessment:

- *Poverty as a useful for society phenomenon* (A. Smith, T. Malthus, G. Spencer, J. Bentham, P. Proudhon and others);
- *Poverty as a public weal* (Pierre Guillaume Frédéric Le Play, C. Bout, S. Rowntree, and others);
- *Poverty as an evil* (E. Reclus, E. Bellamy, C. Hall, F. H. Giddings, and others);
- *Poverty as a result of exploitation* (K. Marx and Marxists).

In the second chapter "The main problems and theoretical-methodological peculiarities of poverty investigation" we are trying to answer questions like: What are the reasons of poverty? What could be done to overcome poverty? Who is responsible for poverty – individual or society? Is poverty multi-dimensional or one-dimensional category? What nature has poverty: objective or subjective? Who should take care about poverty overcome?

In the first paragraph of the second chapter "Poverty determination and typologization problems", based on the analyzing and systematization of poverty definitions that were given by different governmental and non-governmental organizations, developed by different scientific literature and other sources, we distinguish the following groups of the definitions:

1. **Monetarist approach** (J. Proudhon, K. Marx, J. Sax, S. World Bank, G. Gechkanov and others);
2. **Population redundant – resources scarcity approach** (J. Proudhon, T. Malthus and others);
3. **Socio-economic relationship approach** (K. Marx, P. Townsend and

Volume I. The Fatal Conceit. The errors Of Socialism. Edited By W. W. Bartley III. The University Of Chicago Press.

⁷³ Milton F., *A giant among economists*, The Economist, November 23, 2006.

- others);
4. **Life standards discrepancy approach** i.e. concept of relative poverty (H. Spencer, P. Townsend and others);
 5. **Self-identification-principle approach** (S. Rountree, C. Butt and others);
 6. **Life style approach** (Aristotle, Plato, Confucius, J. Bentham, M. Weber, O. Lewis da others);
 7. **Lack-possibilities approach** (A. Sen, N. Nikoladze and others).

In the given part of thesis is started by studied the types of poverty that were historically developed and today recognized as classical types of poverty – absolute poverty, moderate poverty and relative poverty.

Absolute poverty (Extreme poverty, *Subsistence poverty*) is defined as a situation when individuals, group of individuals or household due their low income can't satisfy their basic (or most essential and common) needs in food, clothes, dwelling and therefore can't satisfy the minimum requirement for biological survival.

The part of the thesis accounts different levels of absolute poverty on the ground of the division of subsistence minimum (M) into two elements – minimal physiological requirements which is presented through minimum food basket (C), and minimal social requirements (H) or $M=C+H$.

To specify the proportion between food basket and subsistence minimum, a "food basket-subsistence minimum proportion index" (k) is used. The index defines the share of food basket (C) in subsistence minimum (M). Therefore $C = kM$.

From the above reasoning four levels (structural elements) of an internal structure of absolute poverty is distinguishes:

- **Extreme destitution (E)** – it is a situation when individuals or groups (homeless, stray and others) are in social and economic exclusion and their monetary income tends to zero ($E \rightarrow 0$).
- **Destitution (D)** - is a situation, when individuals, groups or households do not have the ability to satisfy the minimum physiological needs, they constantly are hungry, and their income and consumption is lower than minimum food basket (C): $D < C$ or $D < kM$. Inasmuch as in Georgia, the share of food basket in the subsistence minimum is 70%, the index (k) equals 0.7. Therefore $C = 0,7M$ and $D < kM$.
- **Extreme Need (N)** – is a medium level of poverty and expresses a situation when individuals, groups or households in a minimal level satisfy basic physiological requirements (C) and do not feel hungry but cannot satisfy social requirements (H). This element of an absolute poverty is shaped on the food basket's level $N = kM$ or $N = C$.

- **Need (S)** - is a situation, when individuals, groups or households satisfy their physiological requirements (C) and partly or fully satisfy social requirements (H): $kM < S \leq M$ or $C < S \leq M$ but their income and total consumption do not exceed a subsistence minimum (M).

Moderate poverty is considered as a situation where the individual's and household's income and consumption are few (n) times higher than the cost of the food basket, but cannot reach the lowest level of the welfare (W): $nC < P < W$.

Relative (deprivational) poverty is defined by comparison of living standards of the given society and individuals real-life condition.

The methodology of poverty investigation proceeds from two different approaches: subjective approach and objective approach.

The objective point of view toward poverty investigation is based on a monetary understanding of poverty when poverty is discussed in the context of low income i.e. is based on money-material constituency. The subjective approach to poverty investigation is derived from the individual's own state of his/her personal wellness, personal well-being.

The thesis considers 33 different names of 28 types of poverty. Based on the analysis of different types of poverty we've accomplished their classification and according to certain criteria each every type of poverty was divided into the specific classes of poverty (see Table 2.1.2.):

Classification of poverty types

Table 2.1.2.

Criteria	Type of poverty
Classic (basic) forms of poverty	- Absolute poverty - Moderate poverty - Relative (deprivation) poverty
The character of poverty origins	- Primary poverty - Secondary poverty
The character of poverty display	- Registered/official poverty
The character of perception of poverty	- Subjective poverty - Objective poverty
The character of poverty sustainability	- Chronic poverty - Sustainable poverty - Cyclic poverty - Structural poverty - Float poverty - Temporary poverty - Episodic poverty - Situational poverty
Poverty distribution scale	- Endemic poverty/wide or collective poverty

	<ul style="list-style-type: none"> - Local poverty - Global poverty - Individual poverty
Poverty revealing form	<ul style="list-style-type: none"> - Material poverty - Monetary poverty - Economic poverty
Specific mode of poverty	<ul style="list-style-type: none"> - Social poverty - New poverty - Political poverty - Cultural poverty - Spiritual poverty

Source: Authors own

In the second part of the second chapter "Poverty measurement problems and its peculiarities in Georgia" the poverty line is determined as an officially defined minimal income that provides individual or family needs in food, clothes, dwelling and etc. There is given four groups of poverty line measuring methods here⁷⁴: normative method, statistic method, sociological method and mixed method.

The research proceeds from the assumption that global line of poverty is the line established by the World Bank that equals to \$ 1.90 and an exchange rate is defined according to consumer parity.

The research discusses poverty indicators like the following:

Foster-Greer-Thorbecke main poverty measures

$$P_H = \frac{1}{H} \sum_{h=1}^H \left(\frac{Z_h - Y_h}{Z_h} \right)^c$$

Poverty depth index:

$$P_D = \frac{1}{H} \sum_{h=1}^H \left(\frac{Z_h - Y_h}{Z_h} \right)^2$$

Poverty severity index:

$$P_S = \frac{1}{H} \sum_{h=1}^H \left(\frac{Z_h - Y_h}{Z_h} \right)^3$$

Poverty synthetic indicator or Sen index:

$$S = \frac{1}{2} \left(N + \frac{c}{P} G_D \right)$$

⁷⁴ Социально-экономическая статистика, Краткий курс лекций.

⁷⁵ Социология: в 3-ех томах: словарь по книге.— М.: Социологический факультет МГУ— им. М. В. Ломоносова, В. И. Добренко, А. И. Краченко, 2003-2004.

Household income deficit indicator:

$$\Delta = C_{min} \cdot P(U_{min}) \cdot N_p - S_{min} \cdot \mu \cdot N_p$$

Poverty index for developing countries (HPI-1):

$$HPI-1 = \left[\frac{1}{3} (P_1^c + P_2^c + P_3^c) \right]^{\frac{1}{c}}$$

Poverty index for developed countries (HPI-2):

$$HPI-2 = \left[\frac{1}{4} (P_1^c + P_2^c + P_3^c + P_4^c) \right]^{\frac{1}{c}}$$

Global Multidimensional Poverty Index (MPI):

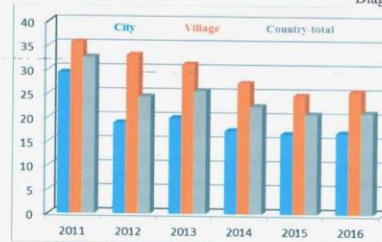
$$MPI = H \cdot A$$

It should be notice that the Georgian Department of Statistics doesn't give information about these indexes. There is one more method of absolute poverty measurement, which is based on the formation of absolute poverty and it's called relative method or the method of median calculation income. In Georgia is used median consumption 60 percent and median consumption 40 percent, registered poverty and Gini coefficient:

$$G = \frac{\sum_{j=1}^n \sum_{i=1}^n |Y_i - Y_j|}{2n^2 \bar{y}}$$

Nation statistic office of Georgia uses poverty measuring following indicators: relative poverty, absolute poverty, registered poverty, and Gini coefficient. It determines the calculation methodology of these indicators. Geostat differentiates the proportion of the population below the absolute poverty line as in whole nationwide, as well as in the village-rural context (see Diagram 2.2.1.).

Diagram 2.2.1.



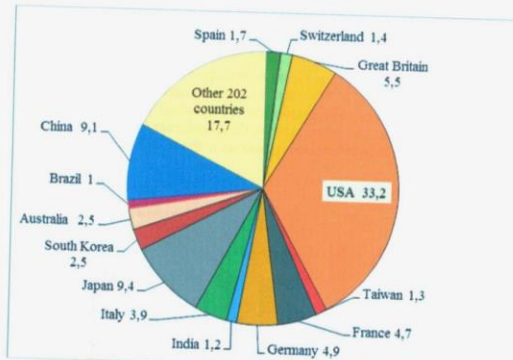
Source: Developed by the author based on the <http://geostat.ge>

None of the abovementioned indicators of poverty measurement give complete picture of this multidimensional category and it needs the complex approach be used for poverty measurement. From this point of view, we consider to use several poverty lines measuring method that is used in different countries.

In the third part of the second chapter "The problem of determination the causes of poverty" is discussed the problem of unequal distribution of wealth among the world. As the investigation of the World wealth distribution has shown, thirty richest countries own 83,3% of the World wealth while other more than 200 countries own only 17,7 % of the World wealth (see Diagram 2.3.5.):

Share of countries in the World wealth (in %, 2016)

Diagram 2.3.5.:



Source: Developed by the author based on the:
1). GDP: World Development Indicators, World Bank
2). Credit Suisse Global Wealth Databook 2016.

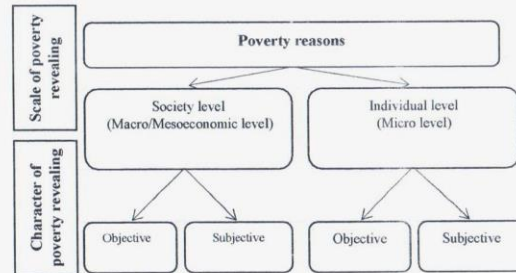
The topic considers J. Sachs's reasons why countries fail to achieve economic growth: The Poverty Trap, Physical geography, Fiscal trap, Governance failures, Cultural Barriers, The demographic trap, Trade Barriers, and Cultural Barriers.

For understanding poverty reasons we discussed these and other reasons according to different criteria which we've specified by investigating of different theories of poverty. Also we determined different signs of these criteria.

For the analysis of poverty reasons we consider these reasons to be divided into two criteria: according to the scale of poverty revealing which can be discussed on individual or micro level and social or macro level and according to the character of poverty revealing which can be divided into subjective and objective character of revealing (see Scheme 2.3.5.):

Reasons of poverty

Scheme 2.3.5.



Source: Author's own

Objective reasons mean the reasons that are independent of the will of a person i.e. when poverty is caused by external factors. Subjective reasons mean poverty caused from reasons which mostly depend on a person (see Table 2.3.1.):

Classification of causes of poverty

Table 2.3.1.

	<i>Society level reasons</i> (Macro/mesoeconomic level):	<i>Individual level reasons</i> (Microeconomic level):
Objective reasons	<ul style="list-style-type: none"> ▪ <i>An adverse economic conjuncture</i> ▪ <i>Political instability</i> ▪ <i>Ecological cataclysms</i> ▪ <i>Working season</i> ▪ <i>Cultural differences</i> ▪ <i>Climate differences</i> ▪ <i>Low income rate</i> 	<ul style="list-style-type: none"> ▪ <i>low quality of education</i> ▪ <i>Health conditions</i> ▪ <i>Elderly</i>
Subjective reasons	<ul style="list-style-type: none"> ▪ <i>The wrong policy of government agencies</i> ▪ <i>The taxes non-payment by rich people</i> 	<ul style="list-style-type: none"> ▪ <i>Low level of education</i> ▪ <i>Elderly</i> ▪ <i>Low level of social capital</i> ▪ <i>Poverty self-reproduction</i> ▪ <i>Associate features and behavior</i>

Source: Author's own

Thereby, we've determined four groups of poverty reasons:

- **Society level objective reasons** i.e. macro/mesoeconomic level objective reasons;
- **Society level subjective reasons** i.e. macro/mesoeconomic level subjective reasons;
- **Individual level objective reasons** i.e. microeconomic level objective reasons;
- **Individual level subjective reasons** i.e. microeconomic level subjective reasons.

Consequently, there are a lot of reasons of poverty existence and its keeping that requires a careful examination of this question. According to poverty reasons should be applied grouping of poor strata of society and for specific groups should be applied specific actions for fighting against poverty. We should not struggle against the results of poverty but should eliminate poverty "roots".

In the third chapter "Overcoming poverty as a goal of its investigation" is discussed the ways of poverty overcoming that were used by some of the developed countries. In the given chapter are also discussed governmental actions of poverty overcoming in Georgia.

In the first part of the third chapter "Poverty reduction experience in developed countries" is discussed different system of actions that are used in countries on different level of development for poverty overcoming-decreasing.

Developed countries with high living standards and high level of social security belong to so called social countries i.e. welfare society. Sociologist Gosta Esping-Andersen suggested the following types of "welfare regimes":

- **Liberal welfare state** is characterized by low interference of government and restricted state regulatory (US, Canada, Australia);
- **Corporate welfare state** when national economics is aimed on social needs (France, Germany, Switzerland, Netherlands, Belgium);
- **Social-democratic welfare state** is characterized for countries where high level of social care caused the lowest level of poverty (Denmark, Sweden, Norway, Finland);
- **South European (rudimental) model** which is not well-formed yet (Italy, Spain, Greece, Portugal)

In the given paragraph of the dissertation work is discussed the poverty overcome and welfare achievement experience in US, Germany, France, Great Britain and Norway.

Despite the fact that different models of "welfare state" and "social state" use different political economic approaches for poverty overcoming and welfare achievement, the main idea for all of them is to decrease the number of poor people. It can be achieved, from one side, by developing of manufacture i.e. increasing income and from the other side, based on the economic policy of wise redistribution of the income to the advantage of less wealthy people. The given approach is very important but not enough.

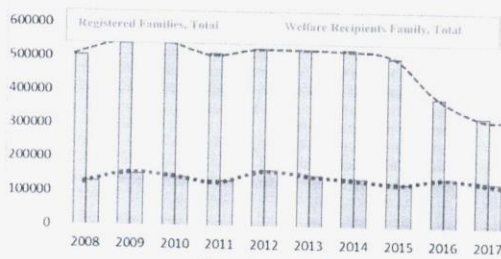
In the second part of the third chapter of the dissertation "The institutional basis for combating poverty in Georgia and its improvement necessity" is discussed the policy of poverty overcoming and social security implemented in Georgia.

Social security system in Georgia includes two main elements: (1) Superannuation Scheme (2) Targeted Social Assistance (TSA) for families under the poverty line.

A social security network was created in Georgia in 2004. Targeted social assistance program started in 2006. Georgian policy about social security consists of a number of legislative and subordinate normative acts and includes the Constitution of Georgia, international agreements, and contracts that were signed by Georgia, it also consists of the law "About social assistance" passed by the Georgian Government on 29 of December 2006, in order of its efficiency were made changes in 2008, 2009 and 2010. The new social-economic methodology (the new system of estimation) on a socially vulnerable population that started its realization from May 2015 caused

changes in the number of registered poverty relief families (see Diagram 3.2.1.):

Number of registered poverty relief families
Diagram 3.2.1.



Source: Developed by the author based on the:
Ministry of Labor, Health and Social Affairs of Georgia,
National Statistics Office of Georgia

Low level of nominal or real income of working class, high level of unemployment, lack of study and analyze of poverty problem and its reasons, inadequate social programs and lack of security of social defense causes rise of poverty and social inequality, that negatively influences on the formation of the middle class and on purchasing power, prevent expansion of internal market and economic development of Georgia. All of these prevent to establish Georgia as a social state.

Therefore, it becomes necessary to find wise ways toward methodology of poverty investigation and its overcoming, which should be scientifically provided and methodologically justified.

The given approach should aim struggle not against the results of poverty but against the reasons of poverty and it should not be extended just with material assistance but it should mostly include a wide range of policy (see Scheme 3.2.1.):

Poverty Theories as explaining the causes of poverty and the basis for combating poverty

Scheme 3.2.1.



Source: Author's own