

## FOREIGN EXPERIENCES IN IDENTIFYING FACTORS AFFECTING THE LEVEL OF POVERTY

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**Abstract:** This article examines foreign experiences in identifying factors affecting the level of poverty from a theoretical and practical perspective, and provides recommendations on the application of classical economists' theoretical views on the factors that cause poverty, its impact on the economy, its elimination, and their aspects suitable for the conditions of Uzbekistan.

**Keywords:** income level, consumer basket, social protection, minimum consumption expenditure, daily consumption rate

In the last century, more precisely on January 8, 1964, the President of the United States of America L. Johnson declared "America's War on Poverty". Some time later, on August 20, this "war" became law. This law, based on the capabilities of the United States economy, determined the government's directions for preventing and reducing poverty. This is referred to in the history of the United States as a grand strategy under the name "War on Poverty". One of its practical works is that everyone works, works, uses their intellectual potential and tries not to lag behind society on the path of "building a great society". The relevant representatives of the government will help the lagging strata of the population in the manner prescribed by law. This law has already shown its strength in 1965. The reason for achieving results that had not been achieved since the 1930s in just one year was a complex socio-economic state policy and liberalism. The achievement of property rights occurred through the creation of freedom and privileges, as stipulated in the law. It was during these years that the number of low-income and poor people in the country decreased, and due to the gratuitous assistance provided by the state - subsidies and preferential loans, the number of small businesses and entrepreneurs increased almost 3 times.<sup>1</sup>

Poverty in Europe, its consequences, and the factors that reduce it were reflected in the works of Adam Smith. According to him, poverty is a condition associated with human nature, and a process that creates feelings of discrimination, shame, and alienation among the population in society. Here, it is said that the lack of ability to create material well-being is not a hereditary trait, but rather a fundamental line or feature that arises between social standards and material well-being in this society.<sup>2</sup> Based on the work of Adam Smith, the poverty line was created in the 19th century by calculating the family budget, that is, their income and expenses, especially those spent on goods and services in the consumer basket.

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<sup>1</sup>Raitsin V.Ya. Modeli planirovaniya urovnya jizni. - M. "Economics", 1987, pp. 42-60

<sup>2</sup>A. Smith. Investigation of nature and wealth. - M. 1962

Since then, according to the World Bank, the absolute poverty line has been calculated at \$1.25 per day. Today, due to the increase in the variety of products in the consumer basket, if the daily norm is less than \$3.7, the owner of this income is considered poor. Interestingly, given that more than 70 percent of daily income is spent on minimal consumption, mainly on food, poverty is a condition that negatively affects the economy, since the inability to save money and invest is a process that is contrary to the prosperity of the country's economy.

Later, European economists established that the daily norm for the poorest countries is 1.25 US dollars, while the poverty line is 2.15 US dollars per day. Today, this figure is equivalent to 5.6 US dollars. Also, the population groups with a daily income of more than 2 US dollars and less than 4 US dollars began to be considered the economically disadvantaged population.

The table below presents poverty levels in some foreign countries using different concepts.

Table 1.2

Some foreign countries with poverty levels (2014-2021)<sup>3</sup>

Country name	Absolute poverty (in %)	Relative poverty (in %)	Poverty rate (in %) when anti-poverty concepts are applied
Russia	29	6.1	12.2
USA	24	7.3	14.3
Japan	26	6.7	14.7
China	43	5.2	15.2
European countries	27	7.1	13.2

Some European countries, seeing the benefits of these anti-poverty concepts, have begun to set their own poverty lines as part of their reforms. For example, in China, where the number of poor people increased from 26 million to 128 million when the daily income was 55 cents to 1 US dollar, Scandinavian countries such as Luxembourg, Austria, Germany, and Norway set the daily income at 60 dollars, which reduced the number of poor people in households with 4 members from 960,000 to 450,000. In the United States, daily income also increased from 5.7 dollars to 61 dollars, and here the number of poor people also decreased by an average of 3.5-4 times.

According to the latest statistics, Belarus, as well as Moldova, are recognized as the poorest countries in Europe. Most of the population of these territories earns no more than two thousand euros per year. In Liechtenstein or Switzerland, one person can earn up to 60 thousand

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euros per year. Serbia, which is not able to overcome the post-crisis period, has experienced serious financial difficulties. In this regard, the average salary is about three thousand euros. The poorest country in the European Union is Bulgaria, where one person earns no more than 2,800 euros per year. We would also like to mention the Republic of Haiti, which has a population of about 10 million. Since it was a French colony in the past, the state is still French. Together, it is the poorest country in the Americas. The population of Haiti constantly suffers from natural disasters and mass epidemics. That is why this country is on the list of the poorest countries in the world. Gross domestic product is the main and main macroeconomic indicator - the regulator, by which it is determined which country is the richest or the poorest. Its value depends on a number of factors, including the level of population growth. It is quite logical that the country somehow absorbs the "new" people born at a high rate. Unfortunately, the poorest countries in Africa and Asia cannot fundamentally solve these problems, so the situation of the population is worsening from year to year. These countries occupy high places in the world ranking in terms of the number of poor people. More than 63% of their population is recognized as poor. Although GDP per capita is often used as a criterion for determining poor countries, the use of purchasing power parity (PPP) allows for a more accurate assessment of the purchasing power of an individual in each country. According to the rating, Uzbekistan ranked 67th out of 190. The GDP per capita per year was \$10.9 thousand. The higher the rank, the poorer the country. Among the Central Asian countries, Tajikistan ranked 43rd (\$5.8 thousand), Kyrgyzstan ranked 48th (\$6.8 thousand), Turkmenistan ranked 101st (\$19.7 thousand), and Kazakhstan ranked 128th (\$34.5 thousand). The poorest countries in the world are South Sudan (\$455), Burundi (\$916), and the Central African Republic (\$1,132).

It is noted that the international poverty line is a concept published by the World Bank in September 2022, which is set at \$2.15 per person per day in purchasing power parity terms.

It is noted that this calculation is irrelevant for the poverty line in Uzbekistan.

It is also noted that there are other poverty lines, which are:

-\$3.2 for countries with lower-middle income levels;

-\$5.6 for upper-middle-income countries;

For reference, today Indonesia is home to more than 270 million people. This country is also currently implementing extensive reforms to reduce poverty. In recent years, the poverty rate has decreased from 12% to 9.6%. It is noted that there is enough wealth and resources in the world to ensure a decent standard of living for all humanity. Despite this, people in countries such as South Sudan, Burundi and the Central African Republic continue to live in desperate poverty. The poorest countries in the world also include Afghanistan, Syria and Eritrea, which have been experiencing political instability and conflict for years. The top ten also include the Democratic Republic of the Congo, Mozambique, Niger, Malawi, Liberia, Madagascar and Yemen.

According to a UN report, the poverty rate in Uzbekistan has decreased by 12.5% over the past 20 years.

Approximately 18.4% of the adult population in Uzbekistan (4.2 million citizens) live below the poverty line.

The estimated minimum consumption expenditure in Uzbekistan for 2025 is 669,000 soums per person per month.

In world practice, the use of the minimum consumption expenditure indicator as a poverty line is widespread, and this indicator is used to:

- ✚ identifying the target group of the population in need of material and other social support from the state;
- ✚ increasing the effectiveness and targeting of tasks and measures set out in the poverty reduction strategy and programs, as well as conducting their constant monitoring;
- ✚ It is used as a criterion for determining the minimum amount of pensions and benefits, as well as for providing other types of material assistance to poor families.

Resolution No. 544 of the Cabinet of Ministers of the Republic of Uzbekistan dated August 27, 2021 “On the introduction into practice of the procedure for calculating the cost of minimum consumption expenses” It has been determined that Starting from 2022, the monthly per capita income criterion used in the process of recognizing a family as low-income through the Unified Register of Social Protection information system will be equal to the minimum consumption expenditure, and the Ministry of Economic Development and Poverty Reduction of the Republic of Uzbekistan will calculate the forecast parameters of the value of the minimum consumption expenditure by August each year based on inflation expectations.

This is an important positive step in determining the minimum consumption expenditure, as well as the parameters of the standard of living and quality of life of the population, taking into account the current relevance and complex impact of globalization. However, during the 25 years before the beginning of the qualitative period of independence, the indicators of the consumer basket were not clearly calculated and were not openly used in official information sources.

The UN report notes that the largest share of the poor population by all indicators is in the Republic of Karakalpakstan (29.9%), Namangan region (27.5%), and Tashkent region (26.5%).

The report emphasizes Uzbekistan's goals of halving poverty by 2026 and achieving a median income by 2030.

The report expresses confidence that Uzbekistan's plan to completely eradicate poverty in the country by 2030 has deep foundations.

It is ensuring moderate development in the country, which is seen as the biggest factor in the fight against poverty.

The United Nations uses the official term “least developed countries” to assess the level of economic development. This “black” list includes countries with a per capita GDP of less than \$750. Currently, there are 52 such countries, and it is no secret that the poorest are African countries. They are on the UN list from 32 to 34.

The main causes of poverty in these countries are recognized as the constant diseases of the local population, war or military operations. In addition, in most of these countries, the population dies of AIDS before the age of forty. As one philosopher said, those who have a chronic disease in their family will never be rich. Several scientists have also contributed to science with such thoughts. For example, according to the results of research conducted by Pakistani scientists Taqid Majid and Noman Malik in 2015, the level of literacy is also included among the factors causing poverty. The idea is put forward that factors such as the experience, age, gender and employment of the head of the family affect the poverty of a household. This is explained by the fact that women do not have high opportunities to get an education and earn an income. Based on research, it is noted that, firstly, poverty is inversely proportional to the level of education, secondly, those who have remittances in rural areas are less likely to fall into poverty, and thirdly, the urbanization process also reduces poverty and increases it in rural areas. In turn, it is argued that experience, age and employment in agriculture do not cause poverty. Milton Friedman, one of the founders of effective monetary policy in the United States, emphasizes that income inequality does not accurately reflect statistical distribution. In his opinion, the distribution of income in terms of consumption depends on the reasons that give rise to them. One of the reasons for income inequality is related to the unequal distribution of people's abilities. This trend was also noted by the scientist H. Stucke, while J. Minser identified and evaluated the factors of investment in human capital and income inequality. It is noted that the inequality of people's income depends on investments in human capital, and the investment process is based on free choice. According to Minser, high wages require a lot of learning. Therefore, the difference between professions is explained by differences in their learning, and the absolute difference in the duration of learning causes percentage differences in annual income. The difference between the incomes of several owners of the same profession is associated with the extension of the period of investment in human capital experience. In general, it is argued that factors such as education, age and occupation are the main reasons for the stratification of people's incomes.

S. Peng et al. in their study analyze the factors that cause poverty. They list the following as factors that cause the likelihood of poverty: old age, being a woman, not having a spouse, growing up in a family without a father or mother, unemployment, renting public housing, low literacy and disease. Also, having a disabled person or a chronic disease in the family. It should be noted that higher education is said to help avoid poverty and marginal poverty.

Achieving a high level of material well-being, health and safety of the population, creating guarantees for their implementation, creating political, economic and social conditions for the population, and reforms aimed at poverty reduction are the main directions of state social policy today. This direction is being implemented by implementing appropriate socio-economic policies aimed at ensuring a decent life and free development of every person.

In conclusion, we can say that new approaches to solving problems related to the lifestyle of the population, labor relations in the enterprise (organization, firm, company), regulation of labor remuneration, evaluation of employee services, regulation of wages and socio-labor relations in general, have a direct impact on reducing the concept of so-called poverty.

The poor are those whose average per capita income is less than 1/3 of the national average wage. In addition, the concept of poverty can be clarified by the share of food expenses

in family expenses. If food expenses exceed 50 percent, the family is considered poor (in rich families this amount is 5-6%).

Poverty is both a macroeconomic and social problem, and no society can escape it. For this reason, national economies cannot always regulate themselves. The level of poverty in some countries directly affects their ability to establish economic, political, and social relations with other countries. Poverty is especially evident during periods of economic crises, pandemics, and recessions, which affects the strengthening of ties between some countries and the extension of a helping hand.

In the United States, the number of low-income and poor people decreased between 1960 and 1965, and small businesses and entrepreneurs almost tripled due to free government assistance - subsidies and soft loans. While China's daily income increased from 55 cents to \$1, the number of poor people increased from 26 million to 128 million. Scandinavian countries such as Luxembourg, Austria, Germany, and Norway set a daily income of \$60, which reduced the number of poor people among households with four members from 960,000 to 450,000. In the United States, daily income also increased from \$5.7 to \$61, and the number of poor people decreased by 3.5-4 times.

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