Stratification and the Poverty of Progress in Post-Communist Latvian Capitalism

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abstract: The end of communism in Eastern Europe ushered in an era of markets and modernity. Post-communist capitalism has also wrought stratification with intensified upward and downward socio-economic mobility. Examining the case of Latvia, we offer an analysis of one of post-communist capitalism's most apparent effects: the creation of a broad and diverse mass of economically disadvantaged inhabitants. While numerous writers have framed their analyses in terms of the 'winners and losers' of change, most research has treated these categories as exclusive entities and has paid little attention to the sociological relationship between them or the diversity within them. This work elaborates the relationship between the economically disadvantaged and both post-communist capitalism and the upper socio-economic rungs of society. As well, we offer three ideal-typical categories for description and analysis of post-communism's economically disadvantaged masses.

keywords: Baltic ◆ class ◆ Eastern Europe ◆ Latvia ◆ post-communism ◆ poverty ◆ stratification

Introduction

A small polemical work on the troubles of the economically disadvantaged in post-communist Latvian capitalism opens with a scathing introduction:

> Not long ago, it was the Latvian Soviet Socialist Republic, but now – the Latvian Capitalist Republic. With all of the accompanying consequences. Some still say that Latvia is now free, but, unfortunately, they don't even bother to explain – free from what . . . They say, free and that's all, [and] just be satisfied with that. Everything that existed in the past is bad and – everything that exists today is very good. . . . Slide on your poor slippers and walk unhindered in your new, free world. And don't be asking if you are needed by anyone out there. Better ask: does anyone here still need you? (Terzens, 2007: 5–6)

The end of Soviet-style communism in East and Central Europe saw the collapse of the decades-old command economy and the construction of post-communist states with modern market systems, widely recognized as the path to prosperity and modernity. The success of new markets has garnered the most attention and, indeed, Latvia is among those countries which experienced the most rapid growth in the region, spawning a small crop of millionaires

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and giving birth to a nascent middle class of professionals and entrepreneurs. Those at the bottom of the socio-economic ladder have remained on the margins of this story. Examination of those who have been left behind by post-communist capitalism's promise and prosperity, however, is critical for the construction of a fuller sociological analysis of a transformation in which many won their long-coveted political freedom, only to be 'freed' from economic sustenance and security.[1]

This work seeks to enrich the class analysis of post-communist capitalism with an examination and analysis of poverty and economic marginality in the context of competitive capitalism and the stratification hierarchy that has evolved in the period after the end of communist rule and the command economy. In a review essay on the works of Eyal et al. (1998) and Stark and Bruszt (1998), sociologist Michael Burawoy (2001) writes that a critical account of the 'capitalisms' being constructed in the post-communist space demands consideration of the way that capitalism built from the top by managerial and cultural elites who led the political and economic transformations has been '"shouldered" from below' (2001: 1105), arguing that the analyses, like many others, 'exclude subordinate classes, which in effect become the bewildered – silent and silenced – spectators of transformations that engulf them' (2001: 1107).

This work endeavours to contribute to the existing body of literature on classes in the New Europe, much of which has, to this point, focused heavily on theorization and examination of the political and economic elite (Staniszkis, 1991; Szelenyi and Szelenyi, 1995; Steen, 1997; Eyal et al., 1998; Higley et al., 1998; Stark and Bruszt, 1998; Eyal, 2003). Of course, there have also been illuminating examinations of marginal populations in post-communism, the foci of which have varied. Braithwaite et al. (2000) look at who is poor in the former Soviet Union and Eastern Europe and discuss determinants of poverty, though those are limited largely to individual and household-level variables such as 'human capital', 'physical capital' and 'demographic characteristics'; less attention is directed to structural aspects of impoverishment in new capitalism. In an edited collection, Bridger and Pine (1998) offer a spectrum of 'survival strategies' developed by marginal groups in response to the economic, political and social transformations across the region. In a chapter on the 'feminization and racialization' of poverty, Emigh et al. (2001) raise the question of whether economic growth and marketization after communism can eliminate absolute poverty. A compilation and analysis of poverty data on Russia, which highlights the measurement of poverty, as well as the values and practices of the poor across communities, has been put forth in Manning and Tikhonova (2004). Szelenyi and Ladanyi (2006) offer a structural analysis of the Roma people in the region as an 'underclass' of post-communism, examining, for instance, the effect differing transition strategies have had on the structural position of this population. More recently, Balockaite (2009) has analysed the representation of the Lithuanian 'lower class' in the media and politics, arguing that this group is largely defined (and misrepresented) by more powerful entities in society.

Within the existing body of material, this article represents a new consideration of the economically marginal population in the context of post-communist capitalism's socio-economic hierarchy. While numerous writers have framed their analyses in terms of the 'winners and losers' of post-communist change (Titma et al., 1998; Silverman and Yanowitch, 2000; Mikhalev, 2006), research has tended to treat the 'winners and losers' as exclusive entities and has paid less attention to the sociological links between the powerful and the powerless. This work seeks to elaborate more fully the relationship between the economically disadvantaged and both post-communist capitalism and the upper socio-economic rungs of post-communist society, with a particular focus on the post-communist state of Latvia. Latvia is an interesting case for analysis because of both its similarities to and differences from neighbouring states.

Latvia has key commonalties with its post-communist neighbours, the most central of which are shared processes of democratization and marketization, though the degree and kind have been mixed in the region (Jungerstam-Mulders, 2006; Bohle and Greskovits, 2007). All regional

states have experienced economic dislocation and the growth of stratification, as well as a reduction in social supports. As Ivanova (2007: 169) points out in a survey of the region: 'Social considerations, in particular, and social policy, in general, did not play a prominent role in the early transition discourse . . . the rejection of the centrally-planned economy went along with a rejection of social and welfare policies.'

At the same time, some characteristics of the Latvian case render it a distinct and interesting case study. Like its Baltic neighbours Estonia and Lithuania, but unlike former satellite states such as Poland, Hungary and the Czech Republic, Latvia was a constituent part of the USSR for half a century. As such, in the post-communist period its inheritances include a large Russian-speaking population and a legacy of tighter economic ties to the East (Lieven, 1993). In Latvia, as in the other Baltic countries, this has meant a more acutely felt need by Latvians to assert independent nationhood by decisively breaking with the institutions and practices of the past (Pabriks and Purs, 2001; Rausing, 2002). This may be one causal factor in the Baltic nations' choice of shock therapy over gradual marketization, which was more characteristic of the Visegrad states. This is a significant distinction, not least because local manifestations of neo-liberalism have been virtually uncontested in the mainstream, as they have been in some Central European states (True, 2003).

Notably as well, the Soviet experience poisoned the language and politics of the left in Latvia. That is to say that the discourse of class, inequality and social justice, to the degree that it is associated with the vocabulary of Soviet communism, is tainted by the past.[2] A Latvian political scientist recently remarked that in the post-communist period Latvia has had 'no normal left alternative' (Lulle, 2008: 2).[3] By contrast, in Hungary and the Czech Republic, among others, there has been a more active public discourse about stratification and poverty, which has been accompanied by greater success of left-oriented parties in political contests (Orkeny, 2000; Vlachova, 2000) and a higher degree of nostalgia for the institutions of the communist era (Ekman and Linde, 2005). The marginality of a left-oriented vocabulary in Latvia renders particularly problematic a critical consideration of the problems of economic marginality and inequality, which have been largely disconnected in the public discourse from rigorous structural or relational explanations. This is the case in spite of the fact that, as the survey of statistical data below will show, Latvia has experienced some of the highest inequality indicators and poverty rates in the region.

This article proceeds as follows: first, the dimensions of poverty, economic marginality and inequality are drawn using a brief survey of quantitative data. These data point to the prevalence of economic disadvantage and illuminate the relative position of the disadvantaged in society. Second, we theorize the sociological characteristics and functions of poverty and economic marginality in Latvia. We posit that a blanket conceptualization of post-communist capitalism's economically disadvantaged as a 'lower class' or 'the poor' obscures some important sociological characteristics of this population and we offer three ideal-typical categories that highlight the position of the economically disadvantaged relative to the neo-liberal capitalist system and the non-poor classes in Latvia. We conclude with a discussion of the work and its relevance as a conceptual prism for considering the sociological issue of economic disadvantage in the post-communist world more generally.

Dimensions of poverty and economic marginality in a regional context

Since the renewal of Latvian independence in 1991,[4] the national government has followed a neo-liberal model of economic development focused on the construction of an unfettered market and the elevation of individual agency and responsibility over a tight social welfare net (Titma and Murakas, 2004; Rajevska, 2006; Bohle and Greskovits, 2007). Economic policies embraced by the post-communist state have not directly and comprehensively addressed issues

of poverty and its alleviation in spite of the dramatic economic dislocations that were already apparent in the early 1990s, as Soviet-era enterprises closed their doors, collective farms were disbanded and the door on the full-employment economy of Soviet communism was decisively shut. Ruling parties and politicians have to this point embraced the view that the market economy would sort out problems of economic marginality and that there was no critical need for a socially oriented policy.

Government declarations, which set key government goals and objectives, have not identified alleviation of poverty as a priority of the state. The marginality of poverty on the agenda is highlighted by the fact that Latvia prepared its first 'National Action Plan' for the reduction of poverty only in 2004, an action taken in response to European Union accession. Up to this point, Latvia also did not have a systematic measure of poverty. Though governments have changed frequently since independence, none has attempted a comprehensive social policy in this sphere.

The only programme with a specific provision of income for the poor is the GMI (Guaranteed Minimum Income) programme, which is not pegged to an official poverty line and has consistently been just a fraction[5] of the state-defined 'survival minimum' of income. No less importantly, the GMI has been foreseen as a short-term measure rather than part of a comprehensive approach to fighting poverty: regulations posit the availability of no more than three 3-month-long periods of access to GMI funds over the course of a year (Vitola, 2006: 135). The GMI has been determined primarily by municipalities in consultation with the government. As such, local government budgets rather than the economic needs have played the key role in the provision of resources through the GMI programme.

In the early years of the new millennium, the economy of Latvia was characterized by dynamic development and the rapid rise of the gross domestic product (GDP), though growth came to an abrupt and dramatic halt in late 2008, as all key economic indicators turned downward and Latvia, like much of the globe, slid into recession. Alas, it is arguably the case that the severity of human distress in the crisis period has been exacerbated by the condition of deep stratification that was already in place when the economy was flourishing. Even in this period of relative prosperity, the rising tide failed to lift all boats: macro-economic policies did little to alleviate the economic distress at the very bottom of the ladder. The measured 'poverty risk' grew from 16 per cent in 1996 and remained stable until about 2003 (United Nations Development Project and Ministry of Foreign Affairs of the Republic of Latvia, 2005: 13). It rose to 23 per cent in 2006, though it declined to 21 per cent in 2007.[6] The greatest risk of poverty has consistently been found in Latvia's rural regions and small towns, while the risk has to this point been smaller in Riga and other large cities (Rungule et al., 2007: 160).

One of the manifestations of the state's economic politics regarding poverty has been a failure to put in place a systematic measure of that phenomenon. As such, fully comparable data showing changes over time are unavailable. However, as Table 1 shows, Latvia compares unfavourably with other European Union (EU) members in the region. In 2006 and 2007, it had the highest at-risk-of-poverty rate in the EU. Data show that in several household groups, including single-parent families and single-pensioner households, the risk of poverty is particularly acute (see, for instance, Table 2 for data on the risk for single persons over 65).

It should be noted at this point that the at-risk-of-poverty instrument used by the EU is a relative measure of poverty. That is, it shows the position of the economically disadvantaged *relative* to the societal norm.[7] Compared to absolute measures of poverty (like the poverty threshold used in the United States), the relative measure is closer to being an indicator of income inequality: as such, a less polarized income distribution would tend to produce a lower at-risk-of-poverty rate. This helps explain the fact that the at-risk-of-poverty rate for single persons aged 65 and over rose dramatically from 2005 (45 per cent) to 2007 (75 per cent): while the qualitative experience of the single elderly may not have changed appreciably (though a

Table 1 *At-risk-of-poverty rate in selected EU states, 2007. Percentages*

Country	CZ	EE	HU	LV	LT	PL	SK	EU-25
At-risk-of-poverty rate	10	19	12	21	19	17	11	16

Source: Eurostat, 2008.
(http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,39140985&_dad=portal&_schema=PORTAL&screen=detailref&language=en&product=REF_TB_living_conditions_welfare&root=REF_TB_living_conditions_welfare/t_livcon/t_ilc/t_ilc_ip/tsisc030), accessed on 30 December 2008.

Table 2 *At-risk-of-poverty rate for one adult over 65 in EU states, 2007. Percentages*

Country	CZ	EE	HU	LV	LT	PL	SK	EU-25
At-risk-of-poverty rate	13	69	11	75	60	9	16	26*

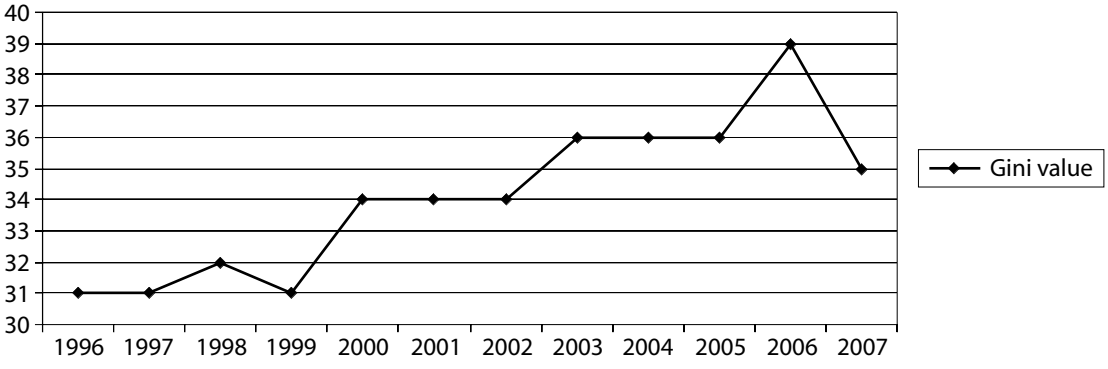
Source: Eurostat, 2008.
(http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,39140985&_dad=portal&_schema=PORTAL&screen=detailref&language=en&product=REF_TB_living_conditions_welfare&root=REF_TB_living_conditions_welfare/t_livcon/t_ilc/t_ilc_ip/tsdsc240), accessed on 30 December 2008.
*Data on the EU-25 are from 2006.

rising inflation rate over this period would have reduced already-low buying power), they were falling further and further behind the societal standard of living in Latvia's period of rapid economic growth.

Lelkes and Zolyomi (2008) include an additional measure of poverty in their recent survey of poverty across Europe. Though standard EU indicators use a relative measure, they calculate an experimental absolute measure using thresholds of 5 and 10 Euros per day, adjusted for purchasing power parity. While an imperfect measure due, for instance, to the exclusion of value generated by subsistence farming, the authors suggest that the measure highlights a 'depth of poverty' that cannot be read in the relative measures (p. 4). By this measure, Latvia's poverty level (using 2006 data) reaches over 30 per cent. By comparison, Lithuania's rate is just below 30 per cent, followed closely by Poland; Estonia's rate is 15 per cent and Hungary's is just above 10 per cent. No other EU state has a rate greater than 10 per cent (p. 10).

The increase in income level for middle to upper-income groups, who are comprised primarily of those who came of age in the period of transformation and those who had some form of transferable social capital from the Soviet period, has been considerably more rapid than the rise in income of those in the bottom tier of workers. Income gains have also been minor or non-existent among those outside the labour market or relying primarily on social transfers (such as pensioners). The growing gap between these groups is also reflected in statistical measures like the Gini coefficient.[8] The Gini coefficient, which has long been used as a measure of the equality of the distribution of income, has risen throughout the post-communist period (see Figure 1). Other data further highlight the inequality of income distribution: in 2007, the ratio of the income earned by the top quintile to that earned by the bottom quintile was 6.3, the second highest figure in the EU (Portugal reported a ratio of 6.5), though it reflected a decline from the previous year. By comparison, post-communist EU members such as the Czech Republic (3.7) and Hungary (3.7) reported ratios comparable to those of older members, such as Sweden (3.4) and Denmark (3.7) (Eurostat, 2008). A report by Latvia's Strategic Analysis Commission (SAK), written while the economy was still prospering, highlights the point, suggesting that: 'Although the average standard of living in Latvia is rising . . . the gap between various social strata is also growing' (2007: 51).

While Latvia's economy has been characterized by dynamic growth in recent years, at least until the economic downturn of late 2008, the fruits of this prosperity have not been distributed across the economic spectrum. These discrepancies underpin inequalities in access to



Source: *Strategiskas analizes komisija*, 1997: 50; Eurostat, 2008. (http://epp.eurostat.ec.europa.eu/portal/page?_pageid=1996,39140985&_dad=portal&_schema=PORTAL&screen=detailref&language=en&product=STRIND_SOCOHE&root=STRIND_SOCOHE/socohe/sc010), accessed on 3 June 2008. Data from these sources do not cover the period preceding 1996.

Figure 1 *Gini coefficient for all households in Latvia, 1996–2007*

quality healthcare and education, consumer goods and cultural experiences, and opportunities for stability and security. The limitations and disadvantages experienced at the bottom of the economic ladder are acute. What segments of the population does this category of disadvantage encompass in Latvia? What are their sociological characteristics and how do they fit into the stratification hierarchy that has evolved in post-communist capitalism? The following section addresses these questions.

Theorizing poverty and marginality in post-communist capitalism

This section of the article theorizes poverty and economic marginality in Latvia as multidimensional sociological phenomena emerging from the conditions of post-communist capitalism in Latvia. In this case, we define post-communist capitalism broadly as the structural economic context emerging from the confluence of the legacies of over half a century of communist rule in the region, the ideologies and practices of neo-liberal ideology in the economic sphere, and the influences of Europeanization and globalization on Latvia's society and economy. Below, we outline three ideal-typical categories for the characterization and analysis of the broad strata of poor and economically marginal in Latvia. These categories are neither absolute nor mutually exclusive, but, like Max Weber's ideal types (1949), are intended to highlight particular characteristics, tendencies and patterns within the social sphere.

The first ideal type was developed using Zygmunt Bauman's work on modernity's production of 'wasted lives' (2004) and highlights the disadvantages that accrue to those with little or no capital to take to the modern consumer market. This section discusses the invisibility of a class category distinguished most apparently by its lack of the capital and status markers valued by society. The second ideal type draws on the work of Herbert Gans (1972, 1995) to construct a picture of a class category spawned and structured by the 'needs' of new capitalism and capitalists and highlights the multiplicity of ways in which poverty is functional for the non-poor in post-communism. Finally, we discuss an ideal type we call the *nEU class*, a category of labour migrants who have opted out of the national class structure, joining an exodus of those who trade economic marginality or risk in the home country for a place in the labour markets and stratification structure of the EU.

Outcasts of modernity: invisibility and the new underclass

'Everyone without money is an outsider.' – Laimonis, age 53 (Rungule et al., 2007: 270).

In his 2004 book, *Wasted Lives: Modernity and its Outcasts*, sociologist Zygmunt Bauman writes that:

> The production of 'human waste', or more correctly wasted humans (the 'excessive' and 'redundant', that is the population of those who either could not or were not wished to be recognized or allowed to stay), is an inevitable accompaniment of modernity. It is an inescapable side-effect of order building (each order casts some parts of the extant population as 'out of place', 'unfit' or 'undesirable') and of economic progress (that cannot proceed without degrading and devaluing the previously effective modes of 'making a living' and therefore cannot but deprive their practitioners of their livelihood). (2004: 5)

Under Soviet communism, particular population categories were declared to be politically undesirable: at various times, small nations such as the Chechen-Ingush and the Crimean Tatars, members of the bourgeois intelligentsia, *kulaks* (the rural bourgeoisie) and anti-Soviet dissidents bore the misfortunes of this designation. At the same time, the labour structure of the USSR made use of nearly all able-bodied persons and, as such, individuals or groups were not economically superfluous (even if they were not especially efficient in the command economy).

The 'outcasts' identified by Bauman are, by contrast, an underclass of the market and modernity.[9] They are marginal as both producers and consumers. This is a category characterized not just by poverty, but by the absence of nearly any form of capital valued in the new order of post-communist capitalism. The absence of capital renders them politically invisible as well: they are silenced voices in the cacophony of democratic pluralism.

Post-communist capitalism follows its modern counterparts in the construction of a system built on the foundations of consumption, elevating the status of what Burawoy and Krotov (1993) have termed 'merchant capital', that is, profit from commerce rather than production. No less importantly, the 'merchant capital' that fills the coffers of the dominant classes comes from consumers in the modern marketplace, a site at which status and visibility are bought and sold. The drive for 'distinction' through the field of the market that makes visible the dominant classes and the nascent middle class (Bourdieu, 1984), at the same time renders virtually invisible the bottom of the class structure, whose economic practices are structured by basic needs rather than consumer desires. As a 57-year-old female respondent in a recent study noted:

> Oh, I used to be able to afford all sorts of things, everything. I could afford to go to concerts or someplace; at this time I can't go anyplace, once in a while I can afford to go to a store, and then I look around and see if I can buy something there or not. (Rungule et al., 2007: 217)

Bauman's theoretical construction of the category of 'human waste' (or wasted humans) embodies, arguably, a quasi-functionalist approach[10] to the relationship between modernity (or 'economic progress') and its 'waste': the work can be read as suggesting that modernity (which can be imagined in this instance as an organism) rejects and egests that which it does not need. In an article on the lower class in Lithuania, Balockaite (2009: 16) writes that: 'Along with the *nouveaux riches*, a class of *nouveaux parves* [new poor] emerged as an unexpected side-effect of capitalist development.' Alas, Bauman's work suggests that this 'side-effect' was anything but unexpected. Rather, it was part and parcel of 'progress':

> On the battlefront of production, who would deny the need for strong reserve units ready for the fray if the need arose? The unfulfilled consumers in the society of consumers cannot be so sure. One thing they can be certain of is that having been cast out of the only game in town, they are no longer players – and so no longer needed. (2004: 13–14)

Who are the 'outcasts' of post-communist capitalism? What and where is the 'waste' of modernity in this region? What is the relationship of this category to other classes and to the capitalist market itself? These questions are examined in the remainder of this subsection.

The most apparently superfluous category of the population in the post-Soviet context is the classic icon of Soviet progress and productivity, the heavy industrial worker. As surely as Lenin was toppled literally and figuratively from mighty heights in the latter years of the twentieth century, so too has the powerful figure of the industrial labourer tumbled from symbolic significance to practical obsolescence. In the post-industrial context of the New Europe, those previously utilized in the Soviet chain of production are no longer of value and are not part of the evolution of 'economic progress'. Under the conditions of the Soviet command economy, it is unlikely that all labourers were economically necessary; communist ideology's promise of full employment made them ideologically necessary, but capitalism offers no such oath. The demise of the chain of production that utilized countries like Latvia as 'middlemen' to process the raw materials from other republics broke the back of industry in the Baltics and the forces of global capitalism, characterized by the relentless pursuit of low-wage industrial labour, ensured that, but for a few ventures in need of skilled workers, the industrial proletariat would never rise again in this region.

Those who lost positions in manufacturing after the fall of the USSR are among those who constitute the long-term unemployed, particularly in small cities and areas further from Latvia's capital city of Riga (Rungule et al., 2007). In rural areas, long-term unemployment is often linked to the rapid break-up of large collective farms: a central feature and symbol of Soviet agriculture, the farms, a primary source of employment in rural regions, were disbanded in the early 1990s. While this process did away with a major Soviet legacy in the countryside, the new economic order offered little security and stability (Dreifelds, 1993: 131–2): out of the ruins of collective farms rose a multitude of small family farms (Kwiecinski and Vojtec, 1996) which, while embraced for their place in Latvian traditions and practices of yore, have been almost invariably unprofitable and nearly unsustainable in the context of modern, competitive and global agriculture.

Unemployment in Latvia has been variable over time and space since independence. For instance, in 1996, the registered unemployment rate for those between ages 15 and 64 was 20.5 per cent. In 2001, it declined to 13.3 per cent and continued to fall, with significant declines after Latvia's accession to the EU, when some of those who had not been employed or employable in the preceding period opted to take advantage of opportunities to work in other EU countries (a phenomenon discussed later in this article). At the end of 2007, the official national unemployment rate in Latvia was 5.4 per cent in the working-age category of 15–64. At this point statistics showed two divergent tendencies: one was a labour shortage in the capital city of Riga; the second was a continuing problem of long-term joblessness in both rural and small urban areas far from the capital. The economic crisis that began in 2008 has pushed joblessness up across the board, doubling the number of the registered unemployed in the period from the spring of 2008 to the spring of 2009. Alas, it has stayed somewhat lower in Riga than in other regions of Latvia.[11]

While the industrial and collective farm 'heroes' of Soviet ideology and practice have been nullified by the new order and long-term unemployment has devastated many families and communities, these groups are not by any means the only members of this unforgiving category of post-communist capitalism.

Some of the poor and able-bodied may still find a place in the new economic space, but 'progress' has cast aside a population category which, while numerically significant, has been rendered politically and economically invisible: pensioners. Most pensioners in Latvia are elderly women, as the prevalence of early male mortality translates to a small male peer group and a high number of widows. Old-age poverty has been 'feminized' by the lower average

pension received by women (Zepa et al., 2000: 86–92), which is largely the product of shorter work histories and earlier retirement.[12] According to the most recent available data, women's average pension in 2007 was 13.8 per cent lower than men's average pension: the mean monthly pension for women was 105 lati compared to 122 lati for men.[13]

Those without family or other outside support endure an existence that is, nearly without exception, a struggle for survival. A 2006 study on the quality of life in Latvia included interviews with pensioners, many of which included themes present in this quote from a 75-year-old female respondent below:

> A long life of poverty crushes the spirit, creates depression, puts upon one a heavy burden of fate. . . . And so, we exist in this deep hopelessness. . . . War and post-war poverty on the collective farms at the beginning of life. Independent Latvia's injustice and poverty at the end of life. . . . For communal [rent and utility] costs we pay 96 per cent of our pension, and about 3–4 lati remain per month for food. That's how it has been for me. I have never put material values above cultural [or spiritual] values, so I suffer from the fact that I can no longer purchase books, magazines, or newspapers. To get out of this hopeless situation, I have responded to employment ads, but I am rejected – not because of my skills, but because of my age. The word 'pensioner' is one that is the greatest fear of employers. In this country, we are unnecessary and superfluous. . . . (Bela, 2006: 55)

Arguably, the Latvian state has institutionalized the superfluousness of this population category. That is, the state recognizes a 'survival minimum' (a basic consumption basket), which is estimated to be the minimum monthly income for meeting needs: for instance, in late 2007, the survival minimum monthly income was LVL 141. At the same time, the state also determines monthly pensions that are paid to retirees based on the number of years they worked.[14] At about LVL 110, the average monthly pension paid by the state in the year 2007 was clearly below the 'survival minimum'. Currently, an estimated 86 per cent of retired persons receive a state pension that is below the state-set 'survival minimum'.[15] Though the gap between the survival minimum and the average pension has varied, it has persisted throughout the post-communist period (Aasland, 2006: 77): in the mid-1990s, the average state pension was 75 per cent of the survival minimum (Zepa et al., 2000: 17).[16] Pensioners are not ignorant of their status in the new order, as suggested by the words of respondents in the study cited above (Bela, 2006: 55):

> 'On the whole, we feel utterly laughed at [as we are] living far BELOW THE SURVIVAL MINIMUM!' (woman, age 64).

> 'In this society, the pensioner is pushed out of life' (woman, age 67).

In discussing the issue of 'redundant' population categories in the context of modernity, Bauman notes that they are 'talked about as mainly a financial problem. They need to be "provided for" – that is, fed, shod and sheltered. They would not survive on their own – they lack the "means of survival . . ."' (Bauman, 2004: 12). This perspective is echoed by Bela (2006: 56), who writes that:

> Although on an individual level, we respect our grandparents, parents, and other elderly relatives, friends, and colleagues, at the societal level, the elderly are not visible, they appear in the public sphere more as a large, burdensome group, who need to be supported with tax revenues. . . .

Indeed, but for this 'distinction', this group is virtually invisible in post-communist capitalism, as they are no longer producers, and their consumption is largely limited to the basic needs they can meet on their paltry state pensions.

When Bauman speaks of 'waste', he encompasses not only human beings, but places and practices as well. As such, one could include in this category 'wasted' spaces, including agricultural areas left fallow by the decline of this sector in a highly competitive economic

environment, industrial spaces abandoned after the death of the Soviet chain of production and the advent of modern post-industrialism,[17] and small towns in economically distressed regions which have been virtually abandoned by the young (some of whom have left the country entirely, as will be discussed later) and are inhabited almost solely by those who have been left behind on the road to progress. Lace writes that:

> Preili is located in the centre of the Latgale region [in southeastern Latvia] that on the whole is an area with low economic activity . . . several hundred residents in the Preili area have set off for working abroad, mainly to Ireland. However . . . the municipality at the moment is unable to do much as the unemployment rate is high and there are no jobs for the residents . . . Another problematic issue is that [most] registered unemployed persons are those in the low-qualified job category and there is a serious lack of qualified professionals. Even if there are vacancies, the job of a cleaner is most in demand. (Lace, 2008: 28)

Sites like Preili, clearly, are intimately bound to the 'wasted lives' whose means of economic survival are abandoned in modernity.

Modernity also has little room for those who fail to embrace 'progress' and live in a state of nostalgia for a past that has been relegated to the dustbin of history. Among those who hopelessly embrace nostalgia are those who lost the most prized form of Soviet-era capital, social capital, and its concomitant promise of standing and status: that is, Soviet-Russian pensioners and their families, among whom are veterans of the 'Great Fatherland War'. In the Soviet period, Latvia was a popular retirement destination for Soviet officers and their families. In the USSR, the Great Fatherland War veteran was a member of a lionized category. This entailed both social honour and practical privilege, such as access to special shops with greater selections of goods that were not available to ordinary Soviet citizens (Karklins, 1986).

Today, the Soviet-Russian pensioner has been stripped of capital and even the place of this 'hero' in history has been erased, as the dominant narrative of history from the Latvian perspective differs dramatically from the narrative of history that was elevated in the USSR. While the Soviet narrative of World War II was one of battlefield trials and triumph over fascism in Europe, the indigenous Latvian narrative highlights the violence of Soviet occupation of the independent states and the massive losses of population to war, deportation and forced migration (Broks et al., 2001: 78–89). Neither the military retirees and their families, nor their historical stories and memories of Soviet glory, have a place in modern Latvia.

Post-communist capitalism as it is being built in Latvia does not, by definition, offer a home (sometimes literally) to the outcasts of modernity. The superfluity of their skills renders unlikely the possibility that they will possess the cultural or economic capital they could trade for status and standing in the consumer market. Those who held valorized stores of social capital in the old order are stripped of power that cannot be reclaimed. The hallmark of this (under)class is a lack of markers, the absence of distinction in a social order where visibility is increasingly achieved through consumer status markers. If, as Bourdieu (1984: 483) suggests, a class is defined not only by its being (that is, through the unequal distribution across society of different types of capital), but through its 'being perceived', then this population category is not only 'superfluous' but, indeed, invisible.

The post-communist proletariat and the uses of poverty

> 'Who needs any more research on this nation's poverty? That probably requires sums of money that could also be used more practically' – survey respondent (Bela, 2006: 55).

The population category discussed in the previous section does not embrace the region's poor as a whole, though their poverty is undeniable. While Bauman (2004) warns that those who cannot participate in the profligate practices of 'consumer society' are in danger of descent into marginal status, the population of the poor and economically marginal is far from socio-

logically homogenous. Following Herbert Gans's classic work on 'the uses of poverty' (1972), we suggest that a segment of those who are economically disadvantaged continue to be functional in post-communist capitalism. This is not, however, a functionalist argument in the classical sense.[18] As Gans argues in his article on American poverty, the existence of poverty is functional not for society as a whole, but rather for particular segments of society. We apply this theorization of poverty to the Latvian context, highlighting as well the 'proletarianization' of a segment of the post-communist population in the classical Marxist sense: that is, we posit that exploitation, the 'process by which one group is able to appropriate part of the social surplus produced by another group' (Wright, 2003: 374), is a key characteristic of the relationship between this ideal-typical category and the dominant class.[19]

In following Gans's articulation of poverty and the poor as positively functional for the non-poor and for modern capitalism (though clearly not for the poor themselves), we have sought to define this ideal type less in terms of common class interests than in terms of the *interests of capitalism and its primary beneficiaries in society*. Hence, while this category encompasses a broad spectrum of individuals and groups in society that may not have a clearly apparent commonalty of interests, they share, arguably, a structural commonalty, which is their functionality for the interests of capitalism itself.

Among the 'uses' of poverty, Gans cites the assurance that 'society's "dirty work" will be done'. He continues that:

> Every society has such work: physically dirty or dangerous, temporary, dead-end and underpaid, undignified and menial jobs. Society can fill these jobs by paying higher wages than for 'clean' work, or it can force people who have no other choice to do the dirty work – and at low wages. (1972: 278)

Early in the morning, on the nearly deserted streets of urban areas in Latvia, one finds labourers, many of them female, sweeping the streets, shovelling wet winter snow, or emptying the small trash receptacles that dot city blocks. Among those who fill the 'dirty or dangerous, temporary, dead-end and underpaid, undignified and menial jobs' are pensioners, in particular, older women with little means (who would otherwise, arguably, be situated in the category of 'wasted lives'). Widows or other categories of elderly women with little or no support from family members, as well as poor single mothers, are a category of worker who are, in Gans's words, 'unable to be *un*willing . . . to perform dirty work at low cost' (1972: 278). In a context where the budgetary resources of the state are limited, the government benefits from low-cost workers who perform basic but important tasks in the public sector. As one female worker, a mother of five children, told researchers:

> In my last place of work, I was a junior nurse at the maternity hospital . . . I also worked as a junior nurse in the therapeutic department at Dzelzava hospital. One can also get a job in construction, one can get a job as a junior nurse at the hospital, but that's hard work for which no one wants to pay [adequate wages].[20]

The 'uses of poverty' are no less pronounced in the private sphere. In the post-EU accession period, Latvia experienced a boom in construction, an area that uses 'unofficial' as well as registered labour, and includes a spectrum of potential salaries that range from well above average to paltry. A homeless woman, aged 37, told interviewers in a 2007 study that:

> If I am willing to work there, I can work there all the time . . . [The employer] has a lot of changing workers. As usual with such things – there is turpentine, a lot of heavy things to lift, not everyone can do that! But there is the smell, people can't stand it, people experience all kinds of rashes, how to put it . . . infections. It's very hard to work like that! (Rungule et al., 2007: 265)

Private employers, particularly those who hire workers 'off the books', thus saving the cost of obligatory employee taxes, benefit from reduced labour costs, as well as increased power over workers who are not in a position to negotiate better work conditions.

The minimum wage set by the state does not (like state pensions) reach the 'survival minimum' wage. In 2007, for instance, the minimum monthly wage was 120 lati before taxes. The relationship between the minimum wage and the 'survival minimum' has varied over time, though the former has invariably remained lower than the latter: in the period between 1996 and 2005, the minimum wage as a percentage of the survival minimum varied between 48.1 per cent (in 1996) and 80.9 per cent (in 2004) (Rajevska, 2006: 19). In 2007, the after-tax minimum wage was 33 per cent lower than the survival minimum.[21]

No less relevant to the interests of capitalism and capitalists, the economically disadvantaged provide a market for goods and services that are of inferior quality (Gans, 1972: 279–80). While consumer culture values that which is bright and new, the extension of the economic life of marginal goods is a boon to those who deal in second-quality or second-hand clothing, used automobiles, wilting fruits and vegetables and yesterday's baked goods. The lower classes also perform this function in the global economy, as they are among the key consumers (and producers) of cheap, low-quality goods that originate in today's major industrial states, such as China. In the market kiosks of Latvia (and elsewhere in the region), a full spectrum of imported goods, ranging from jeans and footwear to pirated videos and DVDs, is offered to those who do not possess the economic means to acquire their consumer products at the boutiques and shops that line the streets of larger urban centres like Riga and Ventspils.

There is also a nascent relationship between the poor and the non-poor that is based on charity (Gans, 1972: 282). In the Soviet period, a generally low but adequate standard of living was the norm and, as the state provided nearly all of people's basic needs through subsidies, wages or direct provision of goods and services, neither absolute poverty nor organized charity were common. Charitable giving as a social norm is still in its infancy, but it is not uncommon for large stores that cater mostly to the middle and upper classes to support charitable ventures that urge consumers to, for instance, 'fill the backpacks' of poor children with a donation at the cash register or to donate the change from their purchase to a charitable cause. This too is consistent with Gans's 'uses' of poverty: the existence of poverty helps to guarantee the status of those who are not poor. Even those who may be stretching their budgets can be relieved that they are donors rather than recipients in this relationship. Furthermore, these charitable deeds do more than fill empty backpacks of poor school children; they also buy symbolic capital (Bourdieu, 1977: 183) for the firms that organize them. The public reputation of a firm is enhanced by charitable deeds, whether or not that same firm pays its own workers enough that they can fill their children's backpacks or stomachs without straining their family budgets.

Gans (1972) also writes that the poor are politically functional, alas, for the political elite rather than for their own betterment because, in the New Europe as in the Old World, the poor are voiceless in a political context built on access through capital (1972: 283–84). As the primary concern of many poor people is basic survival, their capacity to act in the interests of social or political change is small and their lack of capital ensures that their access to the power elite is smaller still. The disgruntlement and capacity to act of the nascent middle class is a potential threat to the elites, but the condition of poverty renders those at the bottom of the socio-economic ladder a largely politically passive mass: a 56-year-old woman in a recent study on economic marginality (Rungule et al., 2007: 219) expressed the opinion that: '. . .[even] if no one went out to vote, we would continue to live as we are living'. Data suggest that participation in political activities, including voting, is lowest among those who are at the bottom of the socio-economic ladder: in the 2006 parliamentary elections, 36 per cent of those living below the line of poverty risk did not vote, a rate below that of higher income populations.[22]

Another aspect of the relationship between the dominant and subordinate classes is to be found in discrepant effects of economic policies used by the state to foster the development of capitalism and a capitalist class. An example of this is the tax policies and politics of the

state. As Eyal et al. argue in *Making Capitalism without Capitalists* (1998), early East European capitalism was, in contrast to nineteenth-century European capitalism which was born out of the aspirations of a nascent but active bourgeois class, brought into being largely by a managerial strata that rejected communism in favour of the market and an anti-communist cultural elite that recognized free markets as part of the spectrum of freedoms they contrasted to Soviet communism and embraced as the alternative. Privatization and de-nationalization figured powerfully in the equation of both (re)constructing a 'normal' European society and shifting capital back into the private sphere. Tax policies incentivized entrepreneurial activity in the private sphere. This set the stage for capital accumulation, which laid a foundation for the creation of a dominant class rich in economic capital.[23]

The tax burden was shifted to labour with a high flat tax on income. In early 2009, seeking to raise money for government coffers in the midst of an economic crisis, decision-makers opted to raise the already substantial value-added tax (VAT) on goods and services from 18 per cent to 21 per cent, but to reduce the income tax from 25 per cent to 23 per cent, effectively further penalizing the economically struggling while rewarding employed persons with greater means.[24] The non-taxable minimum of personal income, which is intended to provide basic survival resources that are free of a tax burden, continues to be very low. The low priority of excluding an income of basic sustenance from taxation at the same rate as that paid by middle-income and upper-income groups is highlighted by the fact that the non-taxable minimum was unchanged from 1997 to 2006. By 2006, the value of the subsistence minimum basket of goods calculated by the Central Statistical Bureau of Latvia was 3.7 times higher than the non-taxable minimum set by the state.[25]

One of the effects of the heavy tax burden on labour has been the creation of a disincentive to full reporting of wages. This has contributed to the lack of reliability of official income data, which show an apparent advantage for employees in the public sector, though anecdotal and unofficial data strongly suggest that private sector incomes are higher. Another effect – and the one more pertinent to the discussion at hand – is the real burden put on workers in an economic context already characterized by low wages: while the payment of 'envelope wages' may add some additional income to the low official wages being paid, the long-term cost of these hidden wages is to reduce the state pensions or other benefits (such as paid maternity leave) workers could claim, which are based on official wages.

Much of the writing on economic deprivation in the post-communist period has focused on the notion that poverty is dysfunctional to new capitalism (Mandelbaum, 1997; McAuley, 2003; Alam et al., 2005). Clearly, poverty has many dysfunctions. A critical perspective on the issue, however, demands that we recognize as well the ways in which ending poverty might be dysfunctional *for the non-poor*. Such a perspective highlights relations of power in which well-off groups are advantaged by the exploitation and disadvantages of the poor, illuminating in a new way the existence and persistence of poverty in the post-communist space. As this section of the article has endeavoured to show, one of the ideal-typical categories one can identify among the economically disadvantaged in Latvia is the 'useful' poor, those who serve positive functions for the non-poor and new European capitalism itself.

The nEU class: post-communist capitalism's migrating labour

> Yes, I say with pride that I am from Latvia. I say with pride that I love my country. But I say with pity that can't be there right now because I am unable to live the life of a materially-successful person [in Latvia]. – Latvian labour migrant in Ireland (quoted in Indans et al., 2007: 29)

The development of post-communist capitalism in Latvia and the opening of old EU borders to the 'new Europeans' has spurred the development of an ideal-typical population category we term the *nEU class*. In both the pre-accession period and the post-accession period, Latvians

have become a numerically significant (proportional to the country's size) community of migrant workers in the European Union.[26] They are also a significant proportion of Latvia's working-age population: it is estimated that between 5 per cent and 8 per cent of the working-age population has engaged in productive labour outside the country.[27] This ideal-typical category can be characterized by a combination of position in the economic order and interests, though neither is clearly homogenous. On the one hand, the demographic composition of this class is varied: people from a spectrum of age groups, ranging from young adults to pre-pension age, migrate, as do both rural inhabitants and city-dwellers. Furthermore, labour migrants include a spectrum of individuals ranging from those with an incomplete high school education to those with advanced degrees. On the other hand, there are discernible patterns in migration: for instance, a substantial number of labour migrants have vocational training at the high school level, but have not attended college (Indans et al., 2007: 15). In addition, data suggest a shared interest in labour migration as a path from unsatisfying and poorly remunerated working conditions and inimical state economic practices and policies in Latvia to a higher standard of work and living (Krisjane et al., 2007: 14). This, in combination with factors that include perceptions and realities about professional opportunities and personal circumstances, characterizes the nEU class. In the words of several Latvian migrants quoted in a recent study:

> In Ireland I have a job, I feel stable – I will get my wage on time; if I know my rights, then there are responsible government institutions that will help me if they are violated. (Indans et al., 2007: 24)

> [In Latvia] government does not think about the people. In Ireland, one can feel that the government thinks about all people. In Latvia, a person is not valued. (Indans et al., 2007: 22)

What nEU class members share as well is the fact that they have opted out of the national structure of stratification (in which many occupied low positions), choosing 'exit' (Hirschman, 1970; Pfaff, 2006) as a strategy for coping with their dissatisfaction and entering a transnational stratification order.[28] Here they may also occupy the ground rungs of the hierarchy: even those with higher education generally work below their qualifications (Karklina, 2009). At the same time, the standards of living and the wages in Ireland are widely recognized by the labour migrants as more satisfying than those in Latvia (Indans et al., 2007: 20).

The most popular destination of nEU migrants has been Ireland, leading to the designation of this movement of people as the 'Ireland phenomenon'. As indicated earlier, data on this phenomenon offer a spectrum of estimates on the numbers of labour migrants. A study conducted by the University of Latvia Geography and Earth Sciences faculty (2007) found that since Latvia's accession to the EU about 86,000 inhabitants have set out for Western Europe in search of work (cited in Indans, 2007: 144). Official data suggest that no fewer than 50,000 inhabitants have migrated from Latvia to other EU countries in search of work and that 15,000–20,000 of these labour migrants are in Ireland (Indans et al., 2007: 14).[29]

The 'Irish phenomenon' has been fixed in the popular imagination in part through a widely read book (and, later, play) which, while fictional, became part of the discourse on the issue. Laima Muktupavela's book, *Sampinjonu deriba* [*The Mushroom Gamble*], offers a first-person account of a middle-aged woman from the countryside who travels to Ireland to pick mushrooms. The book has many aspects relevant to understanding the phenomenon, but key for this discussion is Muktupavela's articulation of the position from which this migrant class of workers comes: many of them may be or feel superfluous in the new order. Though the book's fictional narrator has a variety of troubling work and personal experiences in Ireland, where she works with a small brigade of Latvian migrants, her disenchantment with what she has left behind is palpable. Toiling at the mushroom farm, she contemplates her position:

> That's why I have to be here, in this mushroom hothouse. I was just exhausted from the feeling of struggle – always being a beggar, seeking work. All the time needing to prove that I am worth

> something. Now I am here – in a tiny world between the hills and the narrow road. Unfortunately trapped in a tiny hillside house with the same kind of folks as myself – unneeded, left-over. (Muktupavela, 2005: 100)

The idea that many of those who are migrating are perceived as superfluous in the new order is also suggested by the fact that political attention paid to the migration 'problem' has to the time of this writing been slight: in an analysis of the 9th *Saeima* (parliamentary) elections, which were held in 2006, a Latvian political scientist writes that '[the] biggest problem is that Latvia has no political vision on questions of migration. Already prior to [the elections] politicians avoided the theme of migration or offered very vague ideas'. He points out that the 'solution' to the loss of workers to emigration is framed as 'education, science, and technology', but clear policies and prescriptions are few (Indans, 2007: 150). Arguably, there may even be some benefit to the political elite in labour migration, as 'superfluous' labour is removed from the pool of potential job-seekers, keeping the unemployment rate lower than it might otherwise be.

Some evidence suggests that even the economic crisis in Europe, which has also affected employment opportunities in Ireland, has not ushered in any notable wave of returnees: a recent newspaper article suggested that unemployment benefits in Ireland may still be a more attractive option than returning to Latvia's own economic recession (Sloga, 2008: 7). A new study of migration prepared by the University of Latvia elaborates this issue, pointing out that unemployment and economic pessimism are, in fact, driving a new wave of migrants: fewer are going to Ireland, but more are seeking their fortunes in Great Britain, Norway, Finland, The Netherlands, Germany and Cyprus (Karklina, 2009).

Though labour migrants from Latvia come from across the demographic and social spectrum, like the main character in Muktupavela's book, many of the migrants are from rural areas economically devastated by the economic transformations of the past decade and a half, and they choose to seek their fortunes outside of Latvia's 'wasted' regions, becoming, in a sense, a nEU class that is outside the national class structure, but can be situated in a global economic hierarchy that has uses for those left behind by the processes of modernity in the newly capitalist state. Members of the nEU class are those who, in the words of one Latvian, cannot live in Latvia because there they cannot enjoy 'the life of a materially successful person'. The respondent continues: 'What is a materially successful person in my opinion? – One who has to count *lati* not *santimi*'[30] (Indans et al., 2007: 29).

The nEU class is, literally, outside of Latvia, but it is linked to the structure of stratification in Latvia, as that is a source of its constitution. As an ideal type, it is not demographically or socially homogenous, but, in addition to being a product of the dramatic economic changes enacted in post-communism, it shares economic interests and motivations. It represents, arguably, a newly globalized ideal-typical category that must be recognized in the analysis of the post-communist class hierarchy.

Conclusions

Poverty in the region of East and Central Europe is not a new phenomenon: communist states offered guarantees of basic sustenance, but little promise of prosperity for the masses. As well, economic capital was often of less value in deficit-ridden economies than the social capital that accompanied membership in the Communist Party or standing in a tight social network that could assist in the provision of needed goods and services through barter or the shadow economy. While poverty in post-communist capitalism carries with it many of the same negative effects as Soviet-era economic deprivation and desperation – alcoholism, family breakdown and depression – it also has discernibly different sociological characteristics.

The end of Soviet-style communism in East and Central Europe ushered in a new era of capitalism. Modern capitalism has wrought a new era of stratification with intensified upward and downward mobility. While class differences are powerfully apparent in both statistical data and everyday experiences, class and inequality as components of post-communist discourse in Latvia have remained marginal, rejected as either anachronistic throwbacks to Soviet-style thinking or politically disadvantageous issues for the modern entrepreneurial and political elite. In this article, we have sought to build an analysis of some of post-communist capitalism's most apparent effects: the dramatic rise of socio-economic stratification and the creation of a broad and diverse mass of economically disadvantaged inhabitants. To this end, we sketch the outlines of ideal types that capture key sociological characteristics of those who fall into the category of the poor and economically marginal and highlight the relationship between these groups and the capitalist order, as well as the non-poor classes in society.

While the political project of socialism has seemingly been swept away by the historical tides, critical perspectives on capitalism and recognition that power relations are central to the analysis of social life should not be discarded. This work, focused on a single country, but intended to provide a prism for the consideration of a regional phenomenon, is an effort to contribute to a more critical consideration of post-communist capitalism and the economic disadvantages that have accompanied the triumph of private wealth and capital in the region, a re-examination that may be of particular pertinence as both internal and external observers seek to grasp the roots and consequences of the economic crisis in this region.

Notes

We gratefully acknowledge the comments and suggestions of anonymous reviewers of the journal, as well as colleagues at the George Washington University.

1. The article focuses largely on the period up to the end of 2008. In late 2008, Latvia, together with many other countries, slid into economic recession. We include this fact in the article. However, because the crisis is on-going, we cannot include a full discussion, nor is it possible to offer a comprehensive analysis which has the benefit of distance and hindsight. Whether and to what extent new and dire economic conditions will transform public discourse around socio-economic stratification and poverty remains to be seen. Alas, the absence of a serious critique of the economic path Latvia has followed, may be of consequence in explaining the depth of its crisis, which has been one of the most acute in the region.
2. In an article on the dominant Russian politics of the 1990s, Shlapentokh (1999: 1167) notes a similar resistance to the language of the left, writing that the 'liberal establishment of the 1990s virtually discarded such words as "equality" and "parity" from its lexicon. These words were almost completely absent from the speeches made by El'tsin and his premiers in 1992–1998, nor were they present in the multitude of articles and essays which lauded the regime during this period'. In contrast to Latvian politics, this resistance appears to have largely dissipated in Russia.
3. This is not to say that left-oriented parties have not stood in elections. There have been some electoral successes, particularly by Russian-dominated parties. However, the mainstream political arena, which is Latvian-dominated, has not seen the development of an economically left-oriented alternative with broad appeal.
4. Latvia was an independent country from 1918 through 1940. Except for a brief period of German occupation (1941–44), Latvia was occupied by the USSR from 1940 until 1991. Prior to independence, Latvia was a province of the Russian Empire.
5. At the time of this writing, the GMI was 37 lati per month, while the survival minimum of income was defined as 174 lati per month.
6. It should be noted that Eurostat does not formally recognize at-risk-of-poverty data on Latvia for all but the 2005–7 period because measures taken prior to accession did not use comparable methodology.

7. According to Eurostat: 'The indicator is defined as the share of persons with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60 per cent of the national median equivalised disposable income (after social transfers).'
8. The Gini coefficient is a measure of income dispersion in society, where 0 represents a perfectly equal distribution of income and 1 a perfectly unequal distribution of income. Different data sets produce some variation in the Gini coefficient: see Heyns (2005: 175).
9. In highlighting modernity as a concept in this discussion, we use the term both broadly and narrowly. In its broadest sense, modernity may be understood as a way of talking about the 'erosion of traditional societies' and the 'socio-cultural rupture' caused by the Second Industrial Revolution and constituent processes such as 'the rise of mechanized production, corporate firms, the interventionist state, mass politics, culture, and warfare' (Antonio, 2003: 1). In this sense, 'modernity' is, essentially, the central theoretical and analytical concern of sociology, not least of all its classical canon of works. Understood more narrowly for the purposes of this discussion, we follow Bauman (1989, 2000, 2004) in his iteration of modernity and 'modernization' as a process which has colonized the globe, with the result that 'practically the totality of human production and consumption has become money and market mediated, and the processes of the commodification, commercialization, and monetarization of human livelihoods have penetrated every nook and cranny of the globe . . .' (Bauman, 2004: 6). Certainly, the case at hand has key characteristics associated with 'postmodern' society, including de-industrialization, the rise in flexibility and decline in security of work, and the growth of consumption as a central component of the economy and social life (Bell, 1974). Alas, as Harvey (1989) and Calhoun (1995) have pointed out, capital accumulation and the underlying 'logic of capitalism' remain the same in an otherwise powerfully dynamic social context, which supports Bauman's position that post-modernity is a late phase of modernity itself.
10. This refers to structural functionalist sociology's conception of society as an organism, each part of which is functional for the harmony and health of the whole. If a part exists, that itself is evidence that it is necessary. On the other hand, that which is superfluous evolves out of existence or, arguably, might be rejected by the organism.
11. Contemporary data on unemployment and vacancies were gathered from the Ministry of Welfare of the Republic of Latvia.
12. Earlier average retirement of women is due, at least in part, to their higher pre-pension age unemployment (Zepa et al., 2000: 86–92).
13. According to the same data, only 15.5 per cent of women receive a pension over LVL 120 per month, while over 34 per cent of men are within this pension category (unpublished data gathered from the State Social Insurance Agency).
14. There are virtually no private pensions for the aged at this time, as nearly all pensioners' work histories were in the Soviet period, when jobs were in the public sphere. Even in post-communism, private enterprises have not generally been expected to provide pension plans.
15. Data on pensions are published online at: http://data.csb.gov.lv/Dialog/Saveshow.asp (accessed April 2009). Additional data were gathered from the Ministry of Welfare.
16. The gap declined during the recent period of rapid economic growth, as pensions were raised. Alas, measures taken in response to the economic crisis have included a freeze on the indexation of pensions, putting an end to the modest gains.
17. Notably, some former industrial sites in Latvia have been integrated into the progressive order. For example, in the Kipsala area of Riga, the former gypsum factory territory is slated to become an exclusive housing area and the territory of the 'Red Star' factory is being converted to a mixed-use area of upmarket housing, shopping and offices (Silins, 2007). The transformation of former manufacturing sites – the means of production of the industrial economy – into shopping malls offers an apt metaphor for the transformation from a production-based to a consumption-based economy, one of the processes described by Bauman (2004).
18. Davis and Moore (1945) offer a classical functionalist statement, as they posit an argument that social stratification is functional for society as a whole.
19. Wright (2003) suggests that in the 'modernization' of Marxist class analysis (to include, for instance, the theorization of the middle classes), it is imperative to maintain exploitation as a characteristic of class relations. In the case of the new proletariat, there is little need to deviate from this imperative.

20. This quotation is from a preliminary report compiled for Rungule et al. (2007).
21. Authors' calculation.
22. The overall rate of non-participation was 28 per cent (Rungule et al., 2007: 201).
23. Arguably, social capital in the form of ties to the early post-communist elite was already in the hands of some of those who became successful in private business; thus, communist-era social capital was traded for post-communist economic capital.
24. The VAT change represented a small increase on most goods and services, but a notable rise on goods such as medicine (raised from 5 to 10 per cent) and books (raised from 10 to 21 per cent).
25. Data gathered from the Central Statistical Bureau of Latvia.
26. As a recent study (Indans et al., 2007: 12) points out, accession to the EU and the accompanying opening of labour markets to Latvians and other new member states 'legalized already existing processes'.
27. Latvia does not maintain a database on labour migration out of the country, thus estimates vary.
28. In his study of East Germany's collapse, Steven Pfaff (2006) highlights 'voice' (collective action or protest) and 'exit' (the option to leave an undesirable situation) as means of expressing dissatisfaction with an existing order. In a context like Latvia, where voice is compromised by lack of capital, exit offers an alternative for transforming a situation at a micro or macro level.
29. According to the same Strategic Analysis Commission report (Indans et al., 2007), the margin of error for these data could be as high as 30 per cent (2007: 14).
30. *Lati* are the larger denominations of Latvian money, similar to dollars or pounds. *Santimi* are small coins, similar to pennies and pence.

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