

Poverty line of 1USDollar per person per day is a starvation line in Mongolia, and the majority live under this line

Ariunaa.D, PhD candidate in development studies
Institute of Social Studies, The Hague The Netherlands

In the open market economy, Mongolia became similar with any other developing country in Africa, Latin America and Asia, but became a country which produces and provides primary goods of agriculture, and mining and quarrying, mainly to China. In the open market economy, poverty level of 1US\$ or 2US\$ per person per day prevails in developing countries. This paper studies household livelihood and per capita household income in settled places in Mongolia in 2003, and found out that, among others, people in Mongolia live under the generalized poverty (as in any other developing country in Africa, Latin America and Asia which have been implementing IMF policy packages since 1970s and 1980s) and the poverty level of 1US\$ per person per day is a starvation line in Mongolia. (Starvation means reduction in food intake, and it is different from hunger (Sen 1981).) The poverty level of 1US\$ per person per day is harsh for Mongolians who need more goods than people in tropical countries just to survive, warm clothes and warm shelter. In conclusion, this paper argues that in order to move out of the generalized poverty and generalized starvation, it is essential for government of Mongolia to refuse from IMF 'conditionality' (which design the development model called 'open market economy', the model which is associated with the generalized poverty and generalized starvation), and move to different development model, like 'outward oriented' economy or export-led economy, like in South Korea and in some other countries in East Asia and the Pacific.

1. INTRODUCTION

Introduction to the design of the open market economy in the case of Mongolia

Mongolia moved to the open market economy after collapse of the socialist block in 1990. During transition, Mongolia experienced economic crisis and its people experienced mass entitlement failures, mainly due to job loss and decrease in real wages (Griffin 1995). When Mongolia faced with economic crisis, international organizations, IMF and WB, offered aid and loan, with the "condition". The policy package proposed for the transition away from socialism was similar to that proposed for stabilization and structural reform packages in developing countries in the 1970s and 1980s by the Bretton Woods institutions (Blanchard et al., 1991:1 in Nolan, 1995:75). IMF not only provides resources to governments to address Balance of Payment (BoP) problems, but also it provides a seal of approval for borrowing countries. Without IMF's seal of approval a country can not receive a sufficient resources to address BoP problems from other donors

(Wood 1997:11). The IMF policy packages design the development model for developing countries, the open market economy.

Since 1990, Mongolia implemented stabilization and structural adjustment packages designed and offered by IMF and WB, with no hesitation and negotiation. It often calls as a "good student" those countries which implement IMF and WB measures with no hesitation and negotiation, and Mongolia is one of them. The first measure was privatization. Mongolia distributed rose and green vouchers to people to privatize industrial assets, and privatization of livestock breeding sector went under the slogan of "Livestock to livestock breeders".

The second measure was "devaluation", an exchange rate measure, which was undertaken in 1990 by the 20th government order. The author was involved in the estimation of consumer price index after the devaluation. Devaluation has an effect on real wages to fall when money wages in both trading and non-trading sectors rise less than the general price level (Bird 1984:106).

The other important measure was "freezing level of wages". Under reform, wages of

government employees is set to be low, and it is the base of low wages of employees in formal (private and public) and informal sectors (IMF 1986:23). It is not only low but it is freezing. The "freezing level of government wages" is also included in the conditionality attached to the IMF policy packages (see *ibid*). For example, in Nigeria, the buying power of the senior civil servants sharply eroded in 1987 compared with 1961 (Gugler 1991:400). There are other macro economic tools which need to be studied carefully.

The major features of the open market economy, which is designed by IMF policy packages via macro economic measures, are:

- to keep cheap labour in developing countries via "freezing level of wages",
- to encourage agriculture, mining and quarrying, and tourism, but not manufacturing,
- to encourage export of primary goods of agriculture, and mining and quarrying
- the state does not have capacity to regulate economic life (because the major economic regulation is done by "the conditionality" from IMF via macro economic measures)
- generalized poverty (see for e.g. Bromley et al. 2003)

The author studied the export behavior of Mongolia, in the PhD thesis, and it suggested that during transition to the open market economy, major export commodities moved "from processed goods to primary goods". In other words, movement of Mongolia to the open market economy was movement from second to third world country, and Mongolia become similar with any other developing country in Africa, Latin America and Asia. Also major export partners moved "from internationally integrated partners to neighbors", mainly to China. These suggest that Mongolia became a country which produces and provides primary goods of agriculture, and mining and quarrying to China, at cheap price. Thus the open

market economy in Mongolia, designed by IMF policy packages, support China but not Mongolia.

Urban poverty and urban household livelihood in the open market economy

- Social changes after mass entitlement failures

During socialism, generalized wage employment did exist in Mongolia. Thus, during socialism, people in Mongolia were entitled to live out of poverty via entitlement to wage employment.

After implementation of two measures, privatization of state owned assets and devaluation, the transition away from socialism starts with mass entitlement failures¹ to wage employment. As a result different social groups emerged, like unemployed and misemployed, and Mongolian society became similar with those in Africa, Latin America and Asia, which implement IMF policy packages. Furthermore, social phenomenon like unemployment, underemployment, misemployment, uncommitted labor force, "new poor", luxury unemployed, intra-household conflict, income inequality, alcoholism, pressure on women, domestic violence, and internal and international migration have been increasing.

Unemployment was found in all households under reform (Beneria 1992:91). Men and women equally could not find full-time job (*ibid*:93). Under reform unemployment was found greater in urban areas (Moser et al. 1993:42). Moreover, "luxury unemployment" was found under reform. For example, in Thailand, better-educated people wait for an opening in the formal sector rather than working in informal sector (*ibid*:26).

Underemployment or underutilization result from, maintaining employees when there is no sufficient work (for example, work in family enterprises) and seasonal employment (Gugler 1982:176). Misemployment refers

to the jobs which contribute little to social welfare but could be employed full-time, like begging, prostitution and street vendors (ibid:177).

Moser et al. (1993:45) found that income inequality increased over the period of reform in some Latin American countries. Only few groups, such as government employees, teachers and sales personnel have a more stable income. Other groups of urban poor have substantial income differences (Papanek 1975:5). Moreover, Gilbert and Gugler (1992:89) argue a cheap labour policy in developing countries resulted in uncommitted urban labour force.

Insufficient income resulted in the increase in intra-household conflict, domestic violence and alcoholism (Moser, 1992 quoted in Moser et al. 1993:55). Also women bear the responsibility for day-to-day budgeting and household management, but they often do not have access to control of all the resources (Elson 1991:182).

- Generalized poverty and household adjustment strategies

In the open market economy, generalized poverty does exist because of "freezing level of government wages". In other words, it is not only unemployed but also employed persons, in government and private organizations, are poor because of low wage. Under reform, majority of poor, lower middle class and middle class (50 percent-80 percent) were poor (Beneria 1992:90).

Under the "freezing level of wages", people in developing countries live with 1US\$ or 2US\$ per day per person, the poverty line which World Bank studies. In developing countries, urban poverty under reform went beyond basic level of subsistence (Davies and Anderson 1989:226-7).

Urban poverty under reform has been studied extensively. It has been argued that urban poor faced with increasing pressure on the budget of households due to the increase in cost of food but almost no increase in income during adjustment. Apart from impoverishment of the urban working class (wage labour poverty), "new poor" were created due to structural changes (Moser et al. 1993:24).

Informal sector becomes important survival strategy when purchasing power of wage employment falls (Dennis 1991:99).

Under reform, a household became a unit of survival (Moser et al. 1993:24). All households faced debt under reform (Beneria 1992:91). Under reform, average number of workers per household increased, and these workers were mainly children and women (Gonzalez de la Rocher 1988).

Many countries under reform, for example the Caribbean countries, Philippines and Egypt, have been experiencing increased international migration as an alternative to escape out of poverty. Women teachers leave teaching to work in foreign countries as maids (Herz, 1988a quoted in Elson 1991:77).

Objective of the study

This work aims at studying the generalized poverty and poverty level in Mongolia. It studies household livelihood strategies and per capita household income in settled places in Mongolia, but not in rural areas. In order to investigate household livelihood, author designed questions on household budget status, entitlement failures, and consumption adjustment strategies. International standard living standard measurement surveys are more likely to study expenditure side of household budget rather than income side. Unlike this, the author chose to study per

¹ Entitlement failure was defined by Wuyts (1992:21-22) as follows: [It] includes both vulnerability as an aspect of deprivation and poverty as lack of income. ... An 'entitlement failure' [in case of low-income wage labourer] can come about in three ways: a steep rise in the price of necessities, especially food; a drop in wages; [and] the loss of a job.

capita household income to study the generalized poverty, comparing it with the poverty level of 1US\$ per person per day. (This work gives an analysis based on primary survey conducted for the PhD thesis, which studies migration and livelihood in Mongolia since transition, at the ISS, The Hague, The Netherlands, and it is not part of the thesis. It is a revised version of paper titled "MASS ENTITLEMENT FAILURES: SHIFT FROM GENERALISED WAGE EMPLOYMENT TO GENERALISED POVERTY IN MONGOLIA", which is presented at the workshop on micro data analysis, Tokyo International University Waseda Satellite, 28 November 2004.)

Introduction to primary survey "Migration and Formal and Informal Employment in Mongolia", 2003

Primary survey (PS) was conducted in June 2003. The PS covers 700 households (400 households in UB, 200 households in aimag center and 100 households in soum center), and 2 145 persons aged 12 and above. Aimag center (Arvaikheer soum of Uvurkhangai province) and soum center (Bayangol soum of Uvurkhangai province) were purposely selected to represent other 22 aimag centers and more than 300 soum centers of Mongolia. Within UB and aimag center, khoroo and bags were also selected purposely to cover different residents: apartment, and small

house and traditional ger. But within the selected khoroo and soum, households were randomly selected, but not skipping any household in the given area, to avoid from enumerator's bias. The PS is conducted in settled places (UB, Aimag center and soum center) where wage labourers exist but not in remote rural areas where people mainly engage in livestock breeding. In other words, the PS represents settled places in Mongolia. However, it refers to urban areas in the paper.

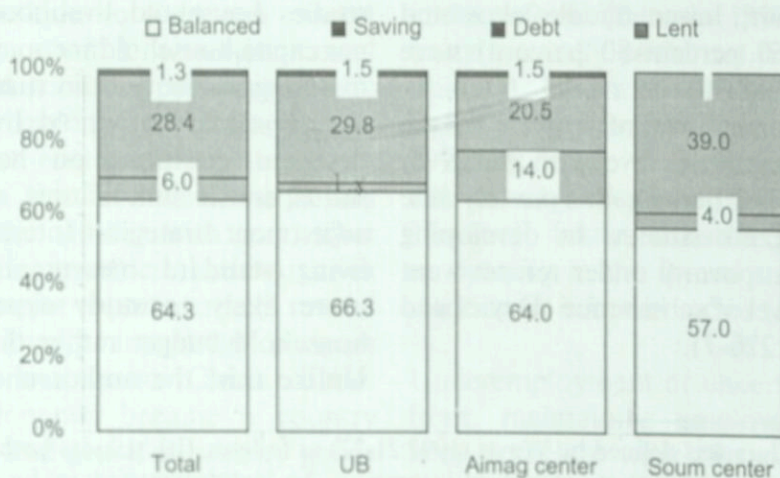
The PS collected number of questions on different topics: housing, household living standard, employment history, current job income, income sources other than employment, informal sector and different types of migration. This work gives analysis of household livelihood and per capita household income, only.

2. HOUSEHOLD LIVELIHOOD: BUDGET STATUS, ENTITLEMENT FAILURES AND ADJUSTMENT STRATEGIES

Household budget status: Majority of households have no saving

The "freezing level of wages" creates "cash shortage" in the open market economy. Under reform, all households faced with debt in Latin American countries (Beneria

Figure 2.1 Household budget status by location



Source: PS "Migration & F. Inf. Employment", 2003, Mongolia

1992:91). In our survey, we asked question on past month's household budget status, and it suggests that households experience "cash shortage" in Mongolia. Figure 2.1 gives household budget status by location.

Only 6.0 percent of households manage to have saving in Mongolia in 2003. More than 90 percent of households are vulnerable, living under crisis situation. Majority (2/3) of households consume all its income in the same month. More strikingly, about 1/3 of households live with debt or borrow from somewhere to maintain their households. It is not easy to find someone to borrow money under the "cash shortage". People borrow in kind, the essential food and consumer goods. Moreover, people or households tend to live on constant borrowing cycle. Also, the percentage of households which lent to someone is very small. For e.g., in soum center, we found no one who has lent money.

We found that UB is a costly place, may be due to transport and housing. Households in aimag center (14.0 percent) are much more likely to have saving compared with those in UB (2.5 percent). People who live in small cities are likely to benefit from proximity to agriculture, livestock breeding. For e.g., households in aimag center and soum center are much less likely to spend cash on meat than those in UB.

In short, our survey found that households in Mongolia experience generalized vulnerability and insecurity in the open market economy, with 2/3 of the households having balanced budget, 1/3 facing debt, and only less than 6 percent having saving.

Household entitlement failures: 1/3 of households face entitlement failures on daily and monthly basis

In our survey, we found that households face entitlement failures on daily and

Table 2.1 Household entitlement failures by location, and household budget, and income status

	Total	Location			Household budget status				Household income	
		UB	Aimag center	Soum center	Balanced	Saving	Debt	Lent	With income	With no income
Total - N	700	400	200	100	450	42	199	9	648	52
- %	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Never	17.3	17.8	19.5	11.0	20.0	64.3	1.0	22.2	17.9	9.6
Daily and monthly	34.0	40.3	28.0	21.0	30.4	2.4	49.7	11.1	32.6	51.9
Everyday	12.4	15.5	8.5	8.0	11.1	-	18.6	-	11.0	30.8
Every month	21.6	24.8	19.5	13.0	19.3	2.4	31.2	11.1	21.6	21.2
Seasonally and yearly	36.6	29.3	38.5	62.0	34.7	23.8	42.7	55.6	36.9	32.7
Seasonally	30.0	26.0	30.0	46.0	28.4	19.0	35.7	33.3	30.1	28.8
Every year	1.9	0.5	4.0	3.0	1.8	-	2.0	11.1	1.9	1.9
Academic year	4.7	2.8	4.5	13.0	4.4	4.8	5.0	11.1	4.9	1.9
Occasionally	12.1	12.8	14.0	6.0	14.9	9.5	6.5	11.1	12.7	5.8
Festival	5.7	5.8	7.0	3.0	7.1	2.4	3.5	-	5.7	5.8
When get sick	3.7	3.5	5.5	1.0	4.0	4.8	2.5	11.1	4.0	-
In case of accident	2.7	3.5	1.5	2.0	3.8	2.4	0.5	-	2.9	-

Source: PS "Migration & F.Inf. Employment", 2003, Mongolia

monthly basis, seasonally, and yearly, and occasionally. Households which face daily entitlement failures are those who fail to meet daily needs such as expenditure on food and transport. Households which face entitlement failures on monthly basis are those who can meet daily needs but fail to meet monthly expenditure such as housing rent and electricity bill. Table 2.1 gives household entitlement failures by location, and household budget and income status.

More than 4/5 of households face entitlement failures, and only 17.3 percent of households never faced with entitlement failures. Around 1/3 of households face entitlement failures on daily (12.4 percent) and monthly (21.6 percent) basis. In other words, people who live in these households face vulnerability and insecurity on daily and monthly basis.

Households which fail to meet daily and monthly expenditures are also likely to fail to meet more expensive seasonal or yearly expenditures. More than 2/3 of households fail to meet seasonal (30.0 percent) and yearly² (1.9 percent) expenditures such as preparation for winter (winter clothes and boots, winter food, long distance travel, coal and wood, etc.) and education related expenditures (student's travel cost, living cost and tuition fee; secondary school children's clothes and books; etc.).

Also households which fail to meet essentials (daily, monthly, seasonally, yearly and academic year expenditures) are likely to have limited resources for socializing. In our survey, 12.1 percent households face entitlement failures occasionally, because of festival, illness and accident. In Mongolia, according to the question on yearly expenditure, "Tsagaan sar", the new year, appears to be one of the three most expensive expenditures of the year for many households.

Households in aimag center (19.5 percent) are most likely to state that they never faced

with entitlement failures compared with those in UB (17.8 percent) and soum center (11.0 percent).

Households in soum center are least likely to face entitlement failures on daily (8.0 percent) and monthly (13.0 percent) basis but most likely to face seasonal (46.0 percent) and academic year (13.0 percent) entitlement failures.

According to the frequency of entitlement failures, households in UB live much more vulnerable with 40 percent of households live under crisis on daily (15.5 percent) and monthly (24.8 percent) basis. UB, as any prime city, is the most costly place in Mongolia. But UB households are least likely to face seasonal and yearly (29.3 percent) entitlement failures.

On the other hand, households in aimag center are better off compared with those in soum center and UB.

Households with saving are virtually free from daily and monthly entitlement failures (2.4 percent). However, more than 1/3 (or 35.7 percent) of households with saving are exposed to seasonal and yearly, and occasional entitlement failures. In other words, having saving means having enough merely for daily and monthly needs for households in Mongolia.

Households with lending were not better than households with saving. They are more likely to face monthly entitlement failures (11.1 percent). Compared with households with saving and lending, households with balanced income are much more vulnerable and insecure. Only 1/5 of households with balanced budget are free from entitlement failures. About 1/3 (30.4 percent) of households with balanced budget face daily and monthly entitlement failures. In other words, having balanced household budget means balancing household income to meet merely daily and monthly expenditures. Almost all households with debt face entitlement failures, frequent

² Household yearly expenditure is also investigated in the PS.

and less frequent. Moreover, they are most likely to face daily and monthly entitlement failures. About 1/5 of households with debt face entitlement failures on daily basis.

With regard to entitlement failures, households with income are similar with households with balanced budget. It suggests that households with income adjust household expenditure to balance within the income. About 2/3 of households with income could not meet daily and monthly (32.6 percent), and seasonal and yearly (36.9 percent) needs. Roughly 1/10 of households with income has income which is not enough even for daily expenses.

Household heads were engaged in agriculture, construction and transport sectors (see Table 2.2).

In short, in our survey, majority of households face entitlement failures. Households in UB are more likely to face daily and monthly entitlement failures while households in soum center seasonal and yearly entitlement failures. Household with saving and lending are less likely to face entitlement failures on daily and monthly basis but they face entitlement failures seasonally, yearly and occasionally. Majority of households with income tend to have balanced budget via

Table 2.2 Economic sector of employed head of households with no income

	Total	UB	Aimag center	Soum center
Total household with no income	52	26	12	14
Head - not employed	48	25	10	13
Head - employed	4	1	2	1
Economic sector of employed head				
Agriculture	2	-	1	1
Construction	1	1	-	-
Transport	1	-	1	-

Source: PS "Migration & F.Inf. Employment", 2003, Mongolia

More than 1/2 (51.9 percent) of households with no income in the past month face daily (30.8 percent) and monthly (21.2 percent) entitlement failures. About 1/10 of (52) households with no income stated that they have never faced with household budget crisis. Households had no income in the past month mainly because of non employment of household head (92.0 percent). In our survey, there are 4 households which had flexible income rather than no income.

adjusting daily and monthly, and seasonal and yearly expenditures.

Household consumption adjustment strategies: "Eat less" or starvation strategy

Under reform, people employ different consumption adjustment strategies (Moser et al. 1993). In our survey, we asked question on household consumption adjustment strategies, and we found that households do

Table 2.3 First, second and third order consumption adjustment strategies of households

	First order	Second order	Third order
Total - N	700	700	700
- %	100.0	100.0	100.0
Do not adjust consumption	15.6	15.6	15.6
Quality adjustment	66.3	31.6	1.6
Cheap things	39.1	3.0	0.1
Cheap places	27.1	28.6	1.4
Quantity adjustment	5.1	25.6	21.0
Eat less	2.1	10.3	5.7
Use less	2.7	15.0	14.9
Use long	0.3	0.3	0.4

Free take in	1.0	3.1	4.1
Free clothes	0.4	1.9	1.9
Free household items	0.4	0.4	1.0
Free food	0.1	0.9	1.3
No response	12.0	24.1	57.7
No response for 1st order	12.0	12.0	12.0
No response for 2nd order	-	12.1	12.1
No response for third order	-	-	33.6

Source: PS "Migration & F. Inf. Employment", 2003, Mongolia

employ multiple consumption adjustment strategies. Table 2.3 gives first, second and third order consumption adjustment strategies of households.

"Do not adjust consumption" category includes, for example, those who stated "choose reliable food", "cheap things" category includes "buy intestine, 2nd or 3rd grade flour, second hand clothes, and cheap clothes", and "cheap places" category includes "buy food and goods in open and wholesale markets". "Eat less" category, for example, includes those who stated that "do not take lunch", "eat once in a day", "sleep with no dinner" and "reduce food consumption". "Eat less" strategy can be regarded as starvation strategy, as starvation means reduction of food intake (Sen 1981). "Use less" category, for example, includes those who stated "use fire for cooking instead of electricity", and "use long" category includes, for example, thrift (long) wearing of shoes and clothes. "Free take in" comes mainly from relatives, and to lesser extent, from friends. "Free take in" includes those who stated that take free second hand clothes and household items from relatives and friends, and eat in relative's and friend's places.

Roughly 1/5 of households did report that they "do not adjust consumption". Moreover, 12.0 percent of households did not respond to the question on household consumption adjustment strategies (no response category). On the other hand, majority (72.4 percent) of households adjust consumption. Out of which 60.3 percent employ two (first and second order) and about 1/3 (26.7 percent) employ three (first, second and third order) strategies.

Households combine both quality and quantity adjustment strategies. According to the second order strategy, households are most likely to make quality adjustments "cheap place" (28.6 percent). It follows with quantity adjustment "use less" (15.0 percent) and "eat less" (10.3 percent).

About 1/3 (26.7 percent) of households which employ three different strategies are likely to employ "eat less" strategy. In other words, in our survey, about 1/3 of households employ starvation as a household consumption adjustment strategy in Mongolia.

Household consumption adjustment strategies tend to vary, among others, by location. Table 2.4 gives household consumption adjustment strategies by location, and household budget and income status. Households in UB (86.2 percent) are most likely to adjust their consumption compared with those in aimag center (81.5 percent) and soum center (83.0 percent). Households in UB are most likely to take quality adjustment (69.3 percent) while households in soum center are most likely to take quantity adjustment (13.0 percent). Majority of households in soum center which take quantity adjustment reduce use of electricity (10.0 percent) but not food quantity. Households in aimag center are more likely to take "cheap things" (43.5 percent) while households in UB are more likely to go to "cheap places" (30.5 percent) to adjust quality of consumption.

Households with debt (82.4 percent) are most likely to adopt consumption adjustment strategies. We can also notice that "no response" category (3.0 percent) is lowest for households with debt. However, more than 1/2

of households with saving employ consumption adjustment strategies. per month is derived by adding up income of individuals in the household in the past month. It includes current job income,

Table 2.4 Household consumption adjustment strategies by location, and household budget and income status

	Total	Location			Household budget status				Household income	
		UB	Aimag center	Soum center	Balanced	Saving	Debt	Lend	With income	With no income
Total - N	700	400	200	100	450	42	199	9	648	52
- %	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Do not adjust consumption	15.6	13.8	18.5	17.0	16.2	19.0	14.1	-	15.0	23.1
Quality adjustment	66.3	69.3	64.5	58.0	64.9	38.1	74.4	88.9	67.0	57.7
Cheap things	39.1	38.8	43.5	32.0	35.6	21.4	50.8	44.4	39.4	36.5
Cheap places	27.1	30.5	21.0	26.0	29.3	16.7	23.6	44.4	27.6	21.2
Quantity adjustment	5.1	4.0	3.5	13.0	3.8	7.1	8.0	-	4.9	7.7
Eat less	2.1	2.0	2.0	3.0	1.1	4.8	4.0	-	2.3	-
Use less	2.7	1.8	1.0	10.0	2.4	2.4	3.5	-	2.3	7.7
Use long	0.3	0.3	0.5	-	0.2	-	0.5	-	0.3	-
Free take in	1.0	1.0	0.5	2.0	1.3	-	0.5	-	0.9	1.9
Free clothes	0.4	0.8	-	-	0.4	-	0.5	-	0.5	-
Free household items	0.4	0.3	0.5	1.0	0.7	-	-	-	0.5	-
Free food	0.1	-	-	1.0	0.2	-	-	-	-	1.9
No response	12.0	12.0	13.0	10.0	13.8	35.7	3.0	11.1	12.2	9.6

Source: PS "Migration & F. Inf. Employment", 2003, Mongolia

Households with debt are most likely to buy "cheap things" (50.8 percent), and to take quantity adjustment (8.0 percent) compared with others. Households with balanced budget are least likely to take "eat less" (1.1 percent) strategy while 1/20 of households with saving, employ "eat less" strategy.

In short, in our survey, majority (3/4) of households employ consumption adjustment strategies and about 1/3 employ "eat less" strategy. Households with saving also employ "eat less" strategy. Households in UB are most likely to employ consumption adjustment strategies than those in aimag center and soum center.

3 PER CAPITA HOUSEHOLD INCOME: THE GENERALISED POVERTY AND ITS DIFFERENTIALS

Per capita household income per month, and logarithm of per capita household income: An average income is 75 cent per person per day, below poverty level of 1US\$

Per capita household income per month is calculated by dividing the total household income per month by number of persons in the household. Total household income

and secondary job income, as well as non-employment income, like pensions, allowances, remittances, etc. Table 3.1 gives order and mean based statistics of per capita household income and logarithm thereof, and Figure 3.1 gives box plots of per capita household income and logarithm thereof. For the analysis, we will combine order based statistics with mean based statistics.

Box plot of per capita household income (left hand) gives income distribution of households with income, and the distribution is strongly positively skewed (coefficient of skewness $a_3=5.81$). In other words, per capita household income does not satisfy the normality assumption, and therefore, it was transferred into logarithm.

We found that the logarithm transformation, according to the shape of box plot of logarithm of per capita household income, made reasonable achievement for satisfying normality assumption.

After logarithm transformation, mean (3.27 or 26 thousand tugriks) is closer to median (3.21 or 25 thousand tugriks) but not the same. In the box plot (right hand), the position of

median is not in the middle but closer to upper quartile. Moreover, the coefficient of skewness ($a_3=0.35$) is greater than 0. Although, strong positive skewness was corrected dramatically, logarithm transformation did not bring perfect symmetry. In terms of test of tails, logarithm per capita household income distribution has thicker tails than the normal distribution as standard deviation ($SD=0.86$) is greater than pseudo SD ($Sp=0.74$). In short, although mean and median are close, logarithm per capita household income is different from normal distribution: 1) it is slightly positively skewed and 2) tails are thicker than normal. Therefore, mean as a blue estimator deteriorates. Thus we would use median for the level.

According to upper quartile, $\frac{3}{4}$ of households live with income below 1.23 US\$ pp pd (41 thousand tugriks pp pm). The middle segment of households, according to the middle 50 percent, has income between 0.45 to 1.23 US\$ pp pd (or 15 and 41 thousand tugriks pp pm).

The poorest segment of households, according to low quartile, lives with income between 6 and 45 cent per pp pd (2 and 15 thousand tugriks pp pm).

The highest possible per capita household income per day is 5.6 US\$ (184.9 thousand tugriks /1110 tugriks =168 US\$ per month, and 168US\$/30 days=5.6 US\$), according to an upper outlier or upper whisker value

Table 3.1 Order and mean based statistics of per capita household income per month

Order and mean based statistics	Per capita household income (thousand tugriks per month)		Logarithm of per capita household income, and income in the logarithm distribution	
	Total households	Households with income	Logarithm of per capita household income	EXP (log), income in thousand tugriks
Sample size	700	648	648	648
Order statistics				
Mn	0.00	2.00	0.69	2.0
Q1	13.00	15.26	2.72	15.2
Median	23.37	25.00	3.21	24.8
Qu	40.00	41.50	3.72	41.3
Mx	612.50	612.50	6.42	614.0
IQR	27.00	26.24	1.00	2.7
Lower outlier	-	-	1.22	3.4
Upper outlier	80.50	80.86	5.22	184.9
Mean based statistics				
Mean	37.22	40.21	3.27	26.3
SD	55.32	56.45	0.86	-
σ	3060.71	3186.41	0.73	-
Skewness (a_3)	5.85	5.81	0.35	-
Kurtosis (a_4)	50.54	49.12	3.87	-
Sp	20.00	19.44	0.74	-

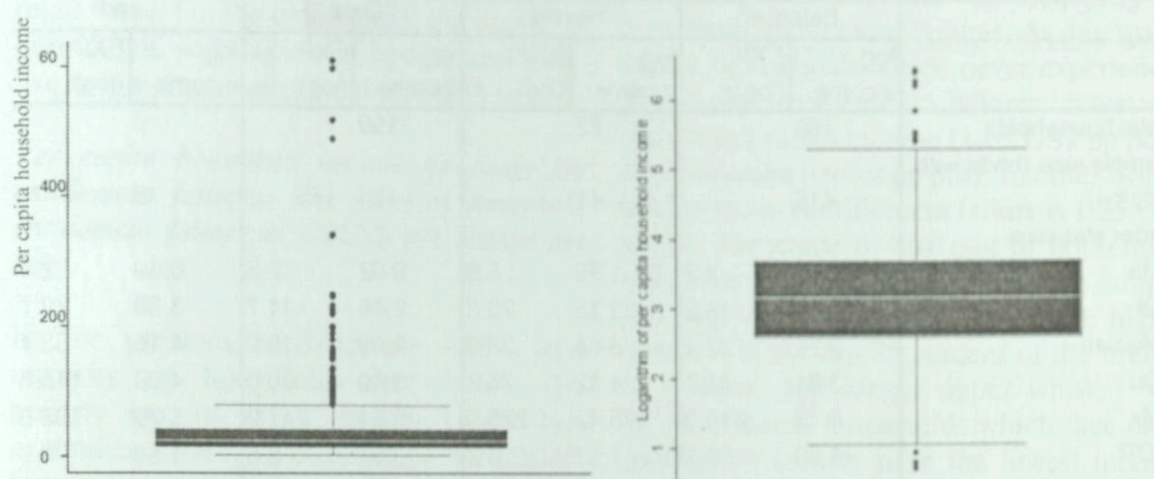
Source: PS "Migration & F. Inf. Employment", 2003, Mongolia

In our survey, as an average, Mongolian people live with 25 thousand tugriks per person per month (pp pm) in 2003. In other words, as an average, one person lives with 75 cent per person per day (pp pd) (25 thousand tugriks/1110 tugriks =22.5 US\$ per month as 1 US\$=1110 tugriks in 2003, and 22.5 US\$/30 days=0.75). It is lower than the poverty level of 1US\$ per person per day (pp pd).

5.22, but excluding 6 upper far-outliers.

Per capita household income differs by location (see Table 1 and Figure 1 in Annex). According to median, people in UB (90 cent pp pd or 30.0 thousand tugriks pp pm) live better than those in aimag centers (71 cent pp pd or 23.6 thousand tugriks pp pm) and soum centers (45 cent pp pd or 15 thousand tugriks pp pm).

Figure 3.1 Box plots of per capita household income per month, and logarithm of thereof



Source: PS "Migration & F. Inf. Employment", 2003, Mongolia

In our survey, 20 percent of households were female headed. It is in line with 2000 census results (NSO and UNFPA 2001a:99). As an average, according to median, male headed households, live with slightly better income (75 cent pp pd or 25 thousand tugrics pp pm) than female headed households (69 cent pp pd or 23 thousand tugrics pp pm). (See Table 2 and Figure 2 in Annex.)

In our survey, the educational profile is similar to that for urban areas in 2000 population census. According to median, households with heads with primary education (49 cent pp pd or 16.3 thousand tugrics pp pm) live with lowest income than others. Households headed by high educated persons live at the edge of poverty level of 1US\$ pp pd (1.11 US\$ per person per day (37.0 thousand tugrics pp pm), and the remaining live under the poverty level of 1US\$ pp pd. (See Table 3 and Figure 3 in Annex.)

Two persons households have the highest income which is 92 cent pp pd, lower than the 1US\$ poverty line. Poverty situation deteriorates with increase in household size. The poorest household is found among households with 5-6 persons which live with 6 cent pp pd. (See Table 4 and Figure 4 in Annex.)

In short, our survey presents that, in 2003, as an average, people live in Mongolia with 75 cent pp pd, below poverty level of 1US\$ pp pd. Moreover, in Mongolia, generalized poverty prevail, as in any other developing country, as $\frac{3}{4}$ of households live under 1.23 US\$ pp pd.

Per capita household income by household budget status: The highest average income is for households with saving which is 1.2 US\$ per person per day

Household budget status is one of variables which were designed to investigate household livelihood in our survey. According to our survey, households are less likely to have saving (6 percent) and lending (1.3 percent) but they are more likely to have balanced budget or to be under debt in Mongolia (see Figure 2.1). Table 3.2 gives order and mean based statistics, and Figure 3.2 gives box plots of logarithm of per capita household income by household budget status. Households with debt (8.0 percent) are most while households with saving (2.4 percent) are least likely to have no income in the past month.

As one would expect, households with saving (1.2 US\$ pp pd or 38.9 thousand tugrics pp pm) and lending (1.9 US\$ pp pd or 63.4

Table 3.2 Order and mean based statistics of logarithm of per capita household income by household budget status

	Balanced		Saving		Debt		Lend	
	log income	EXP (log)	log income	EXP (log)	log income	EXP (log)	log income	EXP (log)
Total households	450		42		199		9	
Sample size (hhds with income)	416		41		183		8	
Order statistics								
Mn	0.77	2.2	1.76	5.8	0.92	2.5	0.69	2.0
Q1	2.81	16.6	3.15	23.3	2.46	11.7	3.39	29.7
Median	3.31	27.4	3.66	38.9	2.99	19.9	4.15	63.4
Qu	3.81	45.2	4.32	75.2	3.40	30.0	4.98	145.5
Mx	6.42	614.0	5.42	225.9	5.51	247.2	5.29	198.3
IQR	1.00	2.7	1.17	3.2	0.94	2.6	1.59	4.9
Lower outlier	1.31	3.7	1.40	4.0	1.05	2.9	1.01	2.7
Upper outlier	5.31	202.4	6.08	434.8	4.81	122.7	7.37	1579.7
Mean based statistics								
Mean	3.35	28.5	3.71	40.9	2.96	19.3	3.89	48.9
SD	0.85	-	0.89	-	0.74	-	1.48	-
cv	0.72	-	0.78	-	0.55	-	2.18	-
Skewness (a3)	0.44	-	0.12	-	0.12	-	-1.27	-
Kurtosis (a4)	4.09	-	2.54	-	3.61	-	3.79	-
Sp	0.74	-	0.87	-	0.70	-	1.18	-

Source: PS "Migration & F.Inf. Employment", 2003, Mongolia

thousand tugrics pp pm) have the highest per capita income while households with debt (60 cent pp pd or 19.9 thousand tugrics pp pm) and households with balanced budget (82 cent pp pd or 27.4 thousand tugrics pp pm) have low income, below the 1US\$ poverty line.

In line with the level of per capita income, the middle 50 percent of households with saving (IQR=1.17) and lending (IQR=1.59) has greater variation than households with balanced budget (IQR=1.00) and debt (IQR=0.94). The greater variation of income for households with saving is likely to be due to variation of income in informal sectors as we found that majority of those who have saving were actually retail traders.

Moreover, households with debt are poorest not only in terms of level and smaller variation around the low level but also in terms of greater variation in the low 25 percent of (or slight negative skewness in) the middle

50 percent. Moreover, households with debt have much less variation outside the middle 50 percent as it can be seen from higher mean based statistics. On the other hand, households with balanced budget, in general, have better income not only in terms of level but also in terms of greater variation in the top 25 percent of (or slight positive skewness in) the middle 50 percent.

Households with saving was "better off" not only in terms of level but also in terms of greater variation in the top 25 percent of the middle 50 percent. In the case of households with lending, a negative outlier effected to have lower mean. Otherwise, households with lending have much more variation in the middle 50 percent but less variation outside it as it has much shorter upper and lower whispers.

In short, households with saving and lending have the highest income, with income around 1US\$ or 2 US\$ pp pd. But they are not the

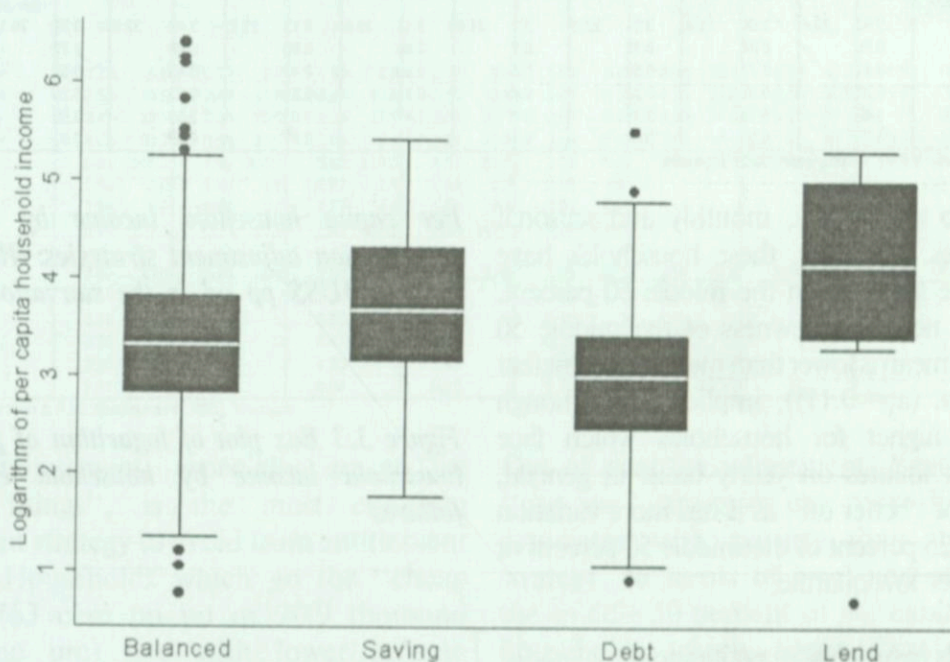
majority. Moreover, households with saving were mainly households which engage in retail trade. On the other hand, the majority, households with balanced budget and debt, live below the poverty level of 1US\$ pp pd.

Per capita household income by household entitlement failures: The level of household entitlement failure is 1.2US\$ per person per day

In the previous sections, we found that majority of households live below the poverty line of 1US\$ pp pd. Under this generalized poverty, majority of households face entitlement failures, 1/3 on daily and

In general, per capita household income increases with decrease in frequency in household entitlement failures. As one would expect, households which never experienced household entitlement failures have the highest per capita income (1.25 US\$ pp pd or 41.7 thousand tugrics pp pm). In other words, level of (non-) entitlement failure is 1.25 US\$ pp pd. The shape of box plot of households which never experienced entitlement failures also suggest the higher income, with higher variation in the top 25 percent of the middle 50 percent, and longer upper whisker. On the other hand, households which face daily entitlement failures have the lowest income (51 cent pp pd or 17.1 thousand tugrics pp pm). In

Figure 3.2 Box plots of logarithm of per capita household income by household budget status



Source: PS "Migration & F. Inf. Employment", 2003, Mongolia

monthly basis, and 2/3 seasonally and yearly (see Table 2.3). Table 3.3 gives order and mean based statistics, and Figure 3.3 gives box plots of logarithm of per capita household income by household entitlement failures. About 1/5 (or 18.4 percent) of households which face daily entitlement failures and (4.1 percent) of households which never faced entitlement failures have no income in the past month.

other words, level of daily entitlement failure is 51 cent pp pd.

Households which face entitlement failures on monthly basis (67 cent pp pd or 22.4 thousand tugrics pp pm, IQR=0.92) live with lower income than those on seasonal basis (71 cent pp pd or 23.6 thousand tugrics pp pm, IQR=0.96). But the difference between levels of entitlement failures on monthly and

seasonal basis is small. Moreover, negative and positive skewness of the middle 50 percent of households which face monthly and seasonal entitlement failures, respectively, present the same.

Households which face entitlement failures on yearly basis have higher income than those

survey. It implies that the poverty level of 1US\$ pp pd is below the level of entitlement failure in Mongolia. The level of daily entitlement failure is 51 cent pp pd, and in our survey 12.4 percent of households live under daily entitlement failures.

Table 3.3 Order and mean based statistics of logarithm of per capita household income by household entitlement failures

	Never		Everyday		Every month		Seasonally		Every year		Academic year		Festival		Sickness		Accident	
	1		2		3		4		5		6		7		8		9	
	log income	EXP (log)	log income	EXP (log)	log income	EXP (log)	log income	EXP (log)	log income	EXP (log)	log income	EXP (log)	log income	EXP (log)	log income	EXP (log)	log income	EXP (log)
Total households	121		87		151		210		13		33		40		28		18	
Sample size (hhds with income)	118		71		140		195		12		32		37		26		19	
Order statistics																		
Min	1.80	6.7	0.77	2.2	0.88	2.0	0.9	2.5	2.01	7.5	1.73	5.8	2.30	10.0	1.90	6.7	2.20	9.0
Q1	3.22	25.0	2.22	9.2	2.59	13.3	2.7	15.3	2.33	10.3	2.59	13.3	3.00	20.1	3.07	21.5	2.87	17.8
Median	3.73	41.7	2.84	17.1	3.11	22.4	3.2	23.8	3.30	27.1	3.20	24.5	3.47	32.1	3.33	27.9	3.40	30.0
Qu	4.81	100.5	3.30	27.1	3.51	33.4	3.7	40.0	3.88	48.4	3.50	33.1	3.91	49.9	3.77	43.4	3.91	49.9
Max	8.42	614.0	8.25	519.0	5.25	180.6	5.5	247.2	4.35	77.5	4.38	79.8	5.01	149.8	5.30	200.3	4.81	100.5
IQR	1.39	4.0	1.08	2.8	0.82	2.5	1.0	2.8	1.55	4.7	0.91	2.5	0.91	2.5	0.70	2.0	1.04	2.8
Lower outlier	1.14	3.1	0.80	1.8	1.21	3.4	1.3	3.8	0.01	1.0	1.23	3.4	1.84	5.1	2.02	7.5	1.31	3.7
Upper outlier	6.70	808.4	4.92	137.0	4.88	133.0	5.1	189.0	6.21	495.2	4.87	129.7	5.28	195.4	4.82	124.0	5.47	237.5
Mean based statistics																		
Mean	3.92	50.4	2.80	16.4	3.01	20.3	3.2	24.8	3.17	23.8	3.13	22.8	3.48	32.8	3.37	29.1	3.38	28.7
SD	0.95	-	0.88	-	0.78	-	0.7	-	0.89	-	0.85	-	0.88	-	0.72	-	0.88	-
cv	0.91	-	0.77	-	0.58	-	0.5	-	0.90	-	0.42	-	0.43	-	0.52	-	0.48	-
Skewness (a3)	0.34	-	0.59	-	-0.30	-	0.4	-	-0.11	-	-0.31	-	0.23	-	0.29	-	-0.05	-
Kurtosis (a4)	2.88	-	5.18	-	3.75	-	3.6	-	1.41	-	2.83	-	2.58	-	3.59	-	2.28	-
Sp	1.03	-	0.80	-	0.88	-	0.7	-	1.15	-	0.67	-	0.67	-	0.52	-	0.77	-

Source: PS "Migration & F. Inf. Employment", 2003, Mongolia

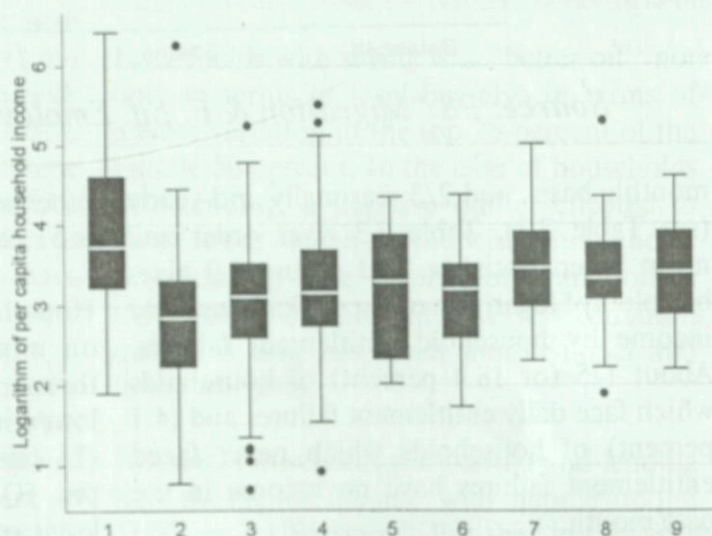
who fail to meet daily, monthly and seasonal expenditures. However, these households have much more variation in the middle 50 percent. Moreover, negative skewness of the middle 50 percent, as mean is lower than median (coefficient of skewness ($a_3 = -0.11$)), implies that although level was higher for households which face entitlement failures on yearly basis, in general, they are not "better off" as it has more variation in the low 25 percent of the middle 50 percent or due to lower low quartile.

Households which face entitlement failures due to academic year (74 cent pp pd or 24.5 thousand tugrics pp pm) and sickness (84 cent per person per day or 27.9 thousand tugrics pp pm) have lower income than those which face other less frequent entitlement failures (festival (97 cent pp pd or 32.1 thousand tugrics pp pm) and accident (90 cent pp pd or 30.0 thousand tugrics pp pm)).

In short, the level of (non-) entitlement failure of household in Mongolia is 1.2US\$ pp pd in our

Per capita household income by household consumption adjustment strategies: The poverty level of 1US\$ pp pd is the starvation level in Mongolia

Figure 3.3 Box plot of logarithm of per capita household income by household entitlement failures



Source: PS "Migration & F. Inf. Employment", 2003, Mongolia

In our survey, in order to understand household livelihood, we studied household consumption adjustment strategies, and we found that households do adopt multiple strategies, and among others, starvation strategy – “Eat less” (see Table 2.4). Table 3.4 gives order and mean based statistics, and Figure 3.4 gives box plots of logarithm of per capita household income by the first order consumption adjustment strategies. The level of (no-) consumption adjustment is 97 cent pp pd (or 32.1 thousand tugrics pp pm), almost the same with the poverty level of 1US\$ pp pd.

go for “cheap things”, households which shop in “cheap places” have less variation outside the 50 percent (shorter upper and lower whispers of households). In other words, “cheap things” strategy is more likely to be associated with poverty than “cheap places” strategy. Also in terms of level of per capita income, “cheap things” strategy is almost the same with quantity adjustment strategy.

Table 3.4 Order and mean based statistics of logarithm of per capita household income by household consumption adjustment strategies

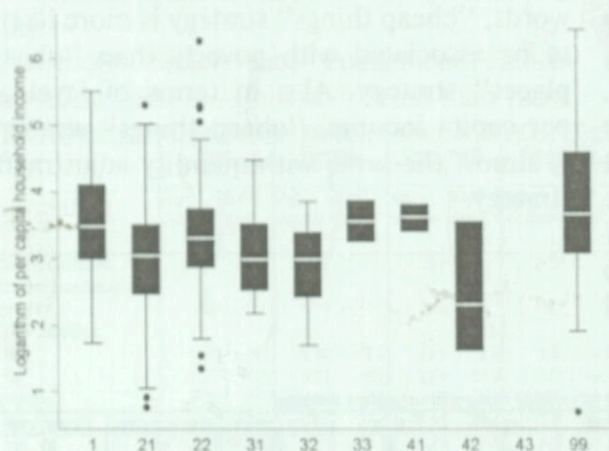
	Do not adjust		Cheap things		Cheap place		Eat less		Use less		Use long		Free clothes		Free hhd items		No response	
	1		21		22		31		32		33		41		42		99	
	log income	EXP (log)	log income	EXP (log)	log income	EXP (log)	log income	EXP (log)	log income	EXP (log)	log income	EXP (log)	log income	EXP (log)	log income	EXP (log)	log income	EXP (log)
Total households	108		274		190		15		19		2		3		3		84	
Sample size (hhd with income)	97		255		179		15		15		2		3		3		79	
Order statistic																		
Min	1.73	5.6	0.77	2.2	1.34	3.8	2.17	8.8	1.89	5.4	3.25	25.8	3.40	30.0	1.81	5.0	0.88	2.0
Q1	2.99	19.9	2.47	11.8	2.87	17.6	2.52	12.4	2.42	11.2	3.25	25.8	3.40	30.0	1.81	5.0	3.08	21.8
Median	3.47	32.1	3.04	20.9	3.30	27.1	3.00	20.1	2.99	19.9	3.55	34.8	3.82	37.3	2.3	10.0	3.88	38.9
Q3	4.08	59.7	3.50	33.1	3.74	42.1	3.51	33.4	3.38	29.4	3.88	47.5	3.81	45.2	3.55	34.8	4.58	97.5
Max	5.51	247.2	5.30	200.3	6.25	518.0	4.47	87.4	3.85	47.0	3.88	47.5	3.81	45.2	3.55	34.8	6.42	614.0
IQR	1.10	3.0	1.03	2.8	0.87	2.4	0.99	2.7	0.96	2.6	-	-	-	-	-	-	1.50	4.5
Lower outlier	1.34	3.8	0.83	2.5	1.57	4.8	1.04	2.8	0.98	2.7	-	-	-	-	-	-	0.83	2.3
Upper outlier	5.74	311.1	5.05	155.2	5.05	155.2	5.00	147.7	4.82	124.0	-	-	-	-	-	-	6.83	825.2
Mean based statistics																		
Mean	3.52	33.8	2.98	19.7	3.34	28.2	3.09	22.0	2.90	18.2	3.55	34.8	3.81	37.0	2.48	11.9	3.86	47.5
SD	0.87	-	0.77	-	0.73	-	0.84	-	0.59	-	-	-	-	-	-	-	1.05	-
cv	0.75	-	0.59	-	0.53	-	0.41	-	0.35	-	-	-	-	-	-	-	1.11	-
Skewness (a3)	0.20	-	-0.09	-	0.41	-	0.52	-	-0.21	-	-	-	-	-	-	-	0.21	-
Kurtosis (a4)	2.50	-	3.35	-	4.22	-	2.50	-	2.54	-	-	-	-	-	-	-	3.35	-
Sp	0.81	-	0.76	-	0.84	-	0.73	-	0.71	-	-	-	-	-	-	-	1.11	-

Source: PS “Migration & F. Inf. Employment”, 2003, Mongolia

Quality adjustment, especially, to go for “cheap things”, is the most common adjustment strategy to avoid from entitlement failures. Households which go for “cheap things” (63 cent pp pd or 20.9 thousand tugrics pp pm) live with lower income than those which shop in “cheap places” (81 cent pp pd or 27.1 thousand tugrics pp pm). Moreover, even if level of per capita income is higher for households which adopt strategies of shopping in “cheap places” (IQR=0.87), variation in the middle 50 percent is lower than that of buying “cheap things” (IQR=1.03). It is not only in terms of level but also due to lower low quartile or negative skewness in the middle 50 percent, households which go for “cheap things” live “worse off” than households shop in “cheap places”. Compared with households which

Out of quantity adjustment, “eat less” and “use less” strategies are more likely to be associated with poverty than “use long” strategy. In terms of level and variation of the middle 50 percent of per capita income, households which adopt “eat less” (60 cent pp pd or 20.1 thousand tugrics pp pm, IQR=0.99) and “use less” (60 cent pp pd or 19.9 thousand tugrics pp pm, IQR=0.96) strategies were almost the same. However, according to greater variation of the top 25 percent of the middle 50 percent (or high upper quartile) and longer upper whisper for “eat less” strategy, “eat less” strategy is less likely to be associated with poverty than “use less” strategy. It is in line with my observation that Mongolians tend to border more about clothes and outwit than the stomach. According to the level of “eat

Figure 3.4 Box plots of logarithm of per capita household income by household consumption adjustment strategies



Source: PS "Migration & F. Inf. Employment", 2003, Mongolia

less" strategy, the level of starvation is 60 cent pp pd.

"Free clothes" strategy is less likely to be associated with "free household items" strategy. In our survey, there was one household which stated that they take "free food" at relative's place and it has no income in the past month.

Households which did not report on household adjustment strategies have better income than those which stated "do not adjust" not only in terms of level but also in terms of greater upper quartile and much longer upper whisker.

In short, according to the first order consumption strategies, households' consumption adjustment level is 97 cent pp pd, which is about 1US\$ pp pd, and starvation level is 60 cent pp pd. However, given the fact that households employ multiple (quality and quantity) adjustments, consumption adjustment level, that is 1US\$ pp pd, is likely to be the starvation line but not poverty line in Mongolia.

4. CONCLUSION

We studied household livelihood strategies and per capita household income, and among others we found the following:

- Poverty line of 1US\$ pp pd is a starvation line in Mongolia.
 - Level of household entitlement failure is 1.2US\$ pp pd in Mongolia.
 - In 2003, households in Mongolia, as an average, live with 75 cent pp pd.
 - The generalized poverty exists in Mongolia, and under the level of 1US\$ pp pd.
 - In Mongolia, $\frac{3}{4}$ households (in UB, aimag center and soum center) live under 1.2US\$ pp pd.
- a. The highest average income is found for households in UB (90 cent pp pd), for households with high educated heads (1.1US\$ pp pd), for two persons households (92 cent pp pd), and for households with saving (1.2US\$ pp pd), and the remaining has income below these levels.
 - b. The generalized poverty gives generalized starvation in Mongolia, as 1US\$ pp pd is a starvation line in Mongolia.

The generalized poverty (or generalized starvation) is likely to be the case in 2007. According to the government order 01/41 issued on 27 March 2007, the lowest level of per capita income per day varies from 1.5US\$ to 1.7US\$ pp pd (West region 54700 tugrics per month, Khangain 54600 tugrics per month, Central 56700 tugrics per month, East 51800 tugrics per month and UB 60100 tugrics per month). It is likely to be line of entitlement failure in 2007 rather than poverty line.

The major outcome of household entitlement failures is growth of "street household", "street person" and "street children". Therefore, in order not to generate and increase street households, street persons and street children, the household income has to be above the entitlement failure level, which is 1.2US\$ pp pd, and in order to have

an income able bodied persons have to have job.

During 2003-2007, government of Mongolia started to spend on social welfare, for all demographic events except divorce, and though slightly, increased pensions and wages. It helps for some people not to adopt starvation strategy and not to face entitlement failures on daily basis. However, these are less likely to eliminate poverty.

It is because the generalized poverty is not only the case in Mongolia. It exists in developing countries which get aid and assistance from IMF and WB, as the condition for aid and assistance is to be in the open market economy (or under IMF policy packages). When I studied economics in Moscow, I studied political and economic systems, slavery, feudal, socialist, capitalist, imperialist and communist, but I did not know the political and economic system called "open market economy" in human history. Therefore, I was curious about this system, and in order to understand it, I studied carefully, and found out that it is a system made by IMF policy packages. In other words, among others, the IMF policy packages set the poverty level of 1US\$ or 2US\$ pp pd in developing countries. Therefore, the only solution to eliminate the generalized poverty (or the generalized starvation) in Mongolia is to refuse from the IMF "conditionality", and among others, from the measure of "freezing level of government wages", and to move out of the open market economy.

The open market economy is different from the model which Adam Smith advocated. There are four different models (Kaviraj 2003:135-136):

- The laissez-faire – non – intervention – model of a "liberal capitalist model". This model is advocated by Adam Smith, and this model mainly disapproves the state intervention in economic life as it is inefficient and bureaucratic.
- The communist model – full scale state

control model. It existed in former socialist countries.

- Mixed economy – admits elements of free functioning of economic life but under government control. It is prevailed in Western countries.
- The model where state simply does not have the capacities to regulate economic life in any comprehensive sense (because of IMF policy packages). This model is prevailed in majority of states in non-Western world, countries which were under colonial rule and some transition countries.

Both in the first and the forth models, the state leaves much of economic activity alone, but these models should not be confused. In the first model, the state has the capacity to interfere if it wants, and it does, and in the forth model, the state simply lacks the capacity for widespread intervention (simply because of IMF policy packages). In the forth model or in the open market economy, the generalized poverty does exist.

The "freezing level of wages" which creates poverty level of 1US\$ or 2US\$ is harsh for Mongolia. Mongolians have to have four different clothes for four different seasons and warm shelter just to survive. It is different from tropical countries in Africa, Latin America and Asia where poor people can survive on T-shirts, banana and sleep in open air.

In general, it is essential for the government of Mongolia to study the open market economy – model, macro economic indicators (or tools) which are given by the "conditionality". It is because these design the open market economy which encourages agriculture, mining and quarrying, and tourism but not manufacturing. Development is associated with growth of manufacturing and industrialization only. In other words, the open market economy is the economic model which is not associated with development (see for e.g., Harris and Todaro 1970). Under this model, job creation is limited. Therefore, if government of

Mongolia wants to create jobs, it is essential to refuse from the IMF "conditionality" and the open market economy - model. Otherwise an announcement of the year 2007 as a year of job creation will remain in the paper only. Work place will not be generated in the open market economy because of the macro economics measures given in the "conditionality". New jobs will be generated in the system which encourages manufacturing and industrialization only. There is another model - "export-led economy". It is the capitalist model which encourages export, and it is an improved version of capitalist system. It is most desirable for the government of Mongolia to adopt this model in order to avoid from generalized poverty and generalized starvation, to create jobs and to experience development. I heard from TV news that World Bank delegates criticized the "Mongolian development strategy", which is developed recently under the guidance of the president of Mongolia, that it is likely to be a dream. They are right because they know that in the open market economy which is dictated by IMF policy packages non country will reach high level of development, and it is a dream because Mongolia will not reach high level of development while it gets aid and assistance from IMF with "the conditionality" to be in the open market economy.

More dangerously, the open market economy (which is designed via IMF policy packages) threatens the sovereignty of Mongolia. Mongolia became economically dependent on China: Mongolia produces and provides primary goods (from agriculture and mining and quarrying) to China and buys manufactured goods, and other essentials, from China. In other words, IMF policy packages prepares Mongolia as a colony for China. It is unfair that IMF policy packages support China, the strong economic giant, to grow stronger and stronger, and with the cost of underdevelopment and de-industrialization of Mongolia. In other words, China gets the most benefit from the IMF policy packages in Mongolia, and in other developing countries as well.

Therefore, it is most desirable for the Government of Mongolia to make negotiations with IMF and WB to create the case of Mongolia differently from other developing countries because of its unique characteristics, among others, small population, weather, geography and geopolitical location, and support Mongolia to have export-led industrialization (in other words, to make Mongolia outside oriented instead of making it open), as it was the case in South Korea. It would be a significant event in history of Mongolia similar with independence in 1921. It is also possible that the president of Mongolia to ask, with "hadag and milk", from Bush to support Mongolia to have the system which is associated with industrialization, growth and development but not to dictate "the open market economy" because it threatens the sovereignty of Mongolia. It would be a significant event in Mongolian history as Sukhbaatar went to Moscow to get help from Lenin, to approve the Mongolian independence.

References

- Beneria, L., 1992, "The Mexican Debt Crisis: Restructuring the Economy and the Household", in L. Beneria and S. Seldman (eds), *Unequal Burden: Economic Crisis, Persistent Poverty and Women's Work*, Colorado and Oxford: Westview Press.
- Bird, G., 1984, "Relationships, Resource Uses and the Conditionality Debate", in T. Killick (ed), *The Quest for Economic Stabilisation: The IMF and the Third World*, London: Heinemann Educational Books.
- Bromley et al. (eds), 2003, "A world of whose making? Making the International: Economic Interdependence and Political order", London: Open University Press.
- Davies, O. and D. Anderson, 1989, "The Impact of the Recession and Adjustment Policies on Poor Urban Women in Jamaica" in *The Invisible Adjustment: Poor Women and the Economic Crisis*, New York: UNICEF: pp. 205-240.

- Dennis, C., 1991, "The Limits to Women's Independent Careers: Gender in the Formal and Informal Sector In Nigeria", in D. Elson (ed), *Male Bias in the Development Process*, Manchester University Press.
- Elson, D., 1991, "Male Bias in Macroeconomics: the Case of Structural Adjustment", in D. Elson (ed), *Male Bias in the Development Process*, Manchester University Press.
- Gilbert, A. and J. Gugler, 1992, *Cities, Poverty and Development: Urbanization in the Third World*, New York, Oxford University Press.
- Gonzalez de la Rocha, M., 1988, "Economic Crisis, Domestic Reorganization and Women's in Guadalajara, Mexico", *Bulletin of Latin American Studies*, Vol. 7, No.2, pp. 207-223.
- Gugler, J., 1982, "Over urbanization Reconsidered", *Economic Development and Cultural Change*, Vol. 31, pp. 173-89.
- Gugler, J., 1991, "Life in a Dual System Revisited: Urban-Rural Ties in Enugu, Nigeria, 1961-1987", *World Development*, Vol. 19, pp. 399-409.
- Griffin, K., 1995, "Economic Strategy during the transition" in K. Griffin (ed), *Poverty and the Transition to a market economy in Mongolia*, pp.2-30, London: Macmillan
- IMF, 1986, "Fund Supported Programs, Fiscal Policy, and Income Distribution: A study by the Fiscal Affairs Department", *Occasional Paper*, No. 46, Washington, D.C.
- IMF, 1988, "The Implications of Fund-Supported Adjustment Programs for Poverty: Experiences in Selected Countries", *Occasional Paper*, No. 58, Washington, D.C.
- Kaviraj, S. (2003) "The politics of liberalization in India", in Bromley et al. (eds), *A world of whose making? Making the International: Economic Interdependence and Political order*, London: Open University Press. pp.133-171.
- Moser, C. O. N., A. J. Herbert and R.E. Makonnen, 1993, "Urban Poverty in the Context of Structural Adjustment: Recent Evidence and Policy Responses", *TWU Discussion Paper*. Washington, D.C.: World Bank
- Nolan, P., 1995, *China's Rise, Russia's Fall: Politics, Economics and Planning in the Transition from Stanilism*, London, Macmillan Press LTD.
- Harris, J. R. and M. P. Todaro, 1970, "Migration, Unemployment and Development: a Two Sector Analysis", *The American Economic Review*, Vol. 60, pp.126-142.
- NSO and UNFPA, 2001a, *Mongolia: 2000 Population and Housing Census: The main results*, Ulaanbaatar.
- NSO and UNFPA, 2001b, *Mongolia: Economic Activity: Analysis Based on the 2000 census*, Ulaanbaatar.
- NSO and UNFPA, 2002a, *Gender in Mongolia: Analysis Based on the 2000 census*, Ulaanbaatar.
- NSO and UNFPA, 2002b, *Internal Migration and Urbanization in Mongolia: Analysis Based on the 2000 census*, Ulaanbaatar
- Wood, A., 1997, "The IMF's Enhanced Structural Adjustment Facility: What Role for Development?", *Bretton Woods Project*, <http://www.brettonwoodsproject.org/topic/adjustment/esaf.html#>.
- Wuyts, M, 1992, "Deprivation and Public Need", in M. Wuyts et al (ed), *Development Policy and Public Action*, Oxford University Press.