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Income Distribution in Less Developed Countries:  
Policy Alternatives and Design

by

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## I. Introduction: The Princeton-Brookings Project

This paper summarizes the findings of the Princeton-Brookings research project on income distribution, growth, and public policy in developing countries.<sup>1</sup> The scope of the project included issues relating to definition, measurement, and causes of inequality, but the principal focus was on the question, what can be done to reduce inequality? The principal product of the project consists of ten policy papers, each examining the income distribution effects of a particular policy area. Those papers reflect the diverse points of view, values and experience of their authors. Nevertheless they contain a number of common elements concerning the design and implementation of policies to improve income distribution. This concluding paper seeks to develop these common themes and to draw implications from them. The following paragraphs, however, will first explain the purposes of the research project, and the way in which it was carried out.

Towards the end of the sixties there was a widespread realization that economic growth experienced during the past two decades had not significantly changed the lives of the poorest segments of the population in most developing countries. Aid-giving agencies became increasingly concerned with the income distribution effects of their activities, and of the development policies followed by developing countries; along with policy makers in poor countries, they began to look for policy alternatives that would lead to a more equitably distributed growth pattern.

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<sup>1</sup>The project was carried out between July 1973 and June 1975 with financial support from AID under research contract AID/CM-otr-73-273.

At the same time, a great deal of information relevant to these questions had been accumulated by persons working in the development field. This information, which consisted of both research results and personal experience, had not been organized for the purposes of a systematic evaluation of income distribution effects. The present project was therefore designed to meet the need for an evaluation of income distribution effects of alternative policies, and to do this by bringing together, in a systematic way, existing research results and personal experience on the workings of specific policies in a variety of country and policy settings.

The main features of the project were, first, that it addressed itself to a broad range of policy areas, since all forms of economic policy have some potential distributive impact. Second, the study addressed political and administrative, as well as economic issues. In particular, the question of political feasibility was a central issue. A third and related feature was the stress on defining goals when considering the income distribution problem. Finally, the analysis of distributive impact covered both the direct effects, or "reach" of specific instruments, and their indirect effects, chiefly on product and factor markets, many of the distributive problems associated with specific policies arose precisely in the form of negative, or "backlash," indirect effects.

The first step in carrying out this program was a six-week workshop that brought together numerous researchers from different countries to discuss each of the selected policy areas. Following this initial exchange of ideas, work began on several parallel studies. These included the ten policy papers mentioned above, a conceptual paper that

set out an analytical framework for the policy analysis,<sup>2</sup> a paper on measures of inequality, seven studies that reviewed data availability on income distribution in different developing countries,<sup>3</sup> research papers by Princeton (Woodrow Wilson School) students participating in the workshop, and an annotated bibliography concerning income distribution.<sup>4</sup> The final step consists of an attempt, in this paper, to summarize and draw conclusions from the many contributions to the project.

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<sup>2</sup>Charles R. Frank, Jr. and Richard Webb, Income Distribution and Growth in Less Developed Countries: Some Reflections on Theory and Practice. (mimeo), written for the Income Distribution Project, July 26, 1974.

<sup>3</sup>Richard Szal and Sherman Robinson, Measuring Income Inequality, paper written for the Income Distribution Project.

Richard J. Szal, A Methodology for the Evaluation of Income Distribution Data. (Forthcoming), Discussion Paper #54, Research Program in Economic Development, Princeton University;

Hakchung Choo, Review of Income Distribution Data: Korea, the Philippines and Taiwan, Discussion Paper #55, RPED, Princeton University, April 1975;

Oey Astra Meesook, Review of Income Distribution Data: Thailand, Malaysia and Indonesia, Discussion Paper #56, RPED, Princeton University, April 1975;

Indira Rajaraman, Review of Income Distribution Data: Pakistan, India, Bangladesh and Sri Lanka, Discussion Paper #57, RPED, Princeton University, April 1975;

Adedotun O. Phillips, Review of Income Distribution Data: Ghana, Kenya, Tanzania and Nigeria, Discussion Paper #58, RPED, Princeton University, April 1975;

Miguel Urrutia, Review of Income Distribution Data: Colombia, Mexico and Venezuela, Discussion Paper #59, RPED, Princeton University, April 1975;

Carlos Geraldo Langoni, Review of Income Distribution Data: Brazil, Discussion Paper #60, RPED, Princeton University, April 1975.

<sup>4</sup>Bibliography. Income Distribution. AID Bibliography Series; prepared by the Brookings Institution in cooperation with AID Reference Center. (Forthcoming).

A special feature of the project has been the diversity of people that have participated, as paper writers, or as discussants in the initial workshop and in several subsequent meetings, including a final conference in September 1974. They include specialists in the income distribution field from many developing countries, political scientists, many students with work experience in developing countries, officials from aid-giving institutions, and specialists in particular policy areas. The resulting broad range of views and experiences presented to the project has led to an emphasis on the importance of specific settings; one of our main conclusions is that income distribution effects cannot be judged in general terms, since both the direction and size of those effects vary a great deal in different economic, social and political settings.

The topics covered by the policy areas include William Cline's paper on Policy Instruments for Rural Income Redistribution.<sup>5</sup> Cline reviews findings on the income and employment effects of the principal instruments for raising small farm productivity, and makes a strong plea for land reform, arguing that compensation to landowners can increase political feasibility without eliminating the favorable equity effects of reform. Some issues of urban poverty are examined by Rakesh Mohan, whose study on Urban Land Policy, Income Distribution and the Urban Poor finds that land policies are relatively ineffective instruments for reaching the urban poor.

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<sup>5</sup>The ten policy papers outlined below, along with the introductory paper (see footnote 2) and the present summarizing paper are being prepared for publication in book form.

Several papers deal with aspects of fiscal policy. Arnold Harberger examines the potential redistributive impact of the budget as a whole in Fiscal Policy and Income Distribution, and concludes that possible tax levels are severely constrained, particularly by the high mobility of capital and skilled labor. On the expenditure side, James Levinson and Olav Oftedal contributed a survey of Equity and Income Effects of Nutrition and Health Care, noting the limitations of most traditional approaches to these programs. Frederick Harbison's paper, The Education-Income Connection, stresses the differences between formal schooling, organized non-formal education, and work-related skill generation, and uses international data to reveal the unequal allocation of formal education within most developing countries. Bryan Boulier's analysis of Population Policy and Income Distribution evaluates alternative instruments for improving the coverage by family planning programs of low income groups.

Another set of papers are concerned with the effects resulting from more general pricing and development policies. Richard Webb's paper on Wage Policy and Income Distribution in Developing Countries notes the limited, and usually negative income distribution effects of government attempts to raise wages, but argues, however, that upward wage pressures in modern sectors are not easily overcome because they generally exist despite government preferences. Henry Bruton's study on Industrialization Policy and Income Distribution argues that a more outward-looking, small-scale, and non-urban industrial policy, with fewer capital and labor pricing distortions, would generate both faster growth and a faster increase in low-end incomes, though a rising profit share must be accepted as a

necessary cost of such a strategy. John Lewis focuses on the rural poor in his paper on Designing the Public-Works Mode of Anti-Poverty Policy. He examines the political and administrative issues which determine the feasibility, as well as the relative desirability of large-scale public works programs as a mode of raising rural incomes.

Property transfers are considered, partly in Cline's<sup>6</sup> discussion of land reform mentioned above, and partly in the paper by Jorge Cauas and Marcelo Selowsky on Potential Distributive Effects of Nationalization Policies: The Economic Aspects, which stresses the potential constraints on the degree of redistribution that can be effected through the nationalization of part of the corporate sector. Those potential limitations depend on how nationalization affects investment behavior, and on who receives the expropriated surplus.

The following sections discuss some of the themes and implications of the policy papers. It scarcely needs saying, of course, that this study contains no last words. There is still great room and need for further research in the field of income distribution policy.<sup>7</sup>

## II. The Setting: The Degree of Inequality

In this section we will point out some features of income distribution in developing countries that are especially pertinent for understanding, and evaluating what can, and cannot be done to reduce inequality.

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<sup>6</sup> op. cit.

<sup>7</sup> The question of future research priorities is addressed in John P. Lewis, Future Income Distribution Research: Some Reflections on A.I.D. Priorities, (memorandum), RPED, Princeton University, March 27, 1975.

A preliminary point that is somewhat trite, but bears repeating, is that the scarcity of data remains a major barrier to action. And data are poorest precisely with respect to the most crucial aspects of inequality -- extreme poverty and extreme wealth.<sup>8</sup> Though studies are beginning to fill in some knowledge of those features, particularly through the construction of poverty profiles, very little is known on the critical question of what changes are occurring in the welfare of the poor. Most existing measures are too crude to reveal the important, small but cumulative changes (positive or negative) in welfare that will tell us which policies are working for the poor.<sup>9</sup>

What evidence there is, however, suggests the following two propositions regarding policy effects on income distribution. First, improvement for the poor is possible, and not only in the wake of political revolution. Many factors appear to be raising the absolute incomes and welfare of broad segments of the poor in countries with very different political settings. Despite a widespread pessimism, there does appear to be scope for policy. On the other hand, our second generalization is that both market forces and public policies are, by and large, working in the direction of increasing relative inequality. The following sections review some evidence on these generalizations.

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<sup>8</sup> See Richard J. Szal, op. cit., on the weakness of standard statistical sources.

<sup>9</sup> Two efforts at estimating income trends for different groups of poor with a discussion of the methodological problems involved are Indira Rajaraman, Poverty, Inequality and Economic Growth: Rural Punjab 1960-61 - 1970-71, Discussion Paper #45, RPED, Princeton University, May 1974; and Richard Webb, Trends in Real Income in Peru, 1950-1966, Discussion Paper #41, RPED, Princeton University, February 1974.

1. Factors that are raising incomes of the poor.

The cross-country evidence on income trends of the poor has been compiled by Ahluwalia, and by Adelman and Morris.<sup>10</sup> A few more recent studies<sup>11</sup> have added to those collections. Though the data sources for those income trend estimates are tenuous, they present a tentative picture of rising absolute incomes, in a broad variety of economic and political settings, usually, though not always, accompanied by increasing relative inequality. The most striking cases of reduction of poverty are the socialist economies, and countries with rapid growth rates, such as South Korea, Taiwan and Mexico.

There are several reasons for the good performance on poverty in these latter countries. First, social services such as education, population-control, medical care, sanitation and water supplies are sometimes widely available for the poor as well as the rich. For example, Oftedal and Levinson point out that some socialist countries such as the Peoples' Republic of China, Cuba, North Vietnam and Tanzania have a paramedical approach to health care, emphasizing inexpensive and widespread

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<sup>10</sup>Montek S. Ahluwalia, "Income Inequality: Some Dimensions of the Problem," in H. Chenery, et. al., Redistribution With Growth (London: Oxford University Press, 1974) pp. 3-37; and Irma Adelman and C.T. Morris, Economic Growth and Social Equity in Developing Countries (Stanford: Stanford University Press, 1973). Most of the trend evidence in these compilations is based on the comparison of percentile shares in income shown in sample surveys taken in different years. Differences in coverage concepts and sampling procedures make such comparisons extremely risky.

<sup>11</sup>See Albert Berry, "Changing Income Distribution Under Development. Colombia," Review of Income and Wealth, Income and Wealth Series 20, No. 3, Sept. 1974; Indira Rajaraman, Poverty, Inequality and Economic Growth, and Richard Webb, Trends in Real Income.

treatment. By contrast, conventional health programs involve highly trained doctors and expensive care that is narrowly distributed. There are also examples of wide distribution of social services in non-socialist countries. For example, Taiwan emphasizes services for the rural poor, partly for historical reasons. The Japanese administration contributed with public health campaigns, expanded education, railroad, road and other infrastructure development, and scientific agronomy. When the nationalist Chinese came from the mainland, they assumed complete political control. The wealthy elites and entrepreneurs of the island generally were native Taiwanese, while a majority of the immigrant Chinese became small farmers. The government, therefore, paid considerably more attention to the needs of the rural population -- both the immigrant Chinese and the original Taiwanese peasants -- than to those of the more urbanized, native Taiwanese.

A second factor favoring widespread distribution of income in some countries has been cultural homogeneity among the population. This, for example, seems to be a significant factor in Korea.

Third, in those countries in which a high value is placed by the society on education, as in Korean and Chinese cultures, the population becomes highly literate and well-educated rapidly, even at low levels of development. Widespread educational attainment prevents the emergence of large wage and salary differentials based on acute shortages of skilled and educated manpower.

Fourth, in countries with good transportation and communication facilities, regional disparities in income are less marked. Capital, labor, and product markets are more highly integrated. Growth, which begins in one region, can spread more quickly to others. In contrast, countries with relatively poor transport and communication facilities suffer from

increasing regional disparities which exacerbate the national distribution of income.

Fifth, another important determinant of the degree to which income is equally distributed is the distribution of land. In many African and Asian countries land is relatively equally distributed. In large parts of Africa the size of a man's holding is often the maximum he can farm with traditional methods. In revolutionary socialist countries such as Cuba, North Vietnam, and North Korea, land is equally distributed because of radical land reform. Land reform has also been successful in non-socialist countries. In South Korea and Taiwan, land reform occurred when a new regime came into power representing ethnic groups different from the large landholders.

Finally, the trade and industrialization policies followed seem to be involved in the more satisfactory experience of some countries. As Bruton argues strongly, an inward-looking, import substitution strategy often involves protection for the urbanized, modern sector of the economy at the expense of the urban and rural poor. Controls and quotas on imports and investments create monopoly rents which accrue to the wealthy. Protective tariffs and import controls enable highly capital-intensive, but inefficient techniques to be used and much higher wages to be paid to the highly organized elites in the modern sector. In India, such effects have been reinforced by government policies that have kept the prices of energy, raw materials, and refined metals charged by both public and private sector producers comparatively low, in effect subsidizing the modern sector industrialists.

When tariffs are moderate and not highly variable from sector to sector, and export incentives are generally low and used at most to compensate for moderate levels of protection to import-substitution industries, wage rates in the modern sector are not significantly different from those in the urban traditional sectors. The distinction between modern and traditional sectors becomes blurred as their respective labor and capital markets are more integrated. Bruton points out that in countries with moderate and even protection, profit rates tend to be high, but reinvestment is also high, growth is rapid, and the absorption of underutilized labor into high productivity jobs reduces absolute poverty more rapidly.

Some of the causes of relative equality in the distribution of income, such as cultural and geographical homogeneity, are difficult to promote by deliberate policy changes. Land reform, distribution of social services, building of transportation and communication networks, and setting rules of protection and subsidy, however, are government policy actions that can have great influence on the distribution of income over periods of time far less than a generation.

## 2. How policies reinforce inequality.

In the paper by Frank and Webb on theory and policy,<sup>12</sup> they discuss the hypothesis that a developing economy will first experience a worsening in the distribution of income and later an improvement. This tendency is sometime called the U-shape effect. They attribute this pattern to the mechanics of absorption of workers from the traditional

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<sup>12</sup>op. cit.

sector into the modern sector. A conclusion that can be drawn from many of the policy papers, however, is that this natural effect, caused by redistribution of population between the two major sectors of the economy, is reinforced by governmental policies. For example, medical facilities tend to be built in the major urban centers. In the initial stages of development, when the degree of urbanization is low, very few segments of the population have access to medical services. Furthermore, since incomes tend to be higher in the urban areas and the political and economic elites are usually located there, the provision of medical services worsens the distribution of income in the early stages of development. Later on, as medical facilities spread into rural areas, medical help becomes available to wider segments of the population. Furthermore, as the proportion of the population living in cities increases, more people have access to medical facilities.

Education also tends to exacerbate income differentials in the early stages of development. Initial efforts by government involve expansion of secondary schools and university education. In Africa, for instance, the departure of former colonial powers left a great need for Africanizing the elite ranks of the civil service and of major firms in the private sector, requiring a large expansion in higher education. In most countries, however, the urban population has successfully pressed for rapid expansion in secondary and university education irrespective of the degree of social need. As development takes place, universal primary education becomes a more feasible goal and gradually more education is provided on a universal basis. Unfortunately, the provision of educational facilities initially widens disparities because of unequal opportunities for educational advancement.

Population policy also reinforces the U-shape effect. Initial demographic changes in a less developed country bring a lowering of the death rate, usually most markedly among the poor. The poor also tend to have higher birth rates. Overall, birth rates tend to fall much more slowly than death rates and only after initial reductions in mortality. Furthermore, the decline in the birth rate seems to occur first among higher income and urbanized segments of the population. For one thing, the desire to limit family size occurs most often among wealthier, urban, more educated population groups. Thus their demand for population-control services is greater. Moreover, the distribution networks for such services are usually weak in the initial stages of a program and those who have access tend to be more educated and urbanized. On both counts, therefore, government efforts to promote population control are apt initially to be skewed toward more educated urban and higher income groups. Only in the latter stages of the program are techniques devised for distribution of population-control devices and information to the rural poor, scattered throughout the countryside.

As Mohan<sup>13</sup> points out, public housing projects tend also to go, not to the poorest groups in the population, but to the middle and upper income groups. First of all, housing programs tend to be concentrated in urban rather than rural areas. Secondly, even within the urban areas, the very poorest groups are rarely helped. One way to benefit relatively poor groups is through site and service projects. The projects involve the laying out of streets and sewer lines and providing some basic

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<sup>13</sup>op. cit.

minimum services while allowing squatters to construct their own housing on land so prepared by government. Even with site and service projects, however, one of the major difficulties is that of assuring that only the poor have access to the facilities. Many such projects have foundered over this problem. At best, such projects rarely reach the very poorest segments of the population who lack the knowledge and skills to become eligible for inclusion.

### III. Goals for Redistributive Policies

Past discussions of redistributive policy have been clouded by a failure to recognize that redistribution means different things to different people. "Social justice" is in reality an ethical compound made up of several separable ethical principles, such as the desire to alleviate extreme poverty, to increase mobility, to remove excessively high incomes, and to reduce income dispersion per se. For many people, some sources of inequality are more acceptable than others. And, obviously, ideas differ regarding the tolerable or optimum degree of inequality.

Distributive policy-making has been confused by treating these separate social goals as a single norm, while the practice of measuring and discussing income distribution as a single number has reinforced that confusion. The preceding papers have sought, with varying degrees of success, to open up the discussion of redistributive impact in terms of these alternative goals. Robinson and Szal<sup>14</sup> also stress the many

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<sup>14</sup>op. cit.

different goals that can be set for redistributive policy, and they analyze the usually implicit value assumptions that underlie different statistical measures of inequality.

The disaggregation of redistributive goals helps to bypass the long-standing and unproductive controversy over the possible trade-off between growth and equality. Earlier arguments that stressed a conflict between these goals, (e.g., because work and mobility incentives had to be rewarded, and because capitalists save more), as well as more recent counter-arguments that claim complementarities, (e.g., large farms are inefficiently managed; the rich consume capital- and import-intensive goods), are seen to be unhelpful overgeneralizations once the policy issues are phrased in terms of specific target groups, and specific tools of redistribution. Disaggregation permits a more constructive approach that involves searching for particular combinations of policies and target groups that will make best use of potential complementarities, or at least, minimize trade-off.

Disaggregation also brings out into the open what is surely the principal conflict in the design of distributive strategy; the preferred goal of most aid-givers and non-LDC observers is the alleviation of extreme poverty. Both A.I.D. and the World Bank, for instance, define target groups in terms of poverty levels alone. As outsiders, they can more easily assume a position of statistical impersonality, abstracting from the particular social groups that dominate the distributive discussion in each country. The compelling economic justice of this approach is matched by its apparent maximization of financial feasibility, since it

generates additional welfare<sup>15</sup> that is possible for any given amount extracted from the rich; also, simple calculation shows that relatively small transfers make relatively large improvements possible for the very poor, thanks to the leverage provided by extreme inequalities. There remain, of course, the enormous and to some intractable problems of delivering that income, and those problems have been discussed in detail throughout this volume. But such problems have not deflected the primary emphasis placed on the elimination of extreme poverty by most aid-givers and non-LDC observers, and to a lesser extent, by some members of LDC elites.

Within LDCs, of course, economic justice covers a host of distributive goals amongst which the attack on extreme poverty has, with few exceptions, been least important. The principal thrust of redistribution has been an attack on extreme wealth, and redistribution in favor of organized and urban labor groups that are usually in the top quartile or third of the income distribution. This pattern has generally accompanied the transfer of power to middle-class reformist elites. In some countries, e.g., Nigeria and Brazil, rapid growth and/or social mobility has had the self-justifying effect of elevating economic mobility within the hierarchy of social goals at least in the eyes of the elite. Finally, regional and communal income differences are in center stage of distributive battles in almost all countries. In fact, the almost exclusive concern with extreme poverty amongst aid-givers today is surely a highly novel and foreign conception for the elites in most LDCs, despite constitutional requirements of living wages, despite the official attention placed on extreme poverty by a few countries such as India,

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<sup>15</sup>On the assumption of declining marginal utility of income, i.e., an extra dollar means more to a man who has \$100 a year than to a man who has \$10,000 a year.

and even despite the new egalitarian current that has flowed into leftist ideologies from Cuba and China.

The logic of the anti-poverty goal also misses the strong roots that justice has in the notion of desert, i.e., that what people have a right to depends on what they have done or on who they are. The particular choice of redistributive targets by LDCs is strongly shaped by their conceptions of socially deserved or justified distribution. Social justification, for instance, explains the much stronger attacks on the "unearned" income and usually inherited property of landowners than on the often self-made, and seemingly more growth-relevant wealth of industrialists. It helps explain the much greater strength of demands for redistribution via wage increases, and agrarian reform, than the less visibly legitimized sharing associated with fiscal transfer across sectors, particularly from the richer modern sector as a whole to the rest of the economy. Finally, the notion of desert is a powerful constraint on the methods of redistribution; it is a major force underlying the distaste, by LDC policy makers as well as by aid donors, for current-income transfers to the poor; it thus constrains poverty attacks to the slower income gains possible through "job-creating" and "productivity-raising" programs. Even the extremely poor must be seen to "earn" their incomes.

Those who deplore the neglect of the extremely poor by most LDCs can rightly note that much of the attention given to competing moral claims is window-dressing for political aims; that clumsy policy design and implementation accounts for some of the neglect, as when regional income differences are used as proxy indicators of poverty; and finally, that much of the current design of redistributive programs -- for instance,

attacks on the wealthy, and the preoccupation with highly visible urban poor -- reflects the preferences of elites, and not of the poorer majorities. These arguments, however, do not remove the dilemma faced by foreigners offering policy advice or aid to LDCs: to what extent should they accept the distributive goals of LDC governments; and, even if one is willing to discount government preferences, to what extent should the "true" (as assumed by the foreigner) distributive preferences of the poor be respected, when those preferences (e.g., regional and communal aims) conflict with the needs of those who are in a state of extreme deprivation? This dilemma is most evident, of course, with regard to the desired degree of redistribution.

In most of the policy papers the emphasis is on extreme poverty. There is little discussion of the problem of foreign dominance or of ostentatious consumption by the rich and powerful. In the paper by John Lewis on public works programs, it is explicit that they are to be designed with the rural poor as a target group. Rakesh Mohan, in writing on urban land policy, is concerned principally about the urban poor. In the paper on health and nutrition by Levinson and Oftedal and in the education paper by Harbison, it is clear that the main concern is for the poorest segments of the population.

Bruton, in his paper on industrialization, points out that there is a conflict between the goal of poverty reduction, and the distaste for high profits. He argues that the rapid absorption of labor into high-paying, modern sector jobs, requires that the profit share increase rather than decline: when the profit share is large, the rate of investment tends to be higher, thus accelerating the rate of growth of output and the rate of labor absorption into high productivity jobs.

#### IV. The Scope for Policy

One view of the scope for redistributive policies is that the existing distribution of income (including government benefits) is closely determined by the distribution of political power: there exists what could be described as a "tight fit" between economic and political power. By this view it is academic to discuss alternative policies that would alter the current situation to the disadvantage of the powerful. The repeated frustrations of reform-mongers, who often fail to put across even minor and seemingly almost costless changes, appear to bear out this pessimistic assessment. The implication is, of course, that radical political change must precede any significant improvement in the lot of the poor.

Our view is that, despite the weight of existing power and wealth, the relationship between power and income is more complex and fluid than implied by the "tight fit" argument. A better knowledge of the various factors affecting that relationship should, therefore, provide a basis for assessing the opportunities for, and limits to, possible reform.

##### 1. Political factors.

There is not a one-to-one relationship between the political difficulty of making a given income transfer and the amount involved. The acceptability of any transfer depends also on the mode and purpose of the transfer. This is partly a matter of visibility and partly of moral legitimacy. It is usually more difficult to extract incomes already received, via direct taxes for instance, than to spirit them away, en route to the recipient, through a market-price adjustment such as a tariff, a differential exchange rate, or an excise tax.

Perhaps more important is the role of moral legitimacy, particularly in relation to the purpose of a transfer. In general, transfers are more acceptable when destined to raise productivity than to subsidize current consumption. Education has a particularly high degree of legitimacy, perhaps largely because it is associated with productivity, though the right to education seems to have an independent stature not enjoyed by any other benefit provided to the poor.

The greater moral acceptability of productive transfers to the poor may be hard to distinguish from self-interest on the part of business elites since they benefit from more productive workers and from larger consumer markets. The nationalist motives of elites, particularly the military, also favor resource transfers to the poor. National strength is built up through the cultural and territorial integration of poor regions (which are often border areas), by upgrading a nation's human resources, and by reducing income disparities that may become a source of internal friction and instability.

The political process can generate more power for the poor than that provided by their scanty command over economic resources. This can result from competition among elites, chiefly in democratic or quasi-democratic systems where electoral body-counts matter. And it can result from erratic discontinuities and interruptions that upset a class-based political order. The best examples of the latter are military coups and the granting of independence to former colonies. Some of these sources of divergence between economic and political power are discussed below.

If there is a fluid, competitive, pluralistic political regime, for instance, the disadvantaged can be helped by coalitions with middle or upper income sub-groups who identify with the poor or share interests with them. For example, Lewis suggests that rural public works programs can be designed so that benefits can be obtained by both local elites and the rural poor. Not all interests are class-based. Thus, ethnic or regional interest may cut across class. Patron-client networks and personal factions exist too. Thus, there may be more fluidity in a political system than a class analysis would allow. Coalitions can be made by varied groups which link different income levels.

In some countries there have been conspicuous divergences between economic and political power. For example, in Taiwan the nationalist Chinese had overwhelming political power; yet the native Taiwanese had much greater economic resources. The Chinese political elites used the system of government to increase their income and access to public services.

In East Africa, economic power was largely in the hands of foreign firms and local Asian groups. Yet with independence in the early '60s, indigenous Africans used their new political power to economic advantage -- and the latter, in turn, in the service of tribal and other indigenous rivalries. Foreign firms, foreign executives of local firms, and highly paid foreign civil servants gradually were squeezed out. Asians were progressively circumscribed and forced to provide more opportunities for indigenous Africans in their enterprises. The Asians were expelled massively from Uganda.

The latitude for policy change can increase if political power, like income, spreads out and eventually trickles down to the very poor and disenfranchised. This can happen, for instance, when elite groups look for allies among middle class and poorer income groups. There are also class renegades, and institutional groups, like the military, who look for allies outside the elite.<sup>16</sup>

Frequently, the pattern of change in the configuration of political power has involved the following steps: first, control lay in the hands of a few landed oligarchs, foreign executives of large foreign enterprises, indigenous business elites or some combination of these. The next stage in the process was the emergence of a reform regime, representing new interest groups in the middle and upper-middle income brackets. Power was seized by organized labor, government civil servants, or military officers. This pattern is evidenced by the rise to power of Bhutto in Pakistan, the formation of an RPP government in Turkey in 1973, and the developments that culminated in military take-over in Peru.

Although the rhetoric of reform seems to be responsive to the needs of the poor, often the policies followed help not the poorest groups but the middle income groups that provide the political backing for the regime. For example, it is widely recognized that the Chilean and Peruvian land reforms mostly benefited workers on large estate farms.<sup>17</sup> Small subsistence farmers and landless laborers tended to be hurt instead by adverse price policies.

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<sup>16</sup>Military coups, for instance, recently caused sharp leftward movements in Peru, Ethiopia, Portugal and Honduras.

<sup>17</sup>See discussion of evidence by Cline, op. cit., pp. 2-12.

In the case of Turkey, the first moves of the new RPP reform regime were to raise minimum wages 80 percent and to increase farm price supports substantially. The former was a way of redistributing income in urban areas, the latter an attempt to help farmers. But increases in minimum wages and salaries for organized labor and civil servants increased demands for food and other consumer goods to the detriment of the very poor, self-employed tradesmen or casual workers as well as the rural poor without enough land for their own food needs. Increases in price supports help the large landholders most. The urban poor, landless laborers, and small landholders are hurt. A compensating factor for the rural poor is that demand for labor on the larger farms may be increased through the higher price supports.

Although the initial efforts of a reform regime may not be to help the very poor, the loss of power of the wealthy may be a necessary first step for the eventual total restructuring of political power. As the middle class groups gain power, they will in turn come under pressure from poorer groups who begin to organize or be organized and to articulate their needs more effectively.

One possible explanation of political trickle down is a ratchet-effect: many social gains are easier to achieve than to reverse. Once income taxes have been legislated, schools built, unions allowed to operate and land redistributed, beneficiaries become more conscious of their benefits, and more easily mobilized in the defense of those benefits. As a result, successive and perhaps only occasional leftward swings of the political pendulum are enough to cause a gradual leftward drift in the political center of gravity. The historical trend in labor

legislation is a good illustration of this process, as argued by Webb in his paper on wage policy.<sup>18</sup> The process can be reversed by forceful repression and, perhaps, by using time to erode gains that even a strong rightist government cannot afford to attack frontally. The current regimes in Brazil and Chile are examples of the vigor required to reverse previous reforms.

Under some political, cultural or historical circumstances this process of political trickle down can be by-passed or foreshortened. In Tanzania, for example, the power and prestige of a highly purposed leader, Julius Nyerere, has resulted in programs which help the very poor. Nyerere has suppressed organized labor in urban areas and made conscious attempts to organize a power base among the rural poor. There was no revolution, although some compromises had to be made with powerful civil servants. Unlike in Turkey, Peru and Chile, organized labor never was an important force in Tanzania. More generally, the survival of the regime seems not to have depended so urgently as in Turkey and Chile on the delivery of quick redistributive benefits to already organized groups. In the latter two countries reform regimes were extremely precarious. They depended on coalition partners of dubious loyalty and indifferent commitment to the needs of the low-end poor. Minimum-wage and agricultural price-support increases were highly visible redistributive measures that played to the self-interest of the regimes' more active constituencies.

If there are so many potential sources of slippages between political and economic power, and, consequently, of possible gains by the poor, why are incomes distributed so unequally? Why is there so

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<sup>18</sup>op. cit.

much absolute poverty? The preceding discussion has been deliberately biased toward stressing the possible and the sources of hope.<sup>19</sup> It is meant to suggest where to look for opportunities for change. The political constraints are more obvious. But all the above also points to an additional conclusion. The constraints on redistribution are not only political, perhaps not even primarily political. The degree of inequality, for instance, and the extent of absolute poverty is not radically less in most countries that are usually described as socialist or more egalitarian (though it does appear to be radically less in the communist regimes of Cuba, China, North Korea and North Vietnam). Part of the explanation of this paradox lies in the economic factors that also determine the scope for redistribution.

## 2. Economic Factors

Redistribution is easier (i) the more concentrated is the source of income, or, what often comes to the same thing, the greater the rent component in income, and (ii) the more concentrated is the target group.

(i) Most redistributive instruments involve some form of continuous market interference. Such is the case, for instance, of taxes, price controls and wage setting. Even once-over transfers, such as property redistribution, create temporary market repercussions. When

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<sup>19</sup>Excellent discussions of political constraints and reform possibilities may be found in Albert O. Hirschman, A Journey Toward Progress: Studies of Economic Policy Making in Latin America, (New York: Twentieth Century Fund); and Clive L.G. Bell, "The Political Framework," in Hollis Chenery, et. al., (eds.), op. cit., pp. 52-72.

policy makers decide to interfere in a market for redistributive purposes, they must assess the extent of the resulting market disequilibrium. The greater the disequilibrium or "market tension," the greater will be the demand for political and administrative resources to implement or enforce that distortion. Since political and administrative resources are limited, the nature of markets must be an important consideration in the choice of redistributive instruments and targets. In general, low elasticities of supply or demand imply smaller disequilibria and, therefore, easier implementation.

This point is best illustrated by considering two extreme cases. A tax on domestic oil production is extremely easy to administer, and it has minimal market repercussions. Such a tax need entail no sharp fall in supply of the sort that would upset consumers. Nor is it likely to cause quick unemployment of oil industry workers. Its political costs, in short, are low. At the other extreme, a minimum wage for domestic servants is almost impossible to administer; furthermore, if it were implemented, many servants would become unemployed. Competitive markets, with large numbers of dispersed buyers and sellers, are a powerful defense against attempts to divert or appropriate income flows originating in those markets. By contrast, it is easier to interfere in markets where production is geographically concentrated, or carried out by few firms and a small number of workers, or in which the rent (natural resource) or quasi-rent (long-lived capital investment) is high. An important additional consideration is that international trade creates a powerful mechanism for taxation by concentrating the flow of products through a few transit points.

The nature of markets is thus a powerful determinant of how much redistribution occurs and who it affects. In a country such as India, with an economy that is predominantly agricultural and oriented to internal markets, there is much less room for political influence on income flows; the income distribution is primarily market-determined. The major exception to this is the possibility of land redistribution, which may be constrained more by political than by market problems. By contrast, political control has been a major determinant of income distribution in the oil and mineral producing countries, as well as in agricultural exporting countries such as Ghana, Nigeria, Argentina and Uruguay where export taxes, tariffs and exchange rate policy have been used by urban groups to appropriate a large share of the income originating in agriculture.

The contrast between market types is perhaps more important within, than between countries. The socialist and egalitarian leanings of so many developing countries have been powerfully constrained by the dispersed, atomistic nature of their rural and traditional sectors. Socialism in most of these countries is limited to the modern sector. Massive administrative and political resources are required to extend political control to traditional sector labor, capital, and product markets. The principal exceptions occur when agricultural exports or concentrated land ownership provide opportunities for economically easier income redistribution in the traditional sector.

(ii) The economic feasibility of redistribution is also determined by the degree of concentration or fragmentation of target groups by regions, occupations, productive sectors, and other groupings that are relevant to the normal coverage of redistributive instruments.

Most transfers, be they services such as schools and health, or resources such as roads and credit, usually benefit groups rather than individuals. A group can be a village, a district, an occupational class, farmers producing a particular crop or the consumers of a particular product. The target efficiency of a transfer, i.e., the proportion of the transfer that actually reaches the target group, depends both on the discriminatory ability of the transfer mechanism, and on the degree of concentration of the target group.

In the simplest and cheapest case, the poor will be concentrated in one region, they will specialize in one occupation and productive activity; and no rich, or non-target, individuals will live in that region or be dedicated to that activity. However, if there are some poor in most villages, in most regions, and in most occupations and activities, it will be far more expensive to make any given income transfer. The income available for transfer will be diluted, either because many non-poor will also benefit (e.g., the rich members of a village to which a road has been built), or because it is administratively expensive to discriminate and ensure that only the poor benefit. The clumsiness of most distributive instruments, and the relatively dispersed nature of the poor in most countries can greatly magnify the cost of achieving any given increase in welfare for the poor. Policy-makers should therefore become well acquainted with the coverage of different policy instruments, and with the location, sources of income, consumption habits and other features of the poor.

### 3. The scope for policy: a summary

We have argued that opportunities for redistribution are not necessarily tightly constrained by the balance of power and that, by contrast, they are strongly influenced by structural characteristics of the economy. A general implication is that it is misleading to consider the scope for redistribution in the singular. Given the variety of distributive goals, of sources of slippage between economic and political power, and of structural features of the economy, it is hard to conceive a situation in which all of these elements are so aligned that they preclude any possibility of improvement.

## V. Policy Design

Effective policy design requires three elements. First, account must be taken of the broader economic and social policy context, particularly of the way in which non-distributive targets, such as growth and stability, are being pursued. Second, policies must make economic sense. Taken together, the important direct and indirect economic effects must have a net favorable effect on the poor. Third, political and administrative elements will be critical to the implementation of policies. Commitments to reduce inequality, taken at the highest level of government, may make unrealistic demands on administrative capacities, or they may be subverted because they run counter to the interests and attitudes of bureaucrats, or through the pressure of interest groups working on the bureaucracy.

### 1. The policy context

Redistribution is rarely an overriding policy concern. Even

the more socialist countries are strongly committed to economic growth and stability. Redistribution often becomes paramount immediately after a sharp leftward shift in government. The period of intense commitment to reforms, generally involving wage increases, nationalization and a start to land reform, is usually followed by a return to the growth objective, and often, to some retrenchment made necessary by the stabilization and growth problems that result from redistributive "excess."<sup>20</sup> Most of the time, and across most of the political spectrum, there is little scope for policies which appear to conflict with growth.

Planning for redistribution, therefore, has much to gain from a joint examination of growth, stability and distribution policies. Since a large part of the total policy impact on income distribution will usually consist of by-product effects of policies aimed at growth and stability, much of the opportunity for achieving a better income distribution will consist of improvements in the design of policies that are not primarily aimed at distribution. Also, the sensible objective is to attain some degree of net redistribution, not to ensure the maximum progressive impact of each policy instrument. Finally, if the principal distributive goal is to reduce absolute poverty, rather than to narrow income differentials, then growth, so long as it entails some spillover to the poor, is not an alternative objective; it is itself an instrument, along with redistribution, for reducing poverty.

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<sup>20</sup>Cf. Arthur Lewis' comment cited by Webb, Wage Policy and Income Distribution, p. 12. Stabilization problems in 1952 forced Peron to reverse some of his earlier wage increases. The current military regime in Peru has also followed this pattern.

## 2. Indirect economic effects

In designing redistribution policies, full account should be taken of the indirect as well as the direct effects. Often policies meant to redistribute income toward the poor do just the reverse because of unanticipated indirect effects. There can be economic backlash. It may be partial, or it may completely reverse the intended direction of the policy effort.

Often unintended backlash occurs because of a simple failure to understand properly supply and demand relationships. When prices are controlled at low levels, for example, quantities supplied are reduced. If the price of food is kept low out of concern for the poor, less food may be available. The poor end up suffering because little food is sold at controlled prices and they may have to supplement purchases at controlled prices with purchases at high black market prices. Cline points out that credit policies which encourage low interest rates for small farmers do not provide sufficient returns for lenders to cover their costs. The result is a reduction in the credit available to small farmers and much of the limited institutional credit which is available flows to large farmers.

Another kind of economic backlash occurs whenever quantities are controlled. For example, import controls, whether on luxury goods, as refrigerators and cars, or essentials, as tractors, force up their prices. Windfall gains accrue to existing owners and to those lucky enough to obtain import licenses, thus redistributing income toward unintended groups.

A third form of economic backlash can occur because of a failure to consider the external sector of the economy. Harberger argues that high levels of taxation on incomes encourage migration out of the country by professional people -- doctors, engineers, and university professors -- who have significant opportunities to practice outside of the country. Likewise, stiff taxes on profits and interest, and other returns to capital may encourage capital to leave the country both legally and illegally.

Fourth, backlash can occur because the long-run effects counteract the favorable short-run effects. In the paper on public works, John Lewis<sup>21</sup> points out that, although the initial effect of public works projects may be help for the rural poor, particularly by providing employment and raising unskilled wages, the eventual beneficiaries of public works projects may be the large landholders whose incomes rise in response to the building of new access roads and better irrigation facilities.

Fifth, economic backlash can occur because the aggregate effects of a policy differ from the micro effects -- the famous fallacy of composition. For example, one small farmer may benefit from rural education and extension programs, cheap capital, and subsidized farm inputs. If the program is expanded to a large scale, however, the resulting decrease in farm prices may be so great as to reduce the income of small farmers.

Sixth, backlash can occur because government activities in one sector of the economy affect expectations and business behavior

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<sup>21</sup>op. cit.

in other sectors. This is the major theme of the Cauas-Selowsky paper<sup>22</sup> on nationalization. Partial nationalization may affect the expectations of entrepreneurs in the private sector so adversely that investment and profits decline and government resources available for redistributive purposes are less after nationalization than before.

Finally, backlash may occur because of general equilibrium effects. For example, Frank-Webb<sup>23</sup> and Bruton<sup>24</sup> suggest that increases in the wages of civil servants and modern sector laborers can have a depressive effect on traditional sector incomes. Not only is labor absorption from the traditional to the modern sector reduced, but induced migration from rural to urban areas adds to the labor supply in the urban traditional sector, further adding to downward pressure on wages. Cline<sup>25</sup> suggests that the Green Revolution has in many cases hurt rather than helped the poor. Rising land rents and induced mechanization have often reduced job opportunities for landless laborers and resulted in the eviction of small tenant farmers from land.

There are political backlash effects too. If a decision is made to grow now and redistribute later, disadvantaged groups may not wait patiently. Meantime, growing concentration of income and wealth may make future redistribution politically more difficult. Resources may have to go into the instruments of coercion. Similarly, a government may have to face the negative reactions of those whose oxen are being

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<sup>22</sup>op. cit.

<sup>23</sup>op. cit.

<sup>24</sup>op. cit., pp. 33-47.

<sup>25</sup>op. cit.

gored if redistribution means taking from some to give to others. The costs of implementing such a policy may turn out to be greater than anticipated.

The authors of the policy papers suggest a number of approaches to avoid the pitfalls of backlash. For example, Harberger suggests that a progressive expenditure tax will mitigate the capital flight caused by steeply progressive income taxes since it would exempt savings from taxation. Harberger also advocates a self-assessment approach to land taxation to avoid the incentive to corruption and cheating.<sup>26</sup> Harbison suggests that charging students for higher education will improve the allocation of public funding for education, and reduce the problem of underemployment of educated people.<sup>27</sup>

In some cases, total rather than partial approaches have to be followed to eliminate adverse side effects. Partial nationalization and partial land reform often do not work because of the adverse effects on non-expropriated sectors.

Sometimes governments can intervene in markets in a useful way to help the poor. For example, Mohan suggests that the government might usefully enter the market for land to counter activities of speculators, improve supply of developed land, and keep prices of land from rising too rapidly. The whole thrust of the John Lewis paper is concerned with the effect of public works on increasing employment and raising wage rates paid to unskilled labor. The potential long-run

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<sup>26</sup> op. cit. Under a self-assessment scheme, property owners would be subject to forced sale at the self-assessed value declared for tax purposes.

<sup>27</sup> op. cit., pp. 29-30.

adverse impacts can be avoided by careful planning and design so that, for example, feeder roads are built into areas in which small farmers predominate, small-scale irrigation works are provided for peasant farmers, or cooperatives are formed to take advantage of capital improvements, such as tubewells, which may normally be available only to large farmers.

### 3. Policy implementation: political and administrative factors

John D. Montgomery<sup>28</sup> has made the point that most of the income-equalizing forms of public intervention are not policies but programs. Once we concentrate on programs, we must immediately ask questions about administrative factors. We have already pointed out that it is important to understand the organizations and preferences of administrative personnel. Administrative personnel have their own class based or ethnic based predilections. They have professional commitments; and they have constituencies that they service and that pressure them. Thus, for example, some health ministries have been very resistant to paramedical training and development programs. Administrative structures have preferences for different kinds of technological or delivery systems as well as preferences for substantive goals.

There are often conflicts between different central ministries.

There can also be conflict between general and specialized administrators and

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<sup>28</sup> John D. Montgomery, Professor at the J.F.K. School of Government of Harvard University, participated in a number of the seminar and conference meetings held during the project, and provided a written commentary, Fiscal Policy and Social Equity, on A. Harberger's paper, Fiscal Policy and Income Distribution.

between agents of central ministries in the field and personnel working at ministerial headquarters. There can be conflicts between agents of local or regional governments and central government agents. The outcome of the interactions between levels and types of bureaucracies cannot be a matter of indifference to those concerned with redistributive policies. The ways that taxes are collected, if they are collected, may depend very much on the agent or extractive channels employed in tax collection. What standards will govern the administrative agents? How can they be held accountable and to whom? Which policies will be administered faithfully and which will simply be avoided or bent to the "private regarding" interests of bureaucracies?<sup>29</sup> The first question that a policy maker designing a tax structure might ask in a developing country is not: "Will it play in Peoria?" But, "Will it go down among the very people who are supposed to administer the program?"<sup>30</sup>

As noted, credit and agricultural extension policies often have benefited rural elites. This may only partially be a function of the political power of better off farmers. Administrators may prefer to deal with people more like themselves in terms of values or education. Or they may respond to those who can write make their voices heard. Of they may have more of a professional interest in agricultural innovation and growth than in rural poverty.

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<sup>29</sup>We have a wide literature on the private regarding behavior of civil servants. See for example, Bert F. Hoselitz, "Levels of Economic Performance and Bureaucratic Structures," in Joseph La Palombara, ed., Bureaucracy and Political Development, (Princeton University Press, 1963), pp. 168-198; Arnold Heidenheimer, Political Corruption, (New York: Holt Reinhard and Winston, Inc., 1970).

<sup>30</sup>See for example, Ralph Braibanti, et. al., Political and Administrative Development, (Durham: Duke University Press, 1969).

It has been widely observed that processes of planning and budgeting tend to yield only incremental changes because of the balancing of forces between bureaucracies and within them. Accordingly, it has been repeatedly urged that developing country bureaucrats be trained in "development administration" rather than "public administration."<sup>31</sup> But as Bernard Schaffer has said: It is one thing to give people technical knowledge and another to succeed in changing their practice, to give them new or different skills and make them want to use them.<sup>32</sup>

Thus, it has to be asked: What levers exist for bending administrative structure a new way? Obviously the strength of non-civil service structures matters here. Thus the relationship of party and/or army to civil service will be critical. If economic and political fits are important, so are administrative and political ones. The supply of administrative or potential administrative personnel will be important too. And just as we noted that splits within a political elite give leverage to reform minded actors, so too do splits within and between bureaucracies. It may be possible to appeal to people on a rank and age basis although this may disrupt lines of commands within the civil service. It may be possible to appeal to administrators to support redistributive programs on a professional ground, that is, on efficiency terms.

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<sup>31</sup>See for example, Irving Swerdlow, Development Administration. Also see Hyden Jackson and Okumu, Development Administration: The Kenyan Experience, (Nairobi: Oxford University Press, 1971).

<sup>32</sup>Bernard Schaffer, ed., Administrative Training and Development: A Comparative Study of East Africa, Zambia, Pakistan and India, (New York: Praeger, 1974).

In the end, however, it may be necessary to end-run the formal administrative structure. It is easier to do that when the social changes that are intended can be brought about quickly, as in land seizure or nationalizations, as compared to redistributions over lengthy periods of time that have to be fine-tuned. Indeed, one of the attractions of non-reformist or radical redistribution policies has been that they might be applied not by the normal administrative agents of control but by special ones, e.g., military in Peru, peasant committees for land reform in different countries, shock troop industrial workers brought to the countryside to help collectivize in the Soviet Union. The dangers of these policies are obvious: deflection of the agents used from other duties; disruption of the functioning of the regular bureaucracy, turmoil and inefficiency.

#### VI. The Prospects for Better Policies

Any redistributive strategy will address three separate problems: how to take from the rich, how to give to the poor, and how to reduce the need for redistribution by improving the market as a distributive mechanism. The relative stress placed on each will depend on a country's social priorities, and on the inequalities of its market distribution of income. The political and technical feasibility of each of these objectives may differ considerably, within and between countries. The present section draws on the policy papers of the study to discuss the policy prospects for each.

### 1. Taking from the rich

There is a tendency to equate the problem of taking from the rich with the problem of political feasibility. This errs on two counts: first, as the Harberger and Cauas-Selowsky papers point out, there are economic as well as political problems involved in extracting from the rich; second, political feasibility, defined broadly to include attitudes and degrees of acceptability, is relevant to the design of policies for reaching the poor, and for changing market structures.

The chief alternatives for reducing high incomes are closely identified with different political arrangements and possible degrees of redistribution. Weaker governments generally attempt to raise wages; stronger regimes are better able to enforce income and wealth taxes; radical governments redistribute property. Most of the economic problems arise under the first two approaches, though property transfers also have negative economic side-effects.

Unfortunately, wage increases are at once the most politically attractive mode of extracting from the rich (short of radical socialization) and the most problematic in the eyes of the economist. Sharing high productivity with workers has a high degree of legitimacy, generally favors a clearly identified and vocal set of beneficiaries, and seems easy to implement since no government financial intermediation is involved. But, as Webb's paper on wage policy points out, a limited degree of redistribution via wage increases is possible only for a minority, and usually, an already relatively better-off minority of the labor force. Outside this sector, market forces are exceedingly powerful constraints on wage policy. Furthermore, wage increases will almost always hurt the very poor, by slowing modern sector growth and employment expansion.

Income and wealth taxes also strike opposite chords with politicians and economists: Their unpopularity with politicians has been matched by their appeal to economists. Redistribution through taxes can minimize distortions and maximize fairness in both taking and giving. Perhaps to balance the traditional enthusiasm of economists, Harberger in his paper has chosen to point out the market constraints on the use of taxes to redistribute. The principal constraint noted in his paper is provided by the possibility of factor migration abroad. This point reinforces earlier arguments against high taxes on capital income which stressed the reduction of both the incentive and the capacity to invest.

Harberger's paper is a useful corrective to the idea that one can use taxes to make major inroads into concentrations of income and wealth. Given the even greater limitations of wage policy, there seems no way short of radical property redistribution to achieve a significant reduction in very high incomes. This argument, however, must be qualified on two counts. First, there are surprising differences between LDCs in the extent of income and wealth taxation, differences that are not explained away by degrees of development or by size of foreign sector. Such differences, (e.g., between Brazil, where taxes recently equalled 21.4% of GDP, and Colombia and Mexico, 10.9% and 9.9% respectively) suggest more room for maneuver than is implied by the economic constraints arguments. Second, the fact that taxes cannot make major reductions at the top of the distribution does not imply that one cannot make a large impact at the bottom: small percentages of GNP can make enormous relative improvement if transferred (efficiently) to the very poor.

The third way to attack high incomes is via the redistribution of capital. This volume does not address itself to the issue of the socialist alternative, which entails massive redistribution of property income. Partial redistribution of property, however, is a common feature of market and mixed economies, and the papers by Cline, and Caus-Selowsky examine the principal forms of such redistribution -- agrarian reform, and partial nationalization of business enterprises.

Their attitudes are in strong contrast: Cline sees land reform as one of the most promising approaches to redistribution. He argues that political resistance can be overcome through compensation, that the positive production effects of land reform would be sufficiently great to leave considerable benefits to peasants even after compensation, and that care in land allocation can avoid an inequitable pattern of allocation.

It seems to us, however, that the success of land reform efforts depends more on the configuration of political power than on the issue of monetary compensation. Most successful cases of land reform have taken place following sharp political change. In Korea, Kenya and Algeria it occurred after a loss of power of foreign groups, who had become major landholders. In South Korea, the Japanese had acquired large land holdings during the Japanese occupation from 1910-1945. Under the impetus of the post-World War II American military government, the new Korean regime which took over in 1948 expropriated the Japanese landholders and redistributed the land to Korean smallholders. In Taiwan, the nationalist Chinese expropriated the native Taiwanese in favor of the immigrants from the mainland. In Egypt, Ethiopia, Mexico and Bolivia, it followed a sudden political upheaval.

There are, however, other contexts in which land reform might be successful. In Chile, Peru and Venezuela for instance, the wealthy landed class had undergone progressive political decline with the rise of reform-minded governments. The shift of economic activity from agriculture to the cities also led to a decline in their economic importance. A similar erosion of the power of landlords can be expected to occur in other countries as development proceeds, and as those countries shift from a predominantly agrarian structure to a more industrial one. As the political and economic power of landed elites declines, land expropriation becomes a more feasible policy alternative. Ironically, however, as the feasibility of land reform is enhanced, its relevance as a means of redistributing income declines, because the bulk of income is by then generated in the cities.

The allocative problems are also probably greater than is admitted by Cline. The disproportional grants of land, mostly to already better-off peasants or farm workers on the Coast of Peru, and on larger Chilean farms, as well as the exclusion of most landless from the benefits of land reform in Iran, in Egypt and Algeria, all suggest that more is involved than policy mistakes. The spatial distributions of good land and of peasants rarely overlap closely, and moving peasants is a complicated social and technological task. On the other hand, difficulties of this sort rarely add up to a case against land reform; rather, they qualify the expected benefits both with respect to the number of potential beneficiaries, and to the size of income gains.

Cauas and Selowsky concentrate on the possible negative side-effects of partial nationalization, chiefly through loss of confidence by investors and loss of tax revenues. They also argue that the beneficiaries of nationalization will usually not be the extremely poor, since that result requires that the nationalized surplus be appropriated by the general budget and spend on the very poor; more likely beneficiaries are clients of the nationalized firm (often, the rich owners of non-nationalized firms) or workers in the affected firm. On the other hand, these arguments do not negate the potential of partial nationalization as a means of reducing high incomes if a government attaches sufficient weight to that objective as to ignore its possible adverse side-effects.

In summary, short of substantial socialization, there are major economic as well as political constraints on attempts to reduce high incomes substantially, though such constraints are not usually so tight that it is not possible to obtain the resources required to make a large impact on low incomes.

## 2. Reaching the very poor -- and improving "delivery" in a market context

There has been a gradual change, amounting almost to a reversal, in the conventional wisdom regarding the redistributive problem. Until recently, the difficulty was thought to consist primarily in extracting income from the rich, and this, in turn, was closely identified with the need for major political change. Today, there is a much greater awareness of the difficulties involved in giving to the poor. This "delivery" problem is less a matter of basic power structures or regime types; instead it involves attitudes, perceptions, secondary political structures,

administrative behavior, and market complications -- distortions and backlash effects that are the inevitable results of attempts to modify market outcomes within a market economy. In most countries, redistribution is still difficult on both counts, but in most also the chief barriers now seem to be on the delivery side.

This awareness of implementation and delivery problems is reflected in much of this volume, particularly in the papers concerned with transfers of welfare and capital to the poor. This new awareness is a lesson that has been learned the hard way, through the disappointing experience of numerous reformist and radical governments, and the frustrated reform-mongering of the aid agencies, over at least the last two decades. Regimes of all types seem to stumble over the same set of delivery problems. The most powerful evidence of such problems is provided by the comparatively feeble rural development programs of some oil or mineral rich countries such as Iran, Zaire, and Ecuador. And it is evident in the contrast between egalitarian rhetoric and rural neglect in more radical regimes, such as Algeria, Egypt and Peru.

Efforts to understand and explain delivery problems have been rudimentary. One reason is that awareness of such problems has been largely limited to persons involved in actual implementation, who usually attribute the specific difficulties they encounter to human-failings, e.g., ignorance of supply and demand laws, wrong motivations or insufficient entrepreneurial capacity. Most radicals, in turn, simply see such failures as proof of the need for major change in power structures thus implying that there is some minimum critical redistribution of power -- not achieved by "reformist" governments -- that is a prerequisite for

take-off into an egalitarian society. In our opinion, however, the recurring and universal nature of most delivery problems suggest that more useful, systematic explanations could be found by examining patterns in (a) the nature of extreme poverty, and (b) the nature of reformist responses.

Many delivery failures can be traced to ignorance regarding who are the very poor. Such ignorance not only misleads sincere attempts to reach the poor, it also facilitates hypocrisy regarding intended beneficiaries. Examples range from the gross, such as "low-cost" housing programs that benefit top quartile, and even top decile families, to the less obvious, such as land reforms that give least or nothing to peasants living in areas of marginal farmland where there is no good land to redistribute. Much of the policy literature underestimates the degree of variety amongst the poor, between and within countries, with respect, for instance, to the role of landlessness, unemployment, the health-productivity syndrome, social discrimination, urban or rural residence, backward regions, and lack of education and skills. The fact that the very poor in each country cut across multiple categories, in proportions that may differ considerably between countries, complicates the job of designing the right policy mix; the scarcity of studies on who are the poor has made it easy for poverty features noted in a particular country or region to be falsely generalized.

The lack of understanding of market mechanisms outside the modern sector has also hampered many delivery efforts. It has been learned, for instance, that land consolidation and crop diversification programs must allow for the risk-averting advantages of traditional arrangements, that

rural credit cooperatives must compete with the flexibility and the marketing and other services provided by traditional moneylenders, that urban job expansion may increase the absolute number of urban poor, and that, as Levinson notes, school-lunch programs may produce no net increase in nutritional intake by children. Other types of error resulting from a failure to predict market responses were cited under the category of "backlash" effects above.

What has reached the poor? We stated above that the broad picture is not one of complete stagnation, indeed, for many of the poor, income growth has been rapid. General economic growth and deliberate policy efforts have interacted to produce some development for the poor. Different types of policy efforts are contributing to this development.

One category consists of small-scale, high-quality, and well-targeted programs. They tend to be run by highly motivated and talented individuals; many are sponsored by religious, private or foreign sources. Their activities cover many fields, some specialize in informal training, others in health services, others in agricultural extension, and yet others in urban housing. For both philosophical and budgetary reasons, they stress self-help, and strive to develop motivation and entrepreneurial capacity. For the same reasons, principally their limited budgets, they are oriented more to human resource development, and do little in the way of infrastructure. Their prevalence varies widely: Latin America has been particularly open to such efforts; in Africa they have been curtailed by nationalism, while their largely Western cultural origin has greatly restricted their freedom to operate in the Middle East and in many Asian countries.

Some examples of successful programs of this type are the low-cost housing programs, Hogar de Cristo, initiated by a Jesuit priest in Chile over 12 years ago, which has become a large-scale, well-organized institution that builds homes that are cheaper than those of official housing programs, and yet are highly marketable. Private, and Christian Democrat interests in Honduras are responsible for an extensive system of radio-schools providing adult literacy and technical training to a broad audience in remote communities scarcely touched by government rural development efforts. And, in Guatemala, an American doctor gave up an American practice to start a small clinic and to train paramedics in a neglected rural district; his system of training villagers with scarcely two or three years of schooling to act as village health practitioners (selling their services) led to improved health conditions in a broad rural area outside the range of official health services. As is common with programs of this type, these cases have succeeded despite an often hostile government attitude.

The critical questions regarding such programs are, how replicable are they? Are they suitable models for larger scale, more bureaucratically managed programs? Many of these efforts have high hidden costs in the form of high quality managerial inputs; in those programs where managerial costs are not subsidized, they tend to be very high, as in the case of many programs staffed by UNDP, UNESCO and other international agency personnel. Their multiplicity and individualism also raise a question regarding replication -- which of the many programs are the appropriate models for standardization on a mass scale? The missionary qualities which underlie their success unfortunately also

lend themselves to strongly held, diverse formulas on the techniques for development. Despite a common stress on motivation and on a grass-roots approach, they each point to a different cultural, political or economic variable as the key that will turn vicious circles of poverty into beneficial circles of development.

A second source of benefits to the poor are the opposite version of the first, namely, the large-scale, usually low quality and poorly targeted government programs, chiefly schooling, health services, farm extension and credit, and community infrastructure projects. The content of what is delivered through these programs tends to be poor and is at times dreadful, be it an overly academic, authoritarian-values oriented schooling, or health services designed to provide curative medicine for local elites, rather than preventive public health to rural inhabitants, or agricultural extension agents that are scarcely familiar with the ecology or culture of their assigned regions.

On the other hand, a program which is 90 percent waste may be better than none at all. Few would argue against mass primary schooling even in the form in which it is currently given.<sup>33</sup> And there is certainly a plausible argument, based on both a priori considerations and on circumstantial evidence, that mass primary schooling can promote broad economic and social change. There is a strong correlation, for instance, between

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<sup>33</sup>Harbison is skeptical about the value of crash programs to achieve universal primary education, but does not suggest the curtailment of existing expenditure on primary schools, which often amounts to between 10 and 20 percent of government budgets, and would even accept increased levels of expenditure in regions where growth is being stimulated in other ways, op. cit., pp. 30-31.

countries with high human resource expenditures and more equality;<sup>34</sup> many would relate the advanced social policies of the state of Kerala in India to its early commitment to mass literacy. And there has surely been some sense to the traditional opposition by landlords and local elites to educating the peasants: though ninety-nine of every hundred students return to plough the soil with nothing gained, the community as a whole may gain one literate leader.<sup>35</sup>

Though reformists continually shy away from the seemingly hopeless task of improving these bureaucracies, preferring instead to set up parallel small-scale model programs aimed at inspiring, but usually fated to antagonizing the establishment, the fact remains that the sheer size of those bureaucracies provides enormous leverage to even the smallest improvement. Judged by cost-benefit standards, they are grossly inefficient but since their absolute benefits are probably not negative, they must be considered as at least one alternative approach to making some impact on absolute poverty.

A third source of benefits to the poor is the spillover or leakages from programs and projects aimed either at better-off groups or simply, at overall economic growth with no deliberate distributive targeting. Major infrastructure projects fall into this category: a major road linking two industrial centers cannot help providing access to a large number of rural inhabitants in between. Service innovations, such as government institutions to develop marketing channels for new farm exports, become available to small as well as large farmers.

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<sup>34</sup>I. Adelman and C.T. Morris, op. cit.; also Ahluwalia, op. cit., p. 29.

<sup>35</sup>A more realistic result may be that 50 return to their farms, 49 migrate to towns, and one remains as a better potential leader.

There is a widespread tendency to downgrade the potential for income improvement via spillover or trickle-down. This view, supported by wide evidence of growing dualism, slow employment growth, and by a belief in the power of exploitative arrangements, has served to underwrite the more powerful reformist attacks on the rich. If the potential gains from spillover are large, however, then the additional efforts on behalf of the poor by radical regimes may be more than offset by the loss of modern sector growth that results from attempts to squeeze, rather than substitute for, the capitalist sector. Such potential spillover consists not only of modern sector employment expansion, but also the additional demand for small-scale service jobs in cities, and the leakage of benefits from capital and innovations intended for the modern sector, such as highways and new marketing arrangements. Bruton's paper stresses the potential employment benefits of rapid modern sector growth. There can be no a priori answer to what is the best mix of growth and redistribution for the poor. The degree of spillover will depend both on market features and on policy design, and the same is true of how redistribution affects growth. The basic point, however, is that both growth and redistribution are tools for raising low-end incomes, and therefore that a best policy mix for reaching the poor must consider the probable effect of each.

We have discussed three broad areas of policy effort, each of which makes some contribution to raising low-end incomes. They should clearly be seen as complementary rather than as alternatives, despite possible variations in the stress placed on each. A good strategy would attack the problem of absolute poverty along all three lines, partly because none is highly promising in itself, and partly because

they serve different functions and also reinforce each other.

Small-scale efforts for instance, have the advantage that they reach down to some of the very poorest groups -- groups that are usually by-passed by the larger official programs and by market spillovers, also they innovate and continually challenge the musty procedures of bureaucracies; and they are usually subversive, working at the community level and injecting an attitude of self-reliance and an aggressive, demanding posture before the authorities, in contrast to the invariably authoritarian, and paternalistic attitudes that characterize bureaucracies.

The larger government programs in turn help through sheer volume. their existence makes it easier for poor communities to perceive wants and formulate demands (e.g., upgrade a village school; add an extra nurse to the local health center) and they provide a channel for the gradual introduction or filtering down of new ideas and techniques regarding both content and method of delivery. Some pilot programs and experimental approaches have excellent potential for growing into highly promising large-scale programs: two have been discussed in detail -- various types of family planning schemes reviewed by Boulter,<sup>36</sup> and large-scale public works programs proposed by Lewis.<sup>37</sup> The adult literacy program in Brazil (MOBRAL) seems to be an example of a large-scale official effort that has retained the entrepreneurial dynamism of smaller programs. Finally, growth-oriented efforts make an additional contribution to raising low-end incomes, in part by direct market spillovers, and in part because market-generated increases in income are necessary to other

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<sup>36</sup>op. cit.

<sup>37</sup>op. cit.

efforts to improve health and nutrition, to lower population growth, and to increase human capital. Levinson makes this point very explicitly "...it is unlikely that nutrition policies alone will provide viable long-term benefits to the lowest income groups in the absence of related socio-economic improvements. The two are complementary and must be addressed in tandem if desirable results are to be achieved."<sup>38</sup>

In the end, however, reaching the poor may be as difficult, and as much a "structural" problem, as that of extracting from the rich. Past experience indicates that severe constraints are imposed by working within a market system, and within a society whose institutions and values must be primarily geared to the dominant sources of income. In this sense the radical thesis may be right, that profound structural change is a prerequisite to any transfers to the poor beyond the current trickle, though not because of the greediness and power of the capitalist rich. In fact, the socialization of all modern sector property might provide the financial base for redistribution, but it may do little to solve the delivery problem. If the traditional sector remains a primarily market economy, as is the case in most "socialist" developing countries, then delivery efforts continue to face market-response problems discussed above. Moreover, the institutions and administrative attitudes in a country with a socialist modern sector/<sup>may</sup> easily be biased towards growth, large-scale and capital-intensive activities, and may therefore be unsuited to the needs of traditional sector producers.

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<sup>38</sup>Levinson and Oftedal, op. cit., pp. 37-38. Harbison also stresses the complementarity between human resource improvement and programs that promote general economic development.

Thus the socialization of the modern sector probably is not the principal, perhaps not an appropriate, answer to the problem of effecting substantial increase in income and capital transfers to the poor. The answers needed are more particularistic and subtle. They are more complex. But they are no less difficult or radical.

### 3. Improving the market as a distributive mechanism

The two elements of a redistributive strategy examined thus far -- taking from the rich, and giving to the poor -- both entail considerable economic and political difficulties. One way to lighten the burden on those forms of redistributive intervention is to adapt the market to produce a more equitable distribution in the first place. In developing countries, this would be done largely by redistributing the ownership of physical capital, and by reducing the degree of dualism in the productive structure. To what extent are such policies feasible? To what extent are they compatible with growth?

The issue of property redistribution was discussed above under the heading of "taking from the rich." We argued there that there is a substantial difference between the redistribution of land, and of other physical property. Land reform has by far a greater redistributive potential for several reasons: it is likely to have broader political and social effects within the countryside that favor the poor; it is a way of reaching very poor groups directly; and, often, it is complementary (and perhaps a prerequisite) to other policies needed to raise low-end incomes in the rural sector (chiefly measures to raise small-farm productivity). By contrast, non-agricultural business property can be

nationalized but there is no straightforward way of transferring that property income to the very poor. The poorer rural multitudes cannot be made shareholders or owners of urban property in any meaningful sense, i.e., with some ability to control the management of that property. The only political arrangement that is likely to ensure the transfer of that property income to the very poor is a socialist government with the power to prevent workers in the nationalized firms, and other middle and urban groups, from appropriating that income. The expropriation of the rich could perhaps have eventual favorable political repercussions for the poor, but such effects are clearly less certain, and would follow less directly than from land reform.

A more modest approach to property redistribution is a common feature in most countries. It consists of directing credit more cheaply and easily to small firms. The success of this approach, however, is highly contingent on the broader political context, which may in many other ways be favoring the concentration of property income (e.g., through the allocation of foreign exchange, investment permissions and guarantees, favorable tax treatment, etc.). In such an environment, credit steering will have a minor compensatory effect. The implication is that gradual property redistribution requires the use of more than one or two policy instruments; it will follow only if a redistributive, pro-small-firm bias becomes the prevalent attitude to a host of pricing and allocational government policies and operations. Such an attitude, of course, is probably incompatible with dynamic, confident investment behavior by large investors, and may therefore involve a trade-off with growth. Since the beneficiaries of such a policy would tend to be middle-income

small entrepreneurs and not the rural poor, the latter might be worse off to the extent that less growth means less spillover benefits for them.

The second way to reduce ex ante market inequalities is to reduce dualism in the productive structure, i.e., to reduce the differences between average productivity levels in the modern and traditional sectors. Some of the causes and effects of dualism on income distribution are discussed in the introductory paper by Frank and Webb.<sup>39</sup> This strategy is often called "employment creation" since it consists largely of making the modern sector more labor-intensive, and thus of employing more people in the modern sector with the given stock of capital. This strategy is the thrust of Bruton's paper on industrialization policy.<sup>40</sup>

Reducing dualism in the productive structure is expected to generate a better income distribution for several reasons. First, wage differentials between the modern and traditional sectors will be smaller for either or both of the following reasons: Capital-intensive firms require more skilled and educated labor; and they facilitate unionization and wage pressures. Second, capital ownership is likely to be more evenly spread when firms are labor-intensive because such firms have fewer economies of scale and thus lend themselves to easier entry and to smaller-scale production by many firms. Third, to the extent that dualism is caused by market distortions, and also, to the extent that dualism -- whatever the cause -- has generated wage distortions, reducing dualism should increase efficiency and growth, and thereby, market spillover to the traditional sector. Finally, there is the broader argument that income is more easily redistributed within, than between productive

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<sup>39</sup>op. cit.

<sup>40</sup>op. cit.

(modern and traditional) sectors:<sup>41</sup> groups that are in some way involved in the production or control of modern sector output -- chiefly capitalists, modern sector workers, and the civilian and military bureaucracy -- are favored by both tactical advantage and a sense of legitimacy in pressing their claims for a share of that sector's output.

The potential for reducing productivity differentials naturally varies enormously between countries, particularly because dualism becomes extreme in the oil and mineral rich countries. Also, since the bad distributive effects of dualism create vested interests, it is politically more difficult to undo these effects than to prevent them.

One major source of dualism consists of factor price distortions, and strong arguments have been advanced by economists<sup>42</sup> to the effect that better pricing and allocation policies are likely to produce major long-run benefits in the form of both faster growth and lesser inequality. If the short-run repercussions of such policy corrections on existing vested interest groups can be minimized, e.g., by heavily subsidizing labor-intensive investments (through tax breaks, and export bonuses for instance) a "distributive swindle" becomes possible: large distributive improvements can be brought about over the long-run at the price of small, regressive government favors today.

Less commonly noted, however, is a second major source of dualism: the growth of socialism or state capitalism. This is in part an ideological trend, and in part "an act of God": oil and mineral

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<sup>41</sup>This argument is developed in R. Webb, Government Policy and the Distribution of Income in Peru 1963-1973. Discussion Paper No. 39, RPEd, Woodrow Wilson School, Princeton University, March 1974.

<sup>42</sup>e.g., Bruton op. cit.; and Gustav Ranis "Industrial Labor Absorption," EDCC, Vol. 21, No. 3, April 1973, pp. 387-408.

riches are thrusting socialism on many countries. The enormous revenues from such sources are necessarily appropriated by the public sector. Governments are strongly biased towards highly capital-intensive uses of those resources.

The good, and perhaps most powerful reason for this bias is the scarcity of entrepreneurial talent in government; and large-scale, capital-intensive investments are far cheaper in terms of managerial resources per dollar invested, than a multitude of small-scale, and regionally dispersed investments in labor-intensive enterprises. The bad reasons include corruption, which thrives with the purchase of large-scale capital goods, and the technocratic biases of bureaucrats. These various reasons help to explain the paradox of regimes with strong socialist and egalitarian leanings, such as Algeria and Peru, channeling the bulk of their investible resources into highly capital-intensive projects rather than to the traditional sector.

The prospects for reducing dualism are therefore highly variable between countries. Where the prospects are good, a potential exists for long-run improvements in income distribution, or, at least, for avoiding growing inequality. In the best of cases, however, it is an indirect (and slow) tool for attacking low-end poverty, particularly in the largely agrarian countries such as India and Indonesia, and should thus be considered a complement to more direct policies directed at reducing poverty.

## VII. Conclusions

Very few generalizations can be drawn from so broad a review, and on so disparate a base of evidence. Indeed, a major thrust and "conclusion" of this study is an emphasis on the specificity of policy results. The variety of distributive ends, policy means, and economic and political circumstances imply that policy opportunities and best options must be discovered case by case. Also, the papers in this study have been more detailed in pointing out difficulties and negative effects, than in indicating positive opportunities. This bias partly reflects actual practice, in the sense that there are more failures and problems to record than successes, and in part it reflects a feeling that many of those frustrations have resulted from naive and careless policy-making, and therefore, that a review of common errors is constructive. The following points are in the nature of guides to the evaluation of redistributive possibilities in particular cases.

Regime-type, particularly the degree of "leftness," is less of a critical determinant than is often thought. The particular mix of policy opportunities, however, will certainly be related to regime-types: in less redistributive-minded regimes the best feasible strategy will be less overtly redistributive and more opportunistic in taking advantage of the favorable distributive effects of policies aimed at other goals. Also, the strategy should search for those types of pro-poor measures that have a particularly high degree of legitimacy or elite support, whether for moral or self-interest reasons.

In most settings, the best strategy will be a highly mixed one, and one that is integrated with policies aimed at non-distributive goals.

None of the policy approaches reviewed here will carry distribution far on its own. In particular, growth must be an integral part of redistributive strategy, first because growth is a direct tool for raising low-end incomes, via the spillover of demand for labor and rural output and the leakages from growth-oriented investment projects, and second, because the growth target will co-opt or limit many of the available policy instruments so that redistributive possibilities must be framed, not necessarily as subordinate to, but certainly within some constraints imposed by the growth strategy. Also, the mix should certainly strive for a maximum of well-targeted programs with least backlash effects, but poorly targeted policies with considerable negative effects should not be rejected out of hand: such inefficient policies may be politically attractive and provide at least some benefits to the poor.

There seem to be no easy solutions to improving equity. Even socialism may not carry redistribution far, particularly poverty-reduction, unless it involves a strong egalitarian intent and a heavy political and administrative control of the rural sector. Markets as well as politics impose major constraints. These constraints do not eliminate, but they certainly limit the extent and form of feasible redistribution. A greater awareness of those limitations, and of the necessarily long-run gradual, and multiple-approach road to more equity will provide a better basis for identifying and designing more promising redistributive strategies in the future.

Finally, a critical factor to success will be seriousness of purpose. Improvement is most likely to follow from partial advances along many different fronts, from a constant bearing in mind of

distributive aspects when considering growth and other policy objectives, and from more attention to minor design aspects and to the manner and degree of implementation. These are qualities of policy-making that can be found in regimes with very different political orientations. In the end, therefore, much will turn on human qualities, particularly on a sincere intent and dedication in searching for and following up the many opportunities for change.