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PRINCETON UNIVERSITY

Woodrow Wilson School of Public and International Affairs

ANNUAL REPORT FY 1981

LDC INCOME DISTRIBUTION AND PUBLIC POLICY AID/ort-C-1492

June 30, 1980 - June 30, 1981

I. Annual Report Summary Sheet

LDC Income Distribution and Public Policy AID/otr-C-1492
Project Title and Contract Number

Henry Bienen
Trustees of Princeton University
Principle Investigator and Contractor

Princeton University, Princeton, New Jersey 08544
Contractor's Address

June 30, 1976 - December 31, 1981
Contract Period (as amended) From-To

July 1, 1980 - June 30, 1981

Total Expenditures and Obligations
Through Previous Contract Years

Expended thru 6/30/81: \$816,402

Total Expenditures and Obligations
for Current Contract Year
1980-1981

Expended thru 6/30/81: \$165,963

Total Expenditures and Obligations

6/30/76 - 12/31/81: \$1,015,118

I. Summary Sheet

Work has been completed on studying the economic and political aspects of income distribution in Turkey, Nigeria and Egypt. Papers are undergoing final revisions on the Mexican project and will be presented in Princeton in October, 1981. We hope to bring the final manuscript to the publisher in December, 1981. Subjects being addressed are the general economics, politics, and historical-ideological framing of income distribution, rural-agricultural, rural-urban and equity impacts of taxation, agricultural policies, education and other public services and industrial policies.

The Turkey volume was published as The Political Economy of Income Distribution in Turkey in 1980. The Nigerian volume was published as The Political Economy of Income Distribution in Nigeria in 1981 (June), and a paperback volume with a new introduction will be published in a short form as Equity and Social Change in Nigeria in July, 1981. The Egyptian volume, The Political Economy of Income Distribution in Egypt will be published in early 1982. The manuscript is being edited now and its contents have been made available widely to U.S. Government agencies and to academic institutions and the World Bank. First draft papers for the Mexico study were presented in Akumal, Mexico, March, 1981.

II. Project Objectives

As stated in past reports and in the contract, project objectives are to assist developing countries and donor agencies in meeting their need for a better understanding of ways to improve the formulation and implementation of social objectives within the context of economic development efforts.

The three completed volumes on Turkey, Nigeria, and Egypt make a major contribution to the political economy literature on those countries. Although we had difficulty getting access to all the survey materials done for us on Egypt, the Egypt study breaks new ground for analysis of that country. We were able to use new survey data for some rural aspects and some urban studies too.

A very good group of scholars is at work in Mexico and we are filling some gaps that became clear after our first drafts were presented. We are having a new paper on education. We have had trouble getting access to the agricultural census which was done in Mexico because there are legal problems in using disaggregated survey data. We have, however, been able to make good use of the household surveys that were done.

The four country studies will provide scholars and policy analysts in the development field with much new information about income distribution and the impact of government policies on distributions. We feel that the policy analysis community will be better able to assess prospects for different policy alternatives through these studies.

III. Accomplishments to Date

As we reported in earlier reports, we have proceeded with large, difficult and important projects. Teams of American and Egyptian, Turkish, Nigerian and Mexican scholars have worked together in a collaborative and collegial fashion. One of the major benefits of the project has been the building of stronger ties between scholars interested in the political economy and equity issues. We maintained our commitment to have cross-fertilization of the country studies. Scholars from Turkey and Nigeria have attended meetings on Egypt and we all have learned from the country experiences as we have moved along in the studies. We also maintained our commitment to have the design and execution of studies depend heavily on scholars in the countries themselves. Professor Ali Dessouki from Cairo University was a valuable participant in RPDS work at Princeton in the 1980-81 academic year. We also had, a year earlier, Professor Alaba Ogunsanwo from Lagos University. Thus we have had continued contact with scholars from the countries on which we worked.

Turkey

The Table of Contents for the Turkey volume is as follows:

"Income Distribution in Turkey," by Ergun Ozbudun and Aydin Ulsan.

"Turkey: The Transformation of an Economic Code," by Serif Mardin.

"Income Distribution as an Issue in Turkish Politics," by Ergun Ozbudun.

"The Sources and Structure of Inequality in Turkey, 1950-1973," by Kemal Dervis and Sherman Robinson.

"Public Policy Toward Agriculture and its Redistributive Implications," by Aydin Ulsan.

"Politics of Agricultural Price Policy in Turkey," by Ustun Erguder.

"The Effects of Government Policy on Income Distribution: A Case Study of Wheat Production in Turkey Since World War II," by Charles K. Mann.

"Public Policies Affecting the Distribution of Income Among Cotton Producers in Turkey," by Metin Berk.

"Urbanization and Income Distribution in Turkey," by Michael Danielson and Rusen Keles.

"Allocating Public Resources in Urban Turkey," by Michael Danielson and Rusen Keles.

"International Migration: The Unorganized Urban Sector and Income Distribution in Turkey, 1963-1973," by Timur Kuran.

"Political Activities of Trade Unions and Income Distribution," by Maksut Mumcuoglu.

"Wages, Relative Shares and Unionization in Turkish Manufacturing," by Ataman Aksoy.

"Chambers of Industry in Turkey: An Inquiry into State Industry Relations as a Distributive Domain," by Ayse Oncu.

"Social Mobility in Turkey," by Sevgi Aral.

"Education and Income in Turkey," by Selcuk Ozgediz.

Since we outlined the contents of the Turkey volume in the 1978-79 report, we will not do so again here.

Nigeria

The Nigeria volume is out. The Table of Contents is as follows:

"The Political Economy of Income Distribution," by Henry Bienen.

"Development in Nigeria: An Overview," by Douglas Rimmer.

"The Structure of Income Inequality in Nigeria: A Macro Analysis," by V.P. Diejomaoh and E.C. Anusionwu.

"The Politics of Income Distribution: Institutions, Class, and Ethnicity," by Henry Bienen

"Inequalities of Social Rewards: Realities and Perceptions," by Donald Morrison.

"Aspects of Income Distribution in the Nigerian Urban Sector," by Olufemi Fajana.

"Spatial Aspects of Urbanization and Effects of Income Distribution in Nigeria," by Bola Ayeni.

"Urbanization and Income Distribution in Nigeria," by P.O. Sada.

"The Structure of Production and Rural Income in Northern Nigeria: Results of a Three Village Case Study," by Peter Matlon.

"Education and Income Distribution in Nigeria," by V.P. Diejomaoh and E.C. Anusionwu.

"Personal Income Taxation and Income Distribution in Nigeria," by P. Ada Omorogiuwa.

"The Distributive Impact of Public Expenditures in Nigeria," by Johnson O. Odufalu.

"Financial Institutions, Financial Markets and Income Distribution," by O. Teriba.

Since we gave indications of the contents of the volume in our 1979-80 report, we will not repeat those here.

Egypt

The Egyptian volume is scheduled for publication in the Fall, 1981.

The Table of Contents is as follows:

"Overview," Gouda Abdel Khalek and Robert Tignor.

"Equity in Egypt's Recent Past: 1945-1952," by Robert Tignor.

"Income Distribution as an Issue in Egyptian Politics," by Ali E. Hillal Dessouki.

"Interconnections Between Income Distribution and Economic Growth in the Context of Egypt's Economic Development," by Ibrahim H. El-Issawy.

"Impact of Taxation on Income Distribution: An Exploratory Attempt to Estimate Tax Incidence in Egypt," by M. Reda A. El-Edel.

"The Agricultural Output Pricing Policy and the Implicit Taxation of Agricultural Income," by Karima Korayem.

"Impact of Agricultural Policies on Income Distribution," by Ahmed H. I. Hassan.

"The Development of the Share of Agricultural Wage Labour in the National Income of Egypt," by Amr Mohie-Eldin.

"Income Distribution in Egyptian Agriculture and Its Main Determinants," Mohaya A. Zaytoun.

"Patterns of Urban Growth and Income Distribution in Egypt," by John Waterbury.

"Educational Expansion and Income Distribution in Egypt (1952-1977)," by Mahmoud Abdel-Fadil.

"Social Mobility and Income Distribution," Saad Eddin Ibrahim.

"Foreign Economic Aid and Income Distribution in Egypt, 1952-77,"
by Gouda Abdel Khalek.

"The 'Open Door' Economy: Its Roots and Welfare Consequences,"
by Fouad Ajami.

One paper, by Professor Hassan Hanafi, on religion and equity considerations came to us very late and after much revision was deemed not suitable for publication. Our Egyptian study provides much new information on the impact of rural and urban policies on distribution. Also, a major study by Professor Saad Eddin Ibrahim shows that social mobility is slowing in Egypt. In-depth political analysis is undertaken in a number of studies and the dilemmas of Egypt's future are shown. The impact of the "Open Door" policy is analyzed. The Egyptian study has been requested, and presented, to the World Bank mission on Egypt and to various U.S. agencies. Seminars will be held on this study in Princeton in the Fall, 1981.

Mexico

First draft papers were presented in Mexico in March. The discussions were excellent and the following papers were critiqued at length.

"Introduction to the study of Income Distribution in Mexico,"
by Pedro Aspe and Javier Beristain.

"The Distribution Impact of Social Security," by Emilio Lozoya.

"A Panoramic Vision on the Analysis of Income Distribution in Mexico," by Pedro Aspe.

"The Distribution of Oil Riches in Mexico," by Socrates Rizzo.

"The Incidence of Taxes in Mexico, 1977-80," by Francisco Gil.

"The Impact of Foreign Trade and Export Strategies on Distributional Strategies," by Clark Reynolds.

"State Enterprise and Income Distribution in Mexico," by Raymond Hill.

"The Determinants of Relative Efficiency in Mexican Agriculture,"
by John Page.

"Political Economy of Rural Development Programs and the Distribution of Income," by Carlos Salinas.

"The Origins of the State and the Distribution of Income," by Manuel Camacho.

"The Regulation of Foreign Investment in Mexico, and its Impact on Income Distribution," by Paul Sigmund.

"The Distribution of Labor Income in Mexico," by Jesus R. Reyes Hereoles.

"Urbanization, Housing Policy, and Income Distribution in Mexico," by Richard Moore.

"Distribution of Income, Food Consumption and Fiscal Cost of Alternative Policy Options," by Nora Lustig.

"Macroeconomics, Stability and Employment - The Case of Mexico," by Pedro Aspe and Herminio Blanco.

"Issues in the Distribution of Income Within the Agricultural Sector and Between the Agricultural and Non-Agricultural Sectors," by Mark Gersovitz.

Papers will also be forthcoming on:

"Overview," by Pedro Aspe and Paul Sigmund.

"Idea of Equity," by Sr. Lira.

"Commodity Marketing and Income Distribution," by Leopoldo Solis.

"Education and Income Distribution," by Juan Angel Pescador.

Because of difficulty with access to agricultural census material, Professor Page and Gersovitz from Princeton were not able to complete full papers for the March, 1981 meetings in Mexico. Professor Gersovitz has made a number of trips to Mexico and we are still hopeful of having access to more aggregated data.

A number of individuals attended the Akumal meetings aside from those who presented papers. From Princeton, Professor Joseph Stiglitz, a specialist in economic theory with field experience in Africa, was a most valuable discussant. Mr. Kevin Henry, second year MPA student from the Woodrow Wilson School continued to assist on research. Ms. Julie Nelson, Ph.D. candidate in Princeton's Economic's Department was a valuable research assistant in Mexico and Princeton throughout the year,

and she attended too. Ms. Geraldine Kavanagh assisted on arrangements as Princeton RPDS Office Coordinator. Professor Michael Danielson, Chairman, Politics Department, Princeton, was a valuable discussant on the political analysis side and on urban studies.

Dr. Carlos Salinas could not attend due to press of Government business. His paper was presented by Professor Manuel Camacho. Lic. Leopoldo Solis had to attend an international conference as Deputy of Banco de Mexico. Dr. Juan Diaz Canedo dropped out of the project and was replaced by Dr. Reyes Heróles, Ph.D. MIT, currently at the Banco de Mexico. Juan Angel Pescador, who was going to work on education, has once again committed himself to do so.

We hope to discuss second draft papers in Princeton in October, 1981 and to present to the publisher final drafts by the end of 1981.

The Overview

It makes more sense to work on this overview study when the Mexico work is complete. We still intend to do a monograph or book-length study, probably focusing on the politics and policies of income distribution, which will review recent literature, our own volumes, and make policy suggestions.

IV. Dissemination and Utilization

As noted above and in earlier reports, there has been demand for papers and a wide dissemination to international agencies and U.S. agencies and to academic institutions. Various project participants have reported on their work. Sherman Robinson joined us from the World Bank to discuss the studies with a group of planners and statisticians from the Bureau

of Labor Statistics in April, 1980 and we intend to do this again for the Bureau in the Fall of 1981. Henry Bienen gave a seminar on the whole project at Princeton in October, 1980 and gave seminars in April at York University, Toronto and the University of Toronto. Henry Bienen also gave a seminar at Yale University in November, 1980. Next Fall, Dr. Raji Kanbur of Cambridge University, will be giving a seminar on income distribution at Princeton and the project will be discussed in that forum also.

V. Work Plan

All studies are completed save Mexico and either published or in press. The Mexico Volume, we hope, will be out by the summer of 1982.

VI. Minority Recruitment

Recruitment of participants from the countries was handled largely by the principal investigators. The Turkey project had two women participants as paper writers and the Egyptian project also had two women paper writers and a female director of the survey. In Mexico, one woman is a paper writer. Princeton had Deborah Rose as a research assistant and currently has Julie Nelson, also a female, as research assistant.

The Princeton participants, drawn from the ranks of existing faculty members, are all white males; one is a native of Lebanon, another of Egypt.

VII. Princeton Personnel Changes

The Princeton group is in place. The only changes from our last report are: Professor Fouad Ajami has gone to Johns Hopkins to direct its Center for Middle Eastern Affairs; Professor Richard Moore has come to Princeton and with his fluent Spanish and field experience in Ecuador is a valuable participant in the Mexico project; Professor John P. Lewis

returns from Chairmanship of the DAC at OECD to rejoin us in August, 1991.



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SSIE NUMBER

NOTICE OF RESEARCH PROJECT

SUPPORTING ORGANIZATION:

SUPPORTING ORGANIZATION NUMBER(S):

Agency for International Development

Contract No: otr-C-1492
and/or
Control No:

PROJECT TITLE:

Less Developed Countries Income Distribution and Public Policy

INVESTIGATOR(S):

DEPARTMENT/SPECIALTY, School or Division

Henry Bienen
Director, Research Program in
Development Studies

Woodrow Wilson School of Public and
International Affairs

PERFORMING ORGANIZATION:

PERIOD FOR THIS NRP:

Name and Woodrow Wilson School
Address: Prospect Avenue
Including Princeton University
Zip Code. Princeton, NJ 08544

Start Date: June 30, 1976
End Date: December 31, 1981
Annual Funding: \$722,618 (approx.)

PROJECT SUMMARY:

Be brief-200 word maximum: (Include Objective, Approach,
Current Plans and/or Progress)

Project objectives are to assist developing countries and donor agencies in meeting their need for a better understanding of ways to improve formulation and implementation of social equity objectives within the context of economic development efforts.

Work is proceeding on studying the economic and political aspects of income distribution, especially the effects of government policies on distributional outcomes in Turkey, Nigeria, Egypt and Mexico. Subjects being addressed are the general economics, politics, and historical-ideological framing of income distribution, rural/agricultural, rural-urban, and urban dimensions, and the equity of taxation, agricultural policies, education, other public services, industrial policies and unionization. The Turkey and Nigerian volumes have been published respectively in 1980 and 1981. The Egypt volume will be published in early 1982, and second drafts will be presented in Princeton, October, 1981 for the Mexico Study.

BUDGET

<u>Line Item No.</u>	<u>Expended 6/30/76 6/30/81</u>	<u>Estimated Costs 7/1/81 - 12/31/82</u>	<u>Total Costs 6/30/76 - 12/31/81</u>
A. Turkey Country Study Costs	<u>87,400</u>	0	<u>87,400</u>
1. Salary	15,500	0	15,500
2. Consultants	32,500	0	32,500
3. Local Research Expenses	39,400	0	39,400
B. Nigeria Country Study Costs	<u>92,100</u>	0	<u>92,100</u>
4. Salary & Con- sultants	39,400	0	39,400
5. Local Research Expenses	52,700	0	52,700
C. Egypt Country Study Costs	<u>119,978</u>	0	<u>119,978</u>
6. Salary	7,500	0	7,500
7. Consultants	35,000	0	35,000
8. Local Research Expenses	56,125	0	56,125
9. International Travel & Sub- sistence	21,353	0	21,353
D. Mexico Country Study Costs	<u>65,000</u>	0	<u>65,000</u>
10. Salary	0	0	0
11. Consultants	17,000	0	17,000
12. Local Research Expenses	31,250	0	31,250
13. International Travel & Sub- sistence	16,750	0	16,750

<u>Line Item No.</u>	<u>Expended 6/30/76 6/30/81</u>	<u>Estimated Costs 7/1/81 - 12/31/82</u>	<u>Total Costs 6/30/76 - 12/31/81</u>
E. Conferences & Meetings	<u>82,132</u>	<u>33,708</u>	<u>115,840</u>
14. Planning Conferences for Turkey, Nigeria Egypt, Mexico; travel per diem, task force meetings	82,132	33,708	115,840
Subtotal (Items A - E)	446,510	33,708	480,318
15. Fixed Indirect Costs on Sub- contracts	6,006	0	6,006
Subtotal	452,616	33,708	486,324
F. Princeton University Costs			
16. Salaries & Fringe Benefits	170,772	78,043	248,815
17. Research Assistance	11,539	5,361	16,900
18. Duplication and Printing	20,170	10,330	30,500
19. Editorial Assistance	8,000	3,550	11,500
20. Research Coordin- ation	11,340	8,160	19,500
Subtotal (Princeton Direct Costs)	221,821	105,444	327,265
21. Indirect Costs (Princeton)	141,965	59,564 ^a	201,529
<u>GRAND TOTAL</u>	816,402	198,716	1,015,118

^aIndirect costs through June 30, 1978 @ 52%
Indirect costs beginning July 1, 1978 @ 64%