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PRINCETON UNIVERSITY

Woodrow Wilson School of Public and International Affairs

ANNUAL REPORT FY 1980

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

June 30, 1979 - June 30, 1980

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, 1979 - June 30, 1980

Total Expenditures and Obligations  
Through Previous Contract Year

Expended thru 6/30/80: \$650,439

Total Expenditures and Obligations  
for Current Contract Year  
1979-1980

Expended thru 6/30/80: \$169,863

Total Expenditures and Obligations

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

1. Summary sheet

Work has been completed on studying the economic and political aspects of income distribution outcomes in Turkey and Nigeria. Papers are undergoing final revisions in the Egypt project and work has started in 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 impacts of taxation, agricultural policies, education, other public services, industrial policies and unionization. The Turkey volume titled: The Political Economy of Income Distribution in Turkey is scheduled for publication no later than July 15, 1980. The publisher of this and forthcoming volumes is Holmes and Meier, New York and London. The Nigeria volume is being copy edited and we expect its publication by March 1981. A completed manuscript from the Egypt project should be given to the publisher in September 1980. First draft papers on Mexico will be presented in Princeton in the fall of 1980.

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The project objectives, as stated in the contract, 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 equity objectives within the context of economic development efforts.

The completed volumes on Turkey and Nigeria make a major contribution to the political economy literature on both countries. They also will, we believe, be seen as important country case studies which address the wide and critical questions of income distribution in developing countries. The Egyptian study will have the future advantage of presenting new data from surveys done in collaboration with us. Indeed, the Egyptian project should throw light on neglected aspects of income distribution in rapidly growing urban areas. Work is proceeding in Mexico, the fourth country accepted for the study. A very fine group of Mexican scholars is at work. The data promises to be the best of all the countries so far involved. We are trying to compress schedules and to finish the investigations by Spring 1981, in order to have the volume completed by December 1981. The four country studies should provide the policy and scholarly community with a wealth of information about income distribution in these societies, the historical development and influence of government policies on distribution, with a view to assessing prospects for different policy alternatives.

### 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.

#### Turkey

The Turkey volume is almost out at time of writing this report.

The Table of contents, which we stated in our report of 1978-79 is:

"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 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 has been copy edited. 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.

In order to remedy gaps in the agricultural sector, a paper was commissioned by us from two scholars at the University of Ife, Professors Ladipo and Adesimi in the Department of Agricultural Economics at that University. The first draft had significant problems and the second draft was not received, though sent, in time to go to the publishers. We do not know whether we can now use that paper in the volume itself.

Our 1978-79 report gave some indication of the contents of our work. We have shown that income inequality did proceed and deepened during the 1970's. The impact of oil revenues was very significant since these revenues were channeled through the modern, urban and industrial sector. While inter-industry wage differentials did not widen, rural-urban gaps did. The Nigerian government did address itself more to equity problems, but it did not confront them head on. Certain of its policies such as massive educational reforms and indigenization programs had mixed results for equity outcomes. There were unintended consequences of Government policies that exacerbated distributional problems. Moreover, Government policies

themselves often seemed irrelevant to the massive urbanization taking place in Nigeria. The taxing and spending policies of Government seemed weak tools for changing distributional profiles. The emphasis in Nigeria was more on raising general standards of living and in this realm, Government was not completely without success.

Our studies show how complicated the distributional picture is in Nigeria, and how mixed results are produced from most of the policy packages Government has tried to implement. At the same time, we have argued that the Nigerian Government has a great deal of political space for the implementation of reformist policies. Class lines have not hardened and politics in Nigeria are not played out in terms of distributional issues.

Our studies have been widely sought after by the Nigerian Government and the World Bank and we have made them available in draft form.

### Egypt

Meetings were held in October-November, 1979 in Portugal which brought together members of the Princeton and Egyptian teams along with project directors from Turkey and Nigeria. Mr. Jonathan Silverstone from AID attended. These meetings were among our most successful. Not only was progress made in discussing second draft papers, but the experiences of the then three countries were discussed and assessed. Participants included:

Ali E. Hillal Dessouki, Cairo University

Reda El-Edel, Arab Planning Institute, Kuwait

Amr Mohie Eldin, Cairo University

Hassan Hanafi, Cairo University

Ahmed Hassan Ibrahim, Institute of National Planning, Cairo

Saad Eddin Ibrahim, American University, Cairo

Ibrahim Hassen El-Issawy, Institute of National Planning, Cairo

Gouda Abdel Khalek, Ministry of Planning, Kuwait  
Karima Aly Mohammed Korayem, Ministry of Planning, Kuwait  
Aly Mohaya Zaytoun, El-Azhar University, Cairo

From Princeton:

Henry Bienen, Project Director  
Michael Danielson, Professor of Politics & Public Affairs  
Charles Issawi, Professor of Near Eastern Studies  
Hassan Khedr, Parvin Fellow  
John Page, Assistant Professor of Economics & International Affairs  
Donald Stokes, Dean, Woodrow Wilson School, Princeton University  
Robert Tignor, Professor of History  
John Waterbury, Associate Professor of Politics & International  
Affairs  
Paul Sigmund, Professor of Politics

Other Participants:

Ergun Ozbudun, Ankara University, Ankara, Turkey  
Victor Diejomaoh, Faculty of Social Sciences, University of  
Lagos, Lagos, Nigeria  
Mr. Jonathan Silverstone, Chief, Civic Participation Division, AID

Unfortunately Dr. Hoda Magahid could not attend. She has been directing the AID financed survey of income distribution in Egypt under the auspices of the Center for Sociological and Criminological Research. However, that survey has gone forward after long delays and is now a major data resource. While some Egyptian scholars have used the survey results, we are convinced that there is much to be learned from analysis of the survey results beyond our current Egyptian project. AID-Cairo assures us that we will have access to the computer tapes and we hope to continue work on the Egyptian data after the income distribution project in Egypt formally comes to an end.

Princeton was committed to utilizing, where we could, scholars in the project in a teaching function back at Princeton. I am pleased to report that Dr. Ali Dessouki from Cairo University will be a Visiting Fulbright Scholar for 1980-81 at the Research Program in Development Studies.

Some final drafts have been received in Princeton and we hope to have all final drafts by the summer and thus in end to present the publisher with the Egyptian manuscript in early Fall. There is a possibility of an Arabic language translation to be published in Egypt.

Papers in the Egypt project include:

"Urbanization and Income Distribution in Egypt," by John Waterbury

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

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

"The Impact of Taxation on Income Distribution in Egypt, 1959-1975," by Reda El-Edel.

"Interrelationships Between Economic Growth and Income Distribution in Egypt," by Ibrahim El-Issawi.

"The Impact of Some Government Policies on Income Distribution Between Rural and Urban Sectors in Egypt," by Karima Korayem.

"Agricultural Policies and Income Distribution in Egypt," by Ahmed Hassan Ibrahim.

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

"Income Distribution in Egyptian Agriculture, A Micro-Economic Approach," by Mohaya Zaytoun.

"Equity in Egypt's Recent Past," by Robert Tignor.

"Religious Factors and Income Distribution," by Hassan Hanafi.

"The Political Context of Income Distribution in Egypt," by Ali Dessouki

"External Factors in Income Distribution," by Fouad Ajami

"Financing Development Through Foreign Aid and Its Impact on Distribution in Egypt, 1954-1975," by Gouda Abdel Khalek.

Mexico

Mexico became the fourth country in an amended contract with AID in September, 1979. Henry Bienen had meetings with Leopoldo Solis, Deputy Director, Banco de Mexico, Pedro Aspe, Instituto Tecnologico Autonomo de Mexico, and Manuel Camacho, el Colegio de Mexico. In August, 1979 when the outlines of a Mexican project were agreed on, ITAM became the Mexican institution which was to manage the Mexican end of the project. In February, Professors Henry Bienen, Paul Sigmund, Raymond Hill, Richard Moore, Michael Danielson, Mark Gersovitz, John Page, and Kevin Henry, a graduate assistant, went to Mexico City. Meetings were held for two days at ITAM under the direction of Pedro Aspe. Professor Bienen also held meetings with Dr. Javier Beristain I., Rector of the University. At these meetings both the institutional and substantive matters of the Mexican project were hammered out. Paul Sigmund directs the Princeton end of the project and Pedro Aspe the Mexican end. Dr. Aspe has been able to help Princeton participants gather important data for their own work.

Tentatively, project titles appear as follows:

Richard Moore, Assistant Professor of Public & International Affairs, "Urbanization and Income Distribution."

Paul Sigmund, Professor of Politics, "Investment Screening and National Development: The Mexican Experience."

Henry Bienen, Professor of Politics and International Affairs and Director of RPDS and Michael Danielson, Professor of Politics and Public Affairs and Chairman of the Politics Department, "Regionalization and Income Distribution in Mexico,"

John Page, Assistant Professor of Economics & International Affairs, "Technical Change and the Distribution of Income in the Rural Sector."

Mark Gersovitz, Assistant Professor of Economics & International Affairs, "Investigation of the Economic Effects of Mexican Land Reform."

Clark Reynolds, Professor, Food Research Institute, Stanford University, "Employment and Income Distribution Consequences of Alternative Trade Policies in Mexico."

Nora Lustig, Professor, el Colegio de Mexico, "Consumption Patterns and Distribution of Income."

Pedro Aspe, Professor of Economics, Instituto Tecnológico Autónomo de Mexico and H. Blanco, Professor of Economics, ITAM, "Macro Stability and Income Distribution."

Manuel Camacho, Professor, el Colegio de Mexico, "Organized Labor and Income Distribution in Mexico."

Francisco Gil, Incomes Policy Director, Finance Ministry, "The Incidence of Taxation and Expenditures in Mexico."

Leopoldo Solís, Deputy Director, Banco de Mexico, "Commodity Marketing and Income Distribution."

Carlos Salinas, Director of Planning, Budget Ministry, "Public Expenditures, Employment, Industrialization and Income Distribution."

Juan Diaz Canedo, Research Division, Banco de Mexico, "Land Tenure, Internal Migration and Labor Markets."

Emilio Lozoya Thalmann, Treasurer, Mexican Social Security Institute, "The Distributional Impact of Social Security."

Raymond Hill, Assistant Professor of Economics and International Affairs, "Monetary and Credit Policy and Distributional Impacts."

Lorenzo Meyer Cosío, Professor of International Relations, el Colegio de Mexico, "The Politics of Equity and Changing Conceptions of Social Justice Since the Mexican Revolution."

Socrates Rizzo, Asesor de la Dirección General, Nacional Financiera, The Mexican National Development Bank, "The Impact of Petroleum on Income Shares, Employment and Inflation."

The Mexican participants are drawn more heavily from Government agencies than in other projects. Thus we access to a wide range of hard to get at sources, including income surveys.

Our intention is to present first drafts of papers in Princeton in the Fall and second drafts in March in Mexico. This may be optimistic. This summer, Professors Hill, Sigmund, Moore, Gersovitz and Page will all be working in Mexico. Thus more Princeton personnel will be doing field work in a country than has been the case heretofore. The addition of Clark Reynolds from Stanford to the project is an important one. Professor Reynolds is an eminent expert on the Mexican economy.

#### The Overview

While the theory of the project which emphasizes that the unique aspects of each country must be taken into account has been maintained, nonetheless, there is some real cross-country comparability. This comparability exists for subject matter and for analytical focus on policy instruments. We expect to be able to put forward an overview volume which will review recent literature on income distribution and at the same time generalize where possible the results of the country studies.

#### IV. Dissemination and Utilization

As already noted, there has been demand for papers from all the projects. AID-Cairo has used many of the Egyptian papers for its own in-house summary of distributional problems in Egypt, The World Bank has used the Nigerian papers and the Nigerian Government has used those papers for studies on incomes policies and wage stabilization. The Research Program in Development Studies intends to buy quantities of the books for dissemination and we hope AID will do this too. We are hoping for good distribution within countries. Holmes and Meier, our publisher, intends to do a paperback of the Nigerian volume which will use about half of the papers from that work.

Princeton's Research Program in Development Studies has been eager to make our studies known to a wider audience. Thus when the Bureau of Labor Statistics asked us to speak to a group of developing countries' planners and statisticians about the projects we were glad to do so. In April, 1980 we held a one-day seminar explaining the methodologies and results of our work to about thirty developing country economists and a wide audience of Princeton students and faculty. Mr. Jonathan Silverstone, from AID, was in attendance.

#### V. Work Plan

As noted, the Turkey volume is about to be published. The Nigerian volume is in press. The Egypt study is almost complete. Final drafts are being written. Work has begun on Mexico and should be finished by summer or fall of 1981. Work has begun on the overview volume, but we do want to take account of Mexican results.

#### VI. Minority Involvement

Recruitment of participants for individual country studies was handled largely by the principal investigators in the host country. Most of the personnel on the Turkey project are Turkish nationals, and two are women. On the Nigerian project, most are Nigerians, although there are no women. The Egyptian project is staffed mainly by Egyptians, with two women participating. One Mexican participant is a woman. Also, a Princeton research assistant has been Ms. Deborah Rose.

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 he is a valuable participant in the Mexico project.



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## NOTICE OF RESEARCH PROJECT

<b>SUPPORTING ORGANIZATION:</b>		<b>SUPPORTING ORGANIZATION NUMBER(S):</b>	
Agency for International Development		Contract No: otr-C-1492 and/or Control No:	
<b>PROJECT TITLE:</b>			
Less Developed Countries Income Distribution and Public Policy			
<b>INVESTIGATOR(S):</b>		<b>DEPARTMENT/SPECIALTY, School or Division</b>	
Henry Bienen Director, Research Program in Development Studies		Woodrow Wilson School of Public and International Affairs	
<b>PERFORMING ORGANIZATION:</b>		<b>PERIOD FOR THIS NRP:</b>	
Name and Address: Including Zip Code.	Woodrow Wilson School Prospect Avenue Princeton University Princeton, NJ 08544	Start Date: June 30, 1976 End Date: December 31, 1981 Annual Funding: \$722,618 (approx.)	
<b>PROJECT SUMMARY:</b> Be brief-200 word maximum: (Include Objective, Approach, Current Plans and/or Progress)			
<p>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.</p> <p>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 volume is completed and will be published early summer, 1980. The Nigeria volume is in press. The Egypt project is in its final draft phase. The manuscript will be brought to the publisher by September, 1980. Work has begun on Mexico. First drafts will be presented in the fall of 1980.</p>			

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BUDGET

<u>Line Item No.</u>	<u>Expended 6/30/76 6/30/80</u>	<u>Estimated Costs 7/1/80 - 12/31/81</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 & Consultants	39,400	0	39,400
5. Local Research Expenses	52,700	0	52,700
C. Egypt Country Study Costs	<u>102,333</u>	<u>17,645</u>	<u>119,978</u>
6. Salary	4,500	3,000	7,500
7. Consultant	20,355	14,645	35,000
8. Local Research Expenses	56,125	0	56,125
9. International Travel & Subsistence	21,353	0	21,353
D. Mexico Country Study Costs	<u>18,750</u>	<u>46,250</u>	<u>65,000</u>
10. Salary	0	0	0
11. Consultants	10,750	6,250	17,000
12. Local Research Expenses	8,000	23,250	31,250
13. International Travel & Subsistence	0	16,750	16,750

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BUDGET CONTINUED

<u>Line Item No.</u>	<u>Expended 6/30/76 6/30/80</u>	<u>Estimated Costs 7/1/80 - 12/31/81</u>	<u>Total Costs 6/30/76 - 12/31/81</u>
E. Conferences & Meetings	<u>79,790</u>	<u>36,050</u>	<u>115,840</u>
14. Planning Conferences for Turkey, Nigeria Egypt, Mexico; travel per diem, task force meetings:	79,790	36,050	115,840
Subtotal (Items A - E)	380,373	99,945	480,318
15. Fixed Indirect Costs on Sub- contracts	<u>6,056</u>	<u>0</u>	<u>6,056</u>
Subtotal	<u>386,429</u>	<u>99,945</u>	<u>486,374</u>
F. Princeton University Costs			
16. Salaries & Fringe Benefits	135,011	113,804	
17. Research Assistants	9,343	7,557	
18. Duplication and Printing	7,245	23,255	
19. Editorial Assistance	6,000	5,550	
20. Research Coordination	<u>8,193</u>	<u>11,307</u>	
Subtotal (Princeton Direct Costs)	165,792	161,423	
21. Indirect Costs (Princeton)	<u>98,218</u>	<u>103,311</u>	<u>201,529</u>
GRAND TOTAL	<u>650,439</u>	<u>364,679</u>	<u>1,015,118</u>

a. Indirect costs through June 30, 1979 - 52%

b. Indirect costs beginning July 1, 1978 - 64%