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Overview
The Political Economy of Income Distribution
in
Turkey, Nigeria, Egypt, Mexico

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1. A BRIEF HISTORY

In September, 1974, a conference was held at Princeton University which was the culmination of the Princeton-Brookings project on Research on Income Distribution, Growth, and Public Policy.¹ During this conference, the policy papers and data from the project were discussed. Six researchers contributed surveys of income distribution data.² At the conclusion of the conference a number of participants remained in Princeton to discuss possible future collaboration on more intensive studies of particular countries. The participants had concluded that estimation of the effects on income distribution of a range of government policies would require more attention than we had given to the political circumstances which influence whether income equalizing measures are adopted and the political-administrative choices made in implementation. The Princeton-Brookings project

¹ This project, funded by USAID contract #AID/CM/otr-73-237, resulted in the volume, Charles R. Frank, Jr. and Richard C. Webb, eds., Income Distribution and Growth in Less Developed Countries (Washington, D.C.: The Brookings Institution, 1977).

² See Hakchung Choo, "Review of Income Distribution Data: Korea, the Philippines, and Taiwan," RPDS Seminar Paper No. 55, April 1975; Oey Astra Meesook, "Review of Income Distribution Data: Thailand, Malaysia, and Indonesia," RPDS Seminar Paper No. 56, April 1975; Indira Rajaraman, "Review of Income Distribution Data: Pakistan, India, Bangladesh and Sri Lanka," RPDS Seminar Paper No. 57, April, 1975; Adeotun O. Phillips, "Review of Income Distribution Data: Ghana, Kenya, Tanzania, and Nigeria," RPDS Seminar Paper No. 58, April, 1975; Miguel Urrutia, "Review of Income Distribution Data: Colombia, Mexico, and Venezuela," RPDS Seminar Paper No. 59, April 1975; Carlos Geraldo Langoni, "Review of Income Distribution Data: Brazil," RPDS Seminar Paper No. 60, April 1975.

was designed to analyze the relative effectiveness of various policy options by analyzing the interrelationships among income distribution, growth and public policy. The studies on education, population policy, industrialization, wage and fiscal policies, public works and other areas were sensitive to political variables but they were for the most part undertaken by economists based at U.S. universities.

We believed that the next necessary step was to undertake intensive country case studies which would integrate political and economic analyses and which would be designed jointly by social scientists working in the countries studied with Princeton and other U.S. scholars. The data reviews gave us an understanding of where and what kinds of data existed. Our own expertise at Princeton and contacts with scholars abroad also governed our choice of countries. Indeed, during the development of proposals to USAID, we were conscious of problems of comparability between countries in terms of scale, data, goals, and availability of personnel in the countries. In the course of the project, the countries to be studied did shift although our initial choices of Nigeria and Turkey remained; Egypt and Mexico were added after close consideration of India and Thailand.³

³ In our original proposal to USAID, Income Redistribution: Case Studies in the Political Economy of Reform, Research Program in Development Studies, Woodrow Wilson School, November 26, 1975, we did state an intention to work in Mexico.

Because of our determination that the studies be truly joint ventures between Princeton and scholars in the countries, we never considered that all studies would be exactly alike in design and implementation. What would be important to study would be arrived at in consultation with colleagues. Our idea was that the structural and behavioral realities would dictate the logic of how each country was to be studied. That is, the studies were undertaken by country experts who already knew a great deal about the dynamics of equity questions within the country. No single model was applied to all the countries, although the Turkey volume laid out a decomposition model to analyze the structure of inequality.⁴ The other volumes also attempted to explore the structure of income inequality using elements of the model set forth in the Turkey volume, but they did not elaborate a model formally as was done for the Turkey study.

The volumes set out more than one theoretical approach to conducting case studies: political cultural, social-economic decomposition and productivity models, elite preferences and a specification of the choice of policy instruments.⁵ And their approach is eclectic. Nonetheless, the

⁴ Kemal Dervis and Sherman Robinson, "The Structure of Income Inequality in Turkey: 1950-1973," in Egun Ozbudun and Aydin Ulsan, eds., The Political Economy of Income Distribution in Turkey (New York: Holmes & Meier, 1980) pp. 83-122.

⁵ I am grateful for the useful paper by David Spiro, "The RPDS and IBRD Series on the Political Economy of Income Distribution," unpublished paper, Princeton University, March 1982.

studies were carried out with key sets of questions in mind. The questions were spelled out in a proposal to USAID in November, 1975 and they guided our work throughout:

1. How salient are income redistribution issues in the political and economic decision making of these countries? What are the perceptions of inequality in the system from the viewpoint of various elite and non-elite actors? How do technical elites, e.g., planners, interact with political people on income distribution questions? Are matters concerning income redistribution left to civil servants or do political elites get engaged in translating general goals into specific policies for income redistribution? Are there different institutional approaches to equity questions? That is, do military elites take different positions from civilian politicians or civil servants? How in each of these national systems, is inequality conceived of? Is it seen in terms of rural-urban or of ethnic gaps? Is it seen in class terms as a stratification of income groups? Is the concern with overall, top-to-bottom equity? Or is it mainly perceived as a problem of low-end poverty?
2. Given each country's perceptions of its equity problems, or more accurately, given different groups' perceptions within countries, what are the political dynamics of efforts to alleviate the problem? What are

the sources of reform energy in the system? How robust does leadership's reform purpose appear to have been and to be? How, if the leadership wants reform, does it seek to overcome constraints posed by various elites' interests and strengths? Are the economic feedbacks, spillovers, and reverberations as reform attempts proceed generally benign or perverse from a redistributive point of view? How much variance in this regard is there among different modes and measures of reform? Do downward redistributions of economic benefits tend, over time, to get eroded by the pressures of unequal power, status, and asset structures? How quickly? Or can such redistributions lever shifts in the power structure itself? How much? How soon?

3. What, if any, specific policy instruments have been selected to come to grips with and alter income distribution patterns in each country? What are the relative weights given to various policy instruments -- for example, taxation and other fiscal and financial policies as redistributive mechanisms, land and/or other asset redistributions, education programs, health, nutrition, and other social service or "minimum needs" efforts, construction and/or other employment programs, efforts to affect relative prices and wages, including the terms of trade between country-

side and town, schemes to alter patterns of rural-urban migration? What are the lessons to be gleaned when particular instruments are used?⁶

The four volumes that have been produced do not give full answers to any, much less to all of these questions for any one country.⁷ The four volumes do provide some important generalizations, however, and they add to the case study literature on income distribution in developing countries and to our knowledge of the political economy of Turkey, Nigeria, Egypt and Mexico. Along with a growing number of case studies, some of which have been published during the period our work was done,⁸ they provide a better understanding of how ostensibly reformed-minded elites have set out to affect distributional profiles and what have been the im-

⁶ From Income Redistribution: Case Studies in the Political Economy of Reform, pp. 1-3.

⁷ Ergun Ozbudun and Aydin Ulusan, eds., The Political Economy of Income Distribution in Turkey (New York: Holmes & Meier, 1980). Henry Bienen and V.P. Diejomaoh, eds., The Political Economy of Income Distribution in Nigeria (New York: Holmes & Meier, 1981). Gouda Abdel-Khalek and Robert Tignor, eds., The Political Economy of Income Distribution in Egypt (New York: Holmes & Meier, 1982). Pedro Aspe and Paul Sigmund, eds., The Political Economy of Income Distribution in Mexico (New York: Holmes & Meier, 1983).

⁸ Juan Diaz-Canedo and Gabriel Vera, Distribucion del Ingreso en Mexico, 1977 Cuaderno 1, (Mexico City: Banco de Mexico, 1981); Joel Bergsman, Income Distribution and Poverty in Mexico, World Bank Staff Working Paper No. 395 (Washington, D.C., June 1980); Luis A. Serron, Scarcity, Exploitation and Poverty: Malthus and Marx in Mexico (Norman: University of Oklahoma Press, 1980); Richard Charles Webb, Government Policy and the Distribution of Income in Peru 1963-1973 (Cambridge: Harvard University Press, 1977); Irma Adelman and Sherman Robinson, Income Distribu-

pacts of various policies undertaken.

Since many scholars collaborated on these studies, there were different values and mind-sets about the problems of inequality in the countries concerned. But we did not start with a framework that assumed that inequality was per se a problem or that growth and remuneration of a middle class or organized workers was at the expense of farmers or unorganized workers. This needs to be said because we talk about distribution and redistribution all the time in these volumes and we focus on equity issues as problems for analysis. But we do not assume a growth-equity trade off (which turns on whether those who are better off add more to the product than they take) or that the aim of a society should be to reduce inequality as measured by Gini coefficients. Indeed, our aim is to see how different groups in societies themselves see equity issues and to try and understand the structure and impact of inequality on political and economic outcomes. Since the countries we studied were proposing that investments made affect future streams of income rather than that they redistribute assets from one person or group

tion in Developing Countries: A Case Study of Korea (Stanford: Stanford University Press, 1978); John C.H. Fei, Gustav Ranis, Shirley W.Y. Kuo, Growth with Equity: The Taiwan Case (New York: Oxford University Press, 1979); Syamaprasad Gupta, A Model for Income Distribution, Employment and Growth, World Bank Staff Occasional Papers, no. 24, (Baltimore: The Johns Hopkins University Press, 1977); Wouter van Ginnekan, Rural and Urban Income Inequalities in Indonesia, Mexico, Pakistan, Tanzania, and Tunisia (Geneva: ILO, 1976); Sylvia Ann Hewlett, The Cruel Dilemmas of Development: 20th Century Brazil (New York: Basic Books, 1980).

to another, it is more accurate to see our analysis as one of distribution rather than redistribution.

We have tried to analyze distributive policy instruments in the context of a country's occupational, regional, ethnic, and class interests. We have tried to ask not only about economic impacts but also to ask why rural and urban groups, both governmental and nongovernmental, organize or fail to organize around income redistribution issues. Just as our economic analyses are fuller and more complex for some of the countries studied than others, so our political analyses are variable with respect to depth and sophistication. Still, we have paid much more attention to non-economic factors in income distribution compared to most analyses of distribution in developing countries.⁹

I have tried to provide an analytical overview of our work, drawing generalizations from the four studies where possible and pointing out differences and trying to account for them.

⁹ Henry Bienen intends to examine many of the case studies on income distribution produced in the 1970s and 1980s in order to try to generalize about the policies of income distribution. One recent attempt to look at the politics of income distribution is William Ascher, The Politics of Income Distribution in Latin America, forthcoming, Harvard University Press.

2. EQUITY ISSUES IN HISTORICAL PERSPECTIVE

The four countries chosen all had committed themselves to economic and social reform aimed at improving the lot of the poor. At different times in their recent histories, Mexico and Egypt carried out reforms which aimed explicitly at redistribution of land and at altering the relative status and income of socio-economic groups. There has been a long and heated debate about the consequences of the land seizures and reforms of the Mexican Revolution and the impact of legislation aimed at redistribution in the post-revolutionary period. Whether Mexico had a limited liberal political revolution in the second decade of the twentieth century or whether it had a social revolution or a nationalist one has engaged analysts.¹⁰

A debate has existed too over whether Egypt had a nationalist, socialist, or even a populist revolution. Marxists have denied that the Nasser period was anything more than one of petit bourgeois reform while Nasser and Sadat both stressed the extent of structural change in Egypt. Observers have differed over the intentions of Nasser and whether

¹⁰ See, among others: John Womack, Jr., Zapata and the Mexican Revolution (New York: Vintage Books, 1968); Eric Wolfe, Peasant Wars of the Twentieth Century (New York: Harper and Row, 1973); Adolfo Gilly, La revolucion interrumpida: Mexico 1910-1920 (Mexico: Ediciones "El Caballito," 1975); Susan Eckstein, The Poverty of Revolution (Princeton: Princeton University Press, 1977); James Wilkie and Albert Michaels, eds., Revolution in Mexico: Years of Upheaval, 1910-1940 (New York: Alfred A. Knopf, 1968); Charles Issawi Egyptian Revolution (London, 1963).

or not social changes were profound in Egypt.¹¹

The term "revolution" also has been applied to events attendant on and following the founding of the Turkish Republic in the second decade of the twentieth century. Again, disputes have existed over how secular was the state Ataturk created and whether Turkey had a populist revolution as well as a nationalist one. But it has not usually been argued that the Ataturk Revolution broke the power of a landed elite much less ushered in a socialist society.¹²

When Nigerians or observers of Nigeria refer to a Nigerian Revolution they are using the term still more loosely. The Nigerian regimes from 1966 on implemented a set of changes which altered the nature of the federal system and, at the end of the military period, important new constitutional changes were effected. But few have described Nige-

¹¹ Mahmoud Abdel-Fadil, The Political Economy of Nasserism (Cambridge: Cambridge University Press, 1980); Gamal Abdel-Nasser, The Philosophy of the Revolution (Washington: 1955); Anwar al-Sadat, Revolt on the Nile (London: Allen Wingate, 1979); Mahmoud Hussein, Class Conflict in Egypt, 1945-1973 (New York: Monthly Review Press, 1973); R.H. Dekmejian, Egypt Under Nasser (Albany: State University of New York Press, 1971); John Waterbury, The Egypt of Nasser and Sadat: The Political Economy of Two Regimes (Princeton: Princeton University Press, 1983); Patrick O'Brien, The Revolution in Egypt's Economic System (London: Oxford University Press, 1966); Charles Issawi, Egyptian Revolution (London: 1963).

¹² See, among others: Bernard Lewis, The Emergence of Modern Turkey (London: Oxford University Press, 1961); Robert Ward and Dankwart Rustow, eds., Political Modernization in Japan and Turkey (Princeton: Princeton University Press, 1964); Ellen Kay Trimberger, Revolution From Above: Military Bureaucrats and Development in Japan, Turkey, Egypt and Peru (New Brunswick: Transaction Books, 1978).

ria as undergoing an economic or social revolution.

The four countries then run the gamut from Mexico which is often said to have had a classical revolution to Nigeria where we can speak only of breaks and changes. And, of course, aside from the different historical experiences of social change, the countries display huge differences with regard to the nature of class development, degree of ethnic heterogeneity, nature of the domestic economy and ties to the international economy. What the four countries have had in common is a stated concern with distributional issues whatever the shape of those issues. Moreover, as we undertook our studies there was reason to believe that in all four countries income distribution was highly skewed and perhaps worsening, whatever the past revolutionary tradition or legacies of social change. Indeed, in Mexico, the country with the most explicit revolutionary tradition, a failure to cope with or to be seen to deal with equity issues might be thought to produce perhaps the most serious political consequences for ruling elites.

At the time our studies began, all four countries had elites who claimed that they wanted to deal with equity issues and who said that maldistribution of income was a problem which they wanted to remedy through state interventions. At the same time, the countries had mixed economies. Their governments intended to maintain or to extend private markets. The rulers articulated policies which relied on a mix

of market and non-market mechanisms to effect change. By the mid-1970s, relatively little weight was being given to direct expropriation of assets for redistribution. Change was to be brought about by various spending, taxing, and pricing measures. However, before we can try to understand the nature of the policies that were formulated and implemented and their impacts, the salience of equity issues and the ways that equity, income, and distribution were understood must be noted.

3. THE SALIENCE AND MEANING OF EQUITY AND DISTRIBUTION

In capsule and summary form, we can say that the salience and form that equity issues took differed across the case studies. In few developing countries have questions of the distribution of income and social justice occupied such a prominent position as they have in Egypt. Between World War II and the military coup of 1952, questions of wealth and poverty were debated widely in Egypt. Egyptian nationalism had a strong economic and often egalitarian component in the twentieth century. Equity issues were articulated by Egypt's political parties. With the growth of urban populations, trade unions and leftist groups proliferated. The Muslim Brotherhood argued that a return to pristine Islam offered protection against capitalist exploitation. Even established parties in Egypt sporadically made socialist claims.

The evolving Egyptian social structure helps to account for much of the attention paid to equity issues but equally important were ideological themes articulated within the corpus of Egyptian nationalism since foreign influence in the economy was massive. Nationalist leaders and a rising bourgeoisie developed populist and in some ways egalitarian ideology as a weapon to challenge foreigners and their control over the Egyptian polity and economy.¹³ Since Egypt's ethnic composition is relatively homogenous with the Copt community being the significant minority group, splits in Egypt have occurred largely in class terms and in rural-urban and Egyptian-foreign terms. Egypt did not have strong working class organizations and no strong peasant movement emerged although peasant discontent was great. Still, by the 1940s, concern with maldistribution of wealth in the countryside had entered the debate of Egyptian politics. It was clear that enormous inequalities existed in Egypt. Landlessness was a problem and the rising tide of migrants to the cities raised issues of rural-urban distinctions and intra-urban ones. But the moving force behind the demands for equity prior to 1952 were the rising Egyptian middle and lower middle classes.

¹³ This is from Robert Tignor, "Equity in Egypt's Recent Past: 1945-1952," in Abdel Khalek and Tignor, *op. cit.*, pp. 20-53.

Whether and how much the military elite was a spokesman for these classes in Egypt has been debated. Certainly, the Nasser regime undertook ambitious social and economic programs and justified its policies often in distributional terms. The state was viewed as a dynamic element for social justice. Dessouki has argued that the distributional policies of the Nasser regime from 1952-1970 were used to achieve two objectives: to liquidate the economic base of political opposition and to create a pro-regime base of support and legitimacy.¹⁴ Thus, the distributive policies were characterized by an unmistakably bureaucratic outlook, centralization, and lack of popular participation. These features limited the social impact of Nasser's policies and explain why the focus could be changed under the new Sadat leadership. The military elite was not committed to a fixed social doctrine. It was pragmatic and experimental; nor was it a cohesive ideological group. Officers ranged from Marxists adherents to fundamentalist Muslims.

In sum, the pressures for equity were not coming, in an organized way, from below in Egypt. And the policies implemented by the military under Nasser were not grounded in a cohesive doctrine nor were they implemented by a cohesive elite. Distributional policies were a means to the ends of national unity, political stability, and control.¹⁵

¹⁴ Ali Dessouki, "The Politics of Income Distribution in Egypt," in Ibid., p. 56.

¹⁵ Ibid., p. 61.

Sadat was committed to the same ends but he perceived different pressing problems and undertook different policies, introducing them in piecemeal fashion. Sadat was to break with the symbols of radicalism of the Nasser period, and clearly, by the time we undertook work in Egypt in the late 1970s, the political context for issues of equity and distribution had altered. Sadat's infitah (opening or open-door policy of economic liberalization) was justified by references to the failures of the socialist experiment that came before. But Dessouki and others have stressed that there were self-imposed limits on the Nasser experiment and they have pointed to the role of a new bureaucratic class. Saad Ibrahim and Fouad Ajami have seen the end of the Nasser period as one of socialist retreat,¹⁶ with the latter stressing the importance of Nasser's failed Middle East and international policies. Samir Amin has argued that the Sadat policies can be traced back to their Nasserist roots.¹⁷

Whatever the extent of the restoration of old families, social strata and policies during the Sadat regime, the terms of the debate had shifted so far that Sadat was being attacked for turning away from equity concerns. The food

¹⁶ Saad Eddin Ibrahim, "Social Mobility and Income Distribution in Egypt, 1952-1977," in Ibid., pp. 375-434. Fouad Ajami, "The Open-Door Economy: Its Roots and Welfare," in Ibid., pp. 469-516.

¹⁷ Samir Amin, The Arab Nation: Nationalism and Class Struggle (London: Zed Press, 1978) p. 75.

riots in Cairo of January, 1977 were a response to the lowering of food subsidies and they raised the issue of upheaval from below. The conspicuous consumption of wealthy Egyptians fueled feelings that there had been a full scale retreat from egalitarianism. Moreover, as Saad Ibrahim's work shows, Egypt's stratification system reached its maximum fluidity from the mid-1950s to the mid-1960s.¹⁸ Programs of expanded education and industrialization led to large scale social mobility. The class structure started to harden again from the late 1960s on. Thus in Egypt, while the salience of equity issues did not lessen, the debate shifted over time and a retreat from egalitarian commitments was perceived. Policy measures must be assessed in this context.

Perhaps in important respects the case closest to the Egyptian one was not Turkey, which also had a military led revolution in the twentieth century and is a fellow Islamic country, but Mexico. For many participants in Mexico, like Egypt, felt that their society had an unfinished revolution, or a revolution that had been captured and coopted by managerial and political elites. But whereas the distributive politics and policies of Egypt did not create their own political constituencies because they were characterized by centralization and heavy reliance on the bureaucracy, in Mexico the picture is more complex. Issues of income dis-

¹⁸ Ibrahim, op. cit.

tribution and equity were also articulated by representatives of the ruling elite in the Mexican state and ruling party -- the PRI. But whereas individual leaders in Mexico were, as in Egypt, extremely important in setting policy parameters, social groups have been more mobilized in Mexico. And Mexico is a more varied country regionally, although it too has a vast megapolis and strong mechanisms for central control.

Various articles of the Mexican Constitution of 1917 embodied a commitment to egalitarianism. Limits were placed on private property; redistribution of land holdings was called for; natural resources and subsoil minerals were to be owned publicly. The right to strike and to organize unions was guaranteed as were minimum wages, worker housing, accident, unemployment, and old-age insurance. However, it was many years before these rights were translated into legislation much less became a reality. Indeed, Mexican governments did not have the means to guarantee compliance with constitutional provisions, many of which were geared to salaried wage earners while large numbers of Mexicans did not fall within this group. Nonetheless, since 1917, the Mexican revolutionary tradition has required all governments of Mexico to consciously be concerned with the promotion of social justice. This does not mean that equity concerns dominated social and economic policy for Mexican administrations since 1917. Some Mexican presidents gave more attention to

the promotion of economic growth than to distribution but even in these cases economic development was promoted as a cure for social evils. In reality, social and economic ends were not always seen as complementary and stress was given to stability, and/or growth or equity in different administrations.

As Mexico came to have an industrialized and urbanized economy, the "Mexican Miracle" came to be questioned because it did not lead to the restructuring of income. Although it was believed that income and wealth in Mexico were badly skewed, the real extent of the distribution was not known concretely until the late 1960s. With the publication of various surveys in the 1960s, the work of I. Martinez, and others, and the student demonstrations of 1968, the income distribution question came to the fore in Mexico.¹⁹ Indeed, analysts of Mexican income distribution came to agree that from 1950-1969, the lowest income quintile of the population had lost two percent of its share of national income going from 5.2% to 3.4%. Income came to be seen more and more in terms of personal shares rather than in terms of functional distributions of capital and labor. In the Echevarria administration (1971-1976), growth was explicitly seen as a

¹⁹ Banco de Mexico, S.A., Encuesta de Ingresos y Gastos de los Hogares: 1963 (Mexico: 1966); Banco de Mexico, S.A., Encuesta de Ingresos y Gastos de los Hogares: 1966 (Fondo de Cultura Economica, 1974); Iphigenia Martinez, La Distribucion del Ingreso en Mexico: Tendencias y Perspectivas en el Perfil de Mexico en 1980 (Mexico: Siglo XXI, 1970).

way of improving standards of living and the distribution of income. But in the Echevarria regime and the Lopez Portillo government that followed, the emphasis was more on an absolute improvement of low incomes than on relative shares of income.²⁰

Even when Mexican policy makers were conscious of distributional problems and wanted to deal with poverty and inequality, they held the view that: the results of the fight against poverty are visible and the basic conditions for increasing low incomes are understood; to alter the distributional pattern was thought to be a topic for research and debate in economic analysis and the term "equitable distribution of income" was not thought to be susceptible of objective definition. Of course, politically, it was more palatable to try to get cooperation of social and economic groups to raise low incomes than to engage in redistribution. This was true in Nigeria and Turkey too and turned out to be the case in Egypt as well. And this fundamental and overwhelming fact influenced, as we shall see, the tools employed by governments to deal with equity issues.

It is interesting that in Nigeria too the argument was made frequently that the data on income distribution, understood in terms of personal or family shares, or even in functional terms, was very poor. Nigeria had no national

²⁰ See Pedro Aspe and Javier Beristain, "The Evolution of Income Distribution Policies During the Post-Revolutionary Period of Mexico," in Aspe and Sigmund, *op. cit.*

census or national tax data that would give anything like a comprehensive picture of income distribution. People have been aware, of course, that income distribution is highly skewed and that the vast increases in oil revenues of the 1970s worked to skew them further by benefitting urban dwellers at the expense of rural ones. Also, micro data has existed which shows the nature of inter-industry wage differentials and which gives us a picture of a rough but by no means perfect degree of rural equality and which shows us the differences between incomes in the urban formal and informal sectors.

All through the 1960s and through most of the 1970s, politicians and then military and civil service elites were interested mainly in expansion, growth, indigenizing the economy, and economic nationalism. When equity issues were raised by military leaders, especially by General Murtala Mohammed in the mid-1970s, they were raised in a general and populist way. Politically, Nigeria's leaders knew that people cared more about raising standards of living than in making relative comparisons. And, insofar as they made comparisons, these were made more in ethnic than in class terms.²¹ Interregional and subsequently interstate income differences were more contentious in Nigerian political life than interpersonal ones. Indeed, even interregional income

²¹ Douglas Rimmer, "Development in Nigeria: An Overview," in Ibid., pp. 29-88. Henry Bienen, "The Politics of Distribution: Institutions, Class, and Ethnicity," in Ibid., pp. 129-172.

differences have been less contentious in Nigerian political life than disparities in endowments of schools, roads, health services and the like.²² Class conflict has been limited by social mobility and social mobility in turn is perceived to be more open than actually is the case. Economic competition has been structured by ethnic factors and by a desire to increase absolute incomes rather than by a concern with relative shapes. All these have led to government policies formulated to deal with poverty through growth not with distribution per se. When the Nigerian Government did act to affect distribution, it was through access to services, especially education.

While the Nigerian state increased its resources with the flow of oil revenues and while military regimes were committed to centralizing authority, Nigeria since independence had a weak central state ruling over a heterogenous and dispersed society. Egypt's state was relatively strong and its population concentrated and relatively homogeneous. In Turkey there was the Ottoman tradition of a strong central authority and a competent state bureaucracy. Both intellectual thought and popular attitudes accepted the paramountcy of Devlet baba, "father state," a sovereign and autonomous entity.²³ The Turkish state had the legal and administrative

²² Henry Bienen, "The Political Economy of Income Distribution in Nigeria," in Ibid., pp. 1-28.

²³ Ozbudun and Uluhan Overview chapter in, Ozbudun and Uluhan, op. cit., pp. 2-33.

capacity to alter the structure of income distribution. It also could be a force for preserving the structural status quo. Turkish traditional political culture both legitimated social hierarchy and economic inequality and also contained a concept of equity and paternalism.²⁴ Thus we can say that while Nigeria's elites had the political space to avoid a politics of class redistribution, and while economic constraints were lessened while oil revenues flowed, Turkey's elites could deal with inequality in the context of a relatively homogenous society -- though perhaps not as homogenous as some images of Turkish society would have it. While there are strong regional disparities in social services and in income in Turkey, class and ethnicity have not been perceived to be overlapping cleavages. Or at least, those who are not Kurds do not seem to perceive overlapping cleavages.

Turkey, during the period under review, was not the only one of the four countries with developed competitive politics. Nigeria's military regime handed over to civilians and held multiparty elections in 1979 as our study was in process. Egypt and Mexico had dominant one-party systems. But while the Turkish military reintervened as our book was in press, our analysis focussed in Turkey on the intertwined processes of social and economic change and party politics. Party struggle, party position, and support for parties increasingly were related to the definition of political is-

²⁴ Serif Mardin, "Turkey: The Transformation of an Economic Code," in Ibid., pp. 23-54.

come groups and could not be seen in purely class terms. The policy instruments chosen by Turkish governments to affect poverty and distribution were related to the salience and shape of equity issues as they were in the other cases. But in Turkey the role of organized labor, organized rural interests, and the party system affected policies and outcomes, although, as we shall see, the impact of redistribution policies often was contrary to their declared intent. Unintended consequences occurred in the other countries too and it is one of the themes we will pursue as we sketch the policies chosen and examine their consequences in the four countries.

4. POLICY CHOICES AND POLICY INSTRUMENTS

All the case studies try to describe income distribution profiles given the limitations of data. At the same time, an attempt was made to understand the determinants of the degree of inequality by analyzing existing structures. However, the classic question which has motivated many studies of income distribution: what are trade-offs between growth and distribution?, is to some extent missing as a central organizing theme in these volumes, although this question is explicitly addressed by El-Issawy in the Egypt study and an historical discussion of it in Mexico is given by Aspe and Beristain.²⁶

²⁶ Ibrahim El-Issawy, "The Interconnection Between Income Distribution and Economic Growth in the Context of

The Turkey, Mexico and Nigeria studies suggest that government behavior has done little to hasten the transition to growth with equity. Egypt was an exception with gains to more equitable distribution occurring largely through improvement in the distribution of agricultural income by factor shares achieved largely by the land reforms of 1952 and 1961, the expansion of employment, and a rise in real wage rates in agriculture in the first half of the 1960s. Public sector and civil service expansion in the 1960s also led to an increase of the wage share in national income in the early 1960s. While income inequality in personal share terms declined up to 1972, the improvement of the distribution of agricultural income by factor shares achieved between 1952 and the middle 1960s was eroded after 1967 in Egypt.²⁷ After 1964, distributional efforts became weaker in Egypt; some of the benefits of the earlier policies were dissipated. El-Issawy attributes this partially to the negative effects of

Egypt's Economic Development," in op. cit., pp. 88-131. Pedro Aspe and Javier Beristain, "The Evolution of Income Distribution Policies During the Post-Revolutionary Period in Mexico," in op. cit. Ann Krueger has pointed out that the Turkey volume fails to come to grips with the issue of the extent to which greater equality of income distribution can be achieved only in a trade off with greater total product. See her review of the The Political Economy of Income Distribution in Turkey in Economic Development and Cultural Change, vol. no. pp. 426-427. The growth-equity trade-off has been central to the work of the World Bank. See Hollis Chenery, et. al., Redistribution With Growth (London: Oxford University Press, 1974); and Fei, et. al., op. cit. Adelman and Robinson, op. cit.

²⁷ El-Issawy, op. cit., pp. 91-105.

those policies as growth performance reached a peak in 1963-64. While growth performance declined due to the impact of the Yemen and 1967 Wars, El-Issawy also notes the impact on growth of a failure to increase the rate of savings, growing inefficiency of administration and production and population pressures.²⁸ While growth and distribution are not neatly linked in Egypt so that one cannot argue that equity-oriented redistribution hindered growth, the economy had run out of steam by the mid-1960's and this affected policy makers' inclinations towards more equity-oriented measures.

In Nigeria, Turkey, and Mexico in the periods under review, direct and large scale measures to promote more equitable distributions were hardly undertaken. The reform measures the governments did undertake did not produce greater equity. Our concern has been to try to understand why there have been large gaps between distributional rhetoric and the distributional impact of policies.

Our central theme is: what have governments done to affect distribution? Related questions are: why did governments formulate and implement various policies? What were the unintended as well as intended consequences? Sometimes we do raise questions as to how equity profiles are amenable to conscious policy alteration. Perhaps some authors confuse positive and normative approaches to these questions,

²⁸ Ibid, p. 105.

especially the last one. The attempt has been, however, to assess the recent past in order to reflect on future possibilities.

The most we can do here is to abstract from the studies the salient policy measures that governments did employ.

4.1 NIGERIA

Nigerian governments made no frontal assault on income inequality. Nor was there developed a consistent set of policy packages to deal with inequality. Some policies were put forward to compress wages. But the incidence of taxes was less progressive than rhetoric would have allowed. The main thrust of government policy was to use expenditures to affect poverty and distribution but expenditures were regressive in their impact on distribution. In the social and community services sectors expenditures on health, education, and labor were skewed towards the rich.²⁹ Education programs reveal the broad policy choices of government and they show the distributive consequences, not all of which were intended.

From 1966 on, Nigerian governments intended to provide access to services for a population that had strong demands for services such as better health facilities, clean water and more education. Extending services seemed to run few

²⁹ See Johnson O. Odufalu, "The Distributive Impact of Public Expenditures in Nigeria," in Bienen and Diejomaoh, *op. cit.*, pp. 455-484.

political risks; wrenching redistribution would not be entailed nor would changes in assets. For a society which examined benefits in comparative ethnic terms, extending services seemed a concrete and useful way to deal with poverty and equity issues at the same time. Governments also considered that investing in human capital would contribute to growth. They embarked in the 1970s on a massive program of universal primary education and extended support for secondary and university education too. But government subsidies to education worked to worsen overall distributions. High income groups received a disproportionate share of the subsidies provided. And the rapid spread of educational opportunities meant a lowering of quality, at least in the short-run. The expansion of education did not lead, unambiguously, to breaking down the barriers to education for poor people nor to improved income distribution, although some regional gaps were closed.³⁰ Because Nigerian educational spending is inefficient, enrollment rates at all levels have been below Ivory Coast and Kenya even though Nigeria spends as high or higher share of GDP on education.³¹ Also, because quality is poor, children of low and middle income parents are often trapped in third rate schools. Expending huge sums on education could not, in any case, have made immedi-

³⁰ See V.P. Diejomaoh and E.C. Anusionwu, "Education and Income Distribution in Nigeria," in Ibid., pp. 373-420.

³¹ To make comparisons here we need to know relative wages and whether currencies are overvalued or not.

ate impacts on distribution. Whether these expenditures make an impact at all depends on the efficiency of human capital investments.

Nigerian governments then, both state and national, responded to political pressures and spent on services in those areas where political pressures were strongest. Locational biases in providing investments and services existed. Better-off neighborhoods received disproportionate benefits in water supply, road development, security, and waste disposal services. The physical isolation of poor people from social services and educational facilities is itself a major deprivation and can be a determinant of future incomes.

In the economic sectors, the skewness of expenditures was perhaps less than for social services, but it was still pronounced. Perhaps the most equity-oriented spending programs were those for agriculture. But government underspent on agriculture in each five year plan period. The more capital intensive the projects in the agricultural sector, the more better-off people rather than the poor benefitted. And Nigeria did not have a developed agricultural extension network nor did it have technical packages that could go out to large numbers of rural dwellers. Nor did Nigeria have a developed extension and administrative system that could get funds out to the rural areas in the forms of projects, credits, and new technological inputs. Thus government could justify to itself the political determination to focus on

incomes within the urban sector rather than focussing on within-rural or urban-to-rural distributions. Politically, urban-to-rural redistributions would have been difficult to carry out. The government would have had to radically revise its policies to alter the trends of increasing rural-urban inequality. While governments did take certain measures to improve rural incomes through ending taxes on agricultural producers and by raising producers' prices, it is not likely that agriculture improved its terms of trade during the 1970s.³²

There were also certain unintended consequences of policies in the rural sector. A Land Use Decree of 1978 vested ownership of land in the government. This was designed to be an equity-oriented measure. But it had the effect of reducing the collateral value of land which is the most valuable asset in the rural areas. Poor farmers had a harder time borrowing.³³ Also, licensing for food imports was designed to protect prices for domestic agriculture. But

³² For a discussion see Henry Bienen, "Oil Revenues and Policy Choices in Nigeria," World Bank Division Working Paper No. 82-4, Development Strategy Division, Development Research Department, Economics and Research Staff, Washington, 1983.

³³ One of the most widely discussed areas of unintended distributional consequences has been Nigeria's indigenization policies. Egalitarianism was not an object of the indigenization program when it was launched in 1972. But by 1977, equity concerns explicitly were introduced into indigenization decrees. But even if share buying was spread more widely, the vast majority of Nigerians could not benefit from indigenization program's forced sales to equity owners.

crops that were processed domestically by Nigerian manufacturers such as palm kernels and groundnuts did not have price rises to the extent that other commodities did. Nor did Nigeria go full steam ahead for a cheap food program in the urban areas. The import licensing program did allow some foodstuffs to come in some years and reduced urban food prices for rice especially. But it also gave high profits to distributors. Indeed, margins on food have been high in Nigeria.

Since Nigerian policy makers did not face strong demands from dispersed and unorganized agricultural producers, policy makers were free to pursue choices which focussed on the urban areas. The inflationary pressures of the pre-1974 period from government spending and the pent up demand and reconstruction needs from the Civil War were accelerated by government spending policies after the first oil shock. The government did try to reduce inflation by subsidization of public sector enterprises. Utility prices were kept low. However, these policies led to growing public sector deficits. There was a large jump in the money supply after 1974. Oil receipts were monetized; the money supply rose and the banks were also rendered very liquid as the government, sliding into deficit, became a new creditor to the banking system.

Did government consciously try to transfer revenues to the public sector through an inflation tax? Government knew

that it had limited ability to transfer revenues to the public sector through taxing incomes in the urban sector. Although it did impose uniform tax rates throughout the Federal Republic in 1975 (retroactive to April, 1974), personal income tax enforcement remained low in Nigeria. There is some reason to believe that policy makers saw inflation as an easier way of pulling domestic resources out of the private sector than through taxation. Of course, these views were not publicly articulated in Nigeria.

Government did realize that rising prices and the impact of oil revenues affected various groups differently. Even though trade unions have not been strong organizations in Nigeria, they could try to protect unionized workers. Labor did poorly in Nigeria during the initial period of military intervention and the subsequent civil war, but much of the ground lost by labor between 1965 and 1970 was regained between 1970 and 1974. A freeze was imposed on wages, and the Trade Disputes Decree of 1968 had made some types of strike actions illegal. Still, Nigeria continued to have strikes and work stoppages even under restrictive legislation during military rule, although it is clear that times of crises impaired labor's ability to increase its share of total value. Nonetheless, it is important to note that industrial wages rose more than fivefold from 1963 to 1974. Subsequently, organized labor was better able to protect itself during the period of inflation in Nigeria by getting catch-up wage in-

creases through wage commission recommendations as compared to the informal sector and the rural sector.

No Nigerian government easily could have affected rural-to-urban migration. No government could control the price of oil on world markets or have affected rapidly the growth of Nigeria's population. Thus, some critical factors affecting income distribution were beyond the reach of government. Still, government policies were not working to reduce income inequalities either.

An unusually great share of Nigeria's oil windfall after 1973 was expended on expanding public services, particularly education, and physical infrastructure, notably roads. Service expansion was greatest in urban areas. Agriculture received little attention despite its large role in the economy. With stagnant technology, and labor drawn into public construction and schools, agricultural output fell rapidly relative to the size of the non-oil economy. Inadequate infrastructure and marketing systems and a stop-go import policy persisted. The domestic supply of a key consumption good was inelastic.

The Nigerian "serviced based" expansion was not unpredictable. Neither was it undertaken in opposition to popular demands. Regional inequalities had long been more politically controversial than those among income groups and class-based political movements were weak. There was no landed class target for redistributive pressure and the fed-

eral and state bureaucracies were themselves powerful interest groups. There was thus little demand for directly redistributive measures and productive factors specific to a sector (such as agricultural labor) had no political basis for exerting pressure.

Pressures from the rural economy were blunted, too, by the strengths of the desire to "exit" and recognition of the crucial importance of education in determining the ability to compete in modern-sector labor markets. Growth, the extension of highly visible public services, indigenization (to the extent that it did not endanger growth) and the unification of the nation-state were more important goals than improving rural productivity and redistributing income directly.

At the same time, institutional constraints and the extreme political pressures to spend rent quickly contributed to shape the pattern of expenditure. Intervention in the rural economy was difficult and had previously been minor. In the absence of a tradition of successful measures, it was perceived probably correctly, as impossible on a large-scale in the short-run. Expanding roads and education -- traditional functions of the Nigerian State -- was far easier.

4.2 MEXICO

The Mexican experience was analogous to the Nigerian in a number of ways. Massive oil revenues could not be put to work without destabilizing effects. And, government strategy was aimed at directly improving the welfare of low income groups through social programs which involved expanding education and social security. On the whole, the direct social welfare policies benefitted middle income groups and organized labor more than they benefitted the very poor. However, the Mexican government undertook more direct intervention in the agricultural sector than the Nigerian. Like Nigeria, government undertook a set of policies designed to expand the state sector and assume greater control of the economy vis-a-vis foreign interests. It also undertook tax reform and altered trade policies. Tax policies were aimed at efficient collection of revenue and at the promotion of investment and growth rather than at redistribution per se, but they had income distribution effects.³⁴

Even before its oil boom, Mexico altered its model of development through public sector activities. At the beginning of the seventies, the Mexican public sector tried to change the model of development. The government of President Luis Echeverria (1970-76) initiated a shift from a pol-

³⁴ See Francisco Gil, "The Incidence of Taxes in Mexico: A Before and After Comparison," in Aspe and Sigmund, op. cit.

icy of stabilizing development to one of "shared development" (desarrollo comparido) in which the government was to take a more active role in promoting equity and redistribution. Echeverria substantially increased government expenditures for social purposes and expanded the state sector of the economy, but in the absence of corresponding tax increases this led to government deficits, inflation and finally devaluation of the peso at the end of his presidential six year term (sexennio).³⁵ Many of the structural problems that became evident during the Echeverria period had earlier origins. The pricing policy of the public enterprise sector followed during the period of stabilizing development kept the prices of petroleum products, electricity, and transportation artificially low, thus contributing to the growth of the public sector deficit in the early 1970s.

The crisis was resolved by the post-1976 oil boom and the renewed emphasis given to economic stabilization and growth by Echeverria's successor, President Jose Lopez Portillo (1976-82). Mexico's new oil prosperity enabled Lopez Portillo's government to expand employment by 4 million jobs, and to initiate ambitious social programs, such as the extension of health coverage to the rural and urban poor and the promotion of the economic and social conditions of the areas of non-irrigated agriculture that had been largely ignored by earlier presidents.

³⁵ I am directly taking from Pedro Aspe and Paul Sigmund, "Introduction," in Ibid.

Unfortunately the Lopez Portillo sexennio ended, as had that of his predecessor, with runaway inflation and devaluation of the peso. By the end of 1982 when Lopez Portillo turned over the presidency to Miguel de la Madrid Hurtado, Mexico was in the midst of its worst economic and social crisis since the 1930's with hyperinflation, repeated devaluations of the peso, and soaring unemployment. The renewed economic crisis made it all the more difficult to resolve the continuing dilemma of Mexico's development strategy -- how to harmonize political and social needs for government programs in favor of the poor with an overall macroeconomic situation that produces a sustained rate of growth and employment, as well as overall price stability.³⁶

Mexico saw investments in services as a way of achieving growth and equity goals. It would seem that universal free education is a way to invest in the future of the country that will be of immediate benefit to low income groups. In Mexico, it is evident that two positive effects of this effort have been a considerable reduction in illiteracy -- from 58% in 1940 to 28% in 1970 -- and, in the current decade, almost universal availability of primary school to the population aged 6-14.³⁷ However, when the expenditures at various levels are compared to the numbers and socio-economic backgrounds of their clientele, it appears that as in

³⁶ Ibid.

³⁷ See Pedro Aspe and Javier Beristain, "Distribution of Education and Health Opportunities and Services," in Ibid.

Turkey, Nigeria and Egypt, Mexican educational expenditure is skewed regionally and socially to the benefit of the urban middle class groups. A similar argument holds for the regional and social distribution of government-financed health programs.

Housing policy is another striking example of programs aimed at helping low income groups that do not reach those most in need of government assistance. Programs of rent control, subsidized credit, and employer-financed worker housing have not been effective in coping with the severe housing needs of the majority of Mexicans, although the last named effort -- the construction of housing for industrial workers that is jointly financed by compulsory contributions by employers and employees -- has improved the housing situation of organized workers.³⁸

One program that has begun to respond to the criticism that government welfare programs do not reach the very poor (in Mexican terminology -- the "marginal" population) is the expansion to rural areas of the health coverage of the social security program. In the late 1970s a non-contributory health program for "marginal" and depressed zones (COPLAMAR) added a potential 17 million new beneficiaries to the program.³⁹ It increased medical coverage from 20% of the popu-

³⁸ See Richard Moore, "Urbanization and Housing Policy in Mexico," in Ibid.

³⁹ See Emilio Lozoya, "Social Security, Health and Social Solidarity in Mexico," in Ibid.

lation in 1965 to 47.7% in 1980. The "solidarity" social security -- really health -- program is an example of a conscious effort by the Mexican government to reach the very poor and to deal with the problems of infant mortality, infectious and intestinal disease, and regional disparities.

Since most of the very poor are located in rural areas, it is now recognized that government programs to aid rural development can have an important impact on income distribution. The government of President Jose Lopez Portillo also focussed its attention on the rural population in the areas of rain-fed agriculture when it created the Mexican Food System (SAM). This was an attempt to improve the production of the non-irrigated sector of Mexican agriculture through programs of price guarantees and subsidies, crop insurance, subsidized fertilizers and seeds, and agricultural technology, and it resulted in dramatic production increases with corresponding improvements in the income of what had been a depressed area of Mexican agriculture.⁴⁰ With the advent of Miguel de la Madrid Hurtado to the presidency in December 1982, the SAM was reorganized and some of its more costly programs were discontinued.

The programs just mentioned -- the extension of the health programs to rural and marginal areas and the program for rainfed agriculture were responses to the criticisms of

⁴⁰ See Nora Lustig, "Distribution of Income, Food Consumption and Fiscal Cost of Alternative Policy Options," in Ibid.

earlier government programs for their lack of attention to those who are most in need. They indicate that even when the economy was expanding very rapidly and employment was increasing at a high rate, as occurred during the "oil boom" years (1977-81), the Mexican government was compelled by ideology and politics to demonstrate its continuing commitment to social justice. But these programs are hard to sustain. The administration of President de la Madrid (1982-88) will find it more difficult to develop expensive new social programs -- and both the COPLAMAR health program and the SAM have been very expensive.

Similarly, the programs which have involved expansion of the state sector and subsidies to consumers passed on through parastatal organizations are under pressure from IMF conditions. The expansion of the state sector and the proliferation of state owned enterprises had important effects on income distribution. There has been a tendency for workers in the state sector to be better paid than those in comparable positions in the private sector.⁴¹ In the specific case of the state-owned petroleum industry much of the oil surplus has been devoted to raising the income of the petroleum workers.⁴² Prices in the state sector tend to increase more slowly in relation to inflation -- or even to remain

⁴¹ Raymond Hill, "State Enterprises and Income Distribution in Mexico," in Ibid., Jesus Reyes Heróles, "The Distribution of Labor Income in Mexico," in Ibid.

⁴² Socrates Rizzo "Generation and Allocation of Oil Economic Surpluses," in Ibid.

fixed for political reasons. Subsidization of the prices of petroleum products, electricity, and railroads both have produced actual or implicit deficits that are financed by petroleum revenues or by an increase in the public debt, and have tended to benefit middle and upper income groups more than the poor. A third related area of public subsidy is food marketing: the National Popular Subsistence Corporation (CONASUPO). CONASUPO has among its specific purposes the provision of cheap food to low income families. Again a large government subsidy has financed inefficient programs that benefit the urban middle sectors more than the urban poor.⁴³

Just as Nigeria undertook an indigenization program largely to control and direct the pattern of investment by foreigners and to give nationals a larger share of the profits, so Mexico's regulation of foreign investment was designed for control and profit purposes rather than for redistribution within Mexico.⁴⁴ Although the relevant Mexican legislation allows the Foreign Investment Commission to promote distributive goals which grant exceptions to Mexicanization requirements of the legislation, the impact of Mexicanization programs appears to have been income concentrating, as occurred in Nigeria through indigeniza-

⁴³ Leopoldo Solis, "Food Marketing and Distribution," in Ibid.

⁴⁴ Paul Sigmund, "The Regulation of Foreign Investment in Mexico and Its Impact on Distribution," in Ibid.

tion.

The Mexican experience with government action to promote social justice demonstrates that even with a political tradition that places a great emphasis on government action against poverty, it is difficult to develop effective programs that alter income distribution. Subsidies can provide some assistance but oil surpluses are declining while the subsidies have tended to grow out of line with the rest of the budget. Government enterprises find that political pressures limit flexibility in pricing, employment, and wage policies. Price controls are notoriously difficult to administer. Welfare programs often require a large and inefficient bureaucracy. The promotion of economic growth is necessary to finance large government programs of aid to the poor, but the private sector resists expansion of government programs. Incentives for capital formation may operate at cross purposes with the objective of job creation or the encouragement of labor-intensive industries. As increasing economic constraints in Mexico make it more difficult to combine growth and equity, the task of designing rational and efficient economic and social programs becomes more complex.

4.3 EGYPT

Egypt, like the other countries studied, evinced a mix of policies. Some were explicitly designed to effect income distribution; others were aimed at revenue augmentation but had distributional impacts. The most dramatic equity programs enacted by the Egyptian government were land reform measures. These measures, like those in Mexico, were undertaken prior to the more recent period of focus for our studies and have been themselves well studied. It should be noted, however, that we would not have an exaggerated idea of the impact of the land reform scheme which was enacted just a few months after the military seizure of power in 1952. In fact, less than 900,000 feddans of land were redistributed, a relatively small 13% of the total arable land and only 9% of rural families benefitted. While the Gini coefficient of landholding declined strikingly from 1952 until 1965, if the landless population were included in the calculations the Gini coefficient remained high and would have declined less. The largest gainers from changes in landholding in Egypt were the middle sized owners, those possessing over 20 feddans. They were estimated to own one-fourth of Egypt's arable land in 1965 while constituting only 5% of the landowning population.⁴⁵

⁴⁵ See Samir Radwan, "The Impact of Agrarian Reform on Rural Egypt, 1952- 75," World Employment Research Working Papers, International Labour Office (Geneva: 1977) pp. 2023. And see Mahmoud Abdel-Fadil, Development, Income Distribution, and Social Change in Rural Egypt 1952-1970: A Study of the Political Economy of the Agrarian Tran-

Egypt, like Mexico and Nigeria, invested heavily in education as a means of trying to alleviate poverty and also to increase growth potential. Subsidies in Egypt have played an even larger role than in the other countries examined and perhaps a more redistributive one since they have been heavily in the food sector. Taxation also appears to have been a more important policy instrument in Egypt than in the other cases. Taxation has not been a highly significant tool in Nigeria. While after the 1978 reforms in Mexico, taxation was progressive in nature only within the modern sector, El Edel claims in the Egyptian study that between 1967-77, 21% of Egypt's GDP was redistributed through taxes.⁴⁶ Since the bulk of Egypt's taxes stem from indirect taxes, many analysts have concluded that the tax system is regressive.⁴⁷ El-Edel disputes this point and argues that the system has been somewhat progressive and that taxes are a potentially important instrument for redistribution. All countries studied have made increasing efforts to augment revenues through improved tax collection. But it may be that the Egyptian state which taxes a large number of public

sition (Cambridge: Cambridge University Press, 1979, p. 11.

⁴⁶ M. Reda A. El-Edel, "Impact of Taxation on Income Distribution: An Exploratory Attempt to Estimate Tax Incidence in Egypt," in Abdel-Khalek and Tignor, op. cit., pp. 132-164.

⁴⁷ There has been a growing share of taxes from direct rather than indirect sources over the last years. See John Waterbury, The Egypt of Nasser and Sadat, op. cit., p. 225.

workers (civil servants and parastatal employees) at the source, with these workers making up close to one third of total work force, is able to get at salaries and to use the indirect tax mechanism more than are most developing countries.⁴⁸

More than the other countries studied, Egypt has developed an extensive set of subsidies. In Egypt's highly regulated economy there are many kinds of subsidies. Textile mills received cotton at a price below the world price. Indeed, textile manufacturers often received cotton from the state at a price below that which the state itself paid the cultivators. Farmers themselves obtain seeds, fertilizers, and other inputs at a government-subsidized rate, and in return they deliver certain crops (cotton, rice, onions) at low, fixed prices. But the most important subsidies for the rank and file of the population are those on food and essential commodities. The main food subsidies are for wheat and flour, but there are other important ones on sugar, edible oil, and maize. These supports have assumed a large and controversial place in the state budget. Whereas they constituted only 2% of public expenditure in 1962-63, they rose to 30% of public expenditure in 1975-76 and accounted for no less than 11% of GDP.

⁴⁸ It should be noted that El-Issawy, op. cit., p. 113, does not fully agree with El-Edel, seeing the direct tax system as somewhat regressive.

These price supports have been a worry to government officials and especially to international economic organizations like the International Monetary Fund. Because of their mode of financing, they are highly inflationary and held to discourage rational economic behavior. Yet Ibrahim El-Issawy concludes that the food subsidies "play a significant role in maintaining the real income of the medium and lower (urban) income classes."⁴⁹ Reda El-Edel introduced subsidies into his study of taxation, treating them as negative indirect taxes. He found that they were a powerful mechanism for equality, estimating that in 1974-75, subsidies brought down the Gini coefficient (of national income distribution) from 0.399 to 0.366.⁵⁰

Perhaps in the long run the Egyptian economy could be made more dynamic and responsive if these large subsidies were dismantled. The critics claim that the subsidies give economic planners and individual consumers and producers the wrong economic signals and produce a misallocation of resources. But the middle and lower classes regard the subsidies as an important protection against the ravages of inflation and a guarantee of minimum standards. This fact was

⁴⁹ El-Issawy, op. cit., p. 114.

⁵⁰ El-Edel, op. cit., p. 154. An ILO study on food subsidies in Egypt concluded that the cost of living of the urban poor would rise significantly if food subsidies were removed. See Karima Korayem, "The Impact of the Elimination of Food Subsidies on the Cost of Living of Egypt's Urban Population," ILO, World Employment Programme, WP 91 (Geneva: August 1980).

made apparent in January 1977 when the government's program for slashing subsidies (and consequently raising the price of many commodities) resulted in widespread rioting and violence, only suppressed through the intervention of the military.

Not all government policies have contributed, or have been designed to contribute, to income equalization. Recurrent expenditures in the public budget were divided proportionately between the urban and rural populations, but the investment budget, on the other hand, displays a very marked urban tilt. Cairo, Alexandria, and the Canal Zone cities, representing 22% of the nation's population, have obtained 56% of investment. In the Five Year Plan (1978-1982) nearly 40% of all proposed investment was to be concentrated in these same cities.⁵¹ This imbalance in expenditures has resulted in enormous differences in the provision of public services. Provisions of services is seen as an allocative policy in Egypt as in Nigeria and Mexico since services can be ear-marked to specific targets in locational terms or to political supporters. But service provision tends to be unequal in rural-urban terms.

While access to education has not been equal in rural and urban areas either, education functioned, up to a point, as a mechanism for social mobility. While the population

⁵¹ John Waterbury, "Patterns of Urban Growth and Income Distribution in Egypt," in Abdel-Khalek and Tignor, op. cit., pp. 307-350.

doubled between 1947 and 1976, the literate pool tripled. Government expenditure on education rose from less than 3% of GDP in 1952-1953 to about 4.1% in 1970-1971. The greatest expansion occurred at the secondary and university levels where pupil enrollments expanded approximately four times while enrollments at the primary level were not quite doubling.

For at least a decade and a half, Egyptian educational thrusts affected social mobility. In a revealing study of Cairo Saad Ibrahim found that no fewer than 48% of the fathers of his respondents were illiterate while only 23% of the respondents were. Moreover, 15% of the respondents had a university education while only 4% of their fathers did. When these figures are coupled with Saad Ibrahim's findings on occupational mobility, one is led to conclude that education was an engine of income and social mobility. The Cairo survey demonstrated, for example, a large-scale move into nonmanual professions from manual occupations, especially farming. No fewer than 29% of the persons surveyed had fathers who worked in agriculture; one of the most marked moves was into the professions. It would be hard to argue that education was not a factor in these social and occupational transformations.⁵²

⁵² Saad Eddin Ibrahim, "Social Mobility and Income Distribution in Egypt, 1952-1977," in Ibid., pp. 375-434.

Having said this, we must qualify our remarks. The few surveys conducted on university students indicate that positions in the most prestigious university facilities (engineering, economics and medicine) tend to be monopolized by sons and daughters of the elites.⁵³ Although Saad Ibrahim's Cairo survey stressed occupational mobility, he also noticed a slowing of mobility in the career patterns and educational opportunities of the sons of respondents. Equally worrisome has been the government's commitment to finding positions within the state bureaucracy for all university graduates. This policy has had the effect of honeycombing the public bureaucracy with vast numbers of redundant employees -- a policy which contribute to equity but impedes economic growth.

The expansion of the educational system has had similar effects in Egypt, Nigeria and Mexico. In the last decade and a half problems of overcrowded classrooms and insufficient teachers have become palpable -- not merely at the primary school level but even within the universities. It has become increasingly difficult to receive a good quality public education, and families have turned in larger numbers to private schooling. And within the public schools, success does not seem possible without some form of private tutoring. These different forms of private schooling cost money and hence are more readily available to the rich than

⁵³ Mahmoud Abdel-Fadil, "Educational Expansion and Income Distribution in Egypt, 1952-1977," in Ibid. pp. 351-374.

to the poor. In the last decade education has become a force for maintaining existing privilege and no longer serves as the powerful instrument of social equity it had been in the 1950s and 1960s.⁵⁴

Another perspective on "urban bias" is the government's discrimination against agriculture -- with its attendant income-skewing tendencies -- a problem studied by Karima Korayem. Examining the four major export crops -- cotton, rice, onions, and groundnuts -- which were subject to compulsory delivery at varying dates starting in the mid-1960s, she calculated the implicit tax the farmer pays on each crop. Korayem finds the following implicit taxation rates over the period 1965 to 1978; cotton 22% to 84%; rice 34% to 64%; onions 47% to 86%; and groundnuts 8% to 57%. These rates are higher than the taxation rates obtaining for nonagricultural incomes; for example the maximum rate of tax on professional and noncommercial incomes is 43.5%. Additionally, no exemptions are permitted for the poorer farmers as is usually the case in nonagricultural taxation. Moreover, as the compulsory-delivered crops are grown disproportionately by smaller and poorer farmers, one would have to assume that this implicit tax is also highly regressive.

Since Korayem's paper does not measure the subsidy on the government's main inputs into agriculture (water, fertilizers, and pesticides) it does not purport to answer the ques-

⁵⁴ Ibid.

tion whether agriculture is more heavily taxed -- on a net basis -- than nonagriculture. But it does afford a perspective on the mentality of the government. It shows that the state is willing to impose heavy indirect taxes on the farmer even though these taxes may reduce cultivators' initiatives. The state does so because this implicit tax is easy to collect and has thus far been politically expedient. Although a tax on agricultural income would be fairer, it would require a large administration and would be difficult to collect.⁵⁵

Within the agricultural sector itself, a series of policies -- consolidation of land use and crop rotations, compulsory marketing of certain crops, and agricultural credit -- were developed in connection with the land reform measures adopted after July 1952. On the one hand, the measures sought to protect the recipients of the redistributed land from unscrupulous moneylenders and to offer cultivators a safe and secure market. But on the other hand, they were also designed to regulate agricultural production, to ensure that certain crops were grown, and to extract resources from agriculture for use in other sectors. In practice, however, all three agricultural policies have disadvantaged smaller cultivators in favor of large holders. The small holders have found themselves growing more of the compulsorily de-

⁵⁵ Karima Korayem, "The Agricultural Output Pricing Policy and the Implicit Taxation on Agricultural Income," in Ibid., pp. 165-197.

livered crops (whose government-regulated price precludes high profits), and they have benefitted less from the agricultural cooperatives and their credit provisions.⁵⁶

The state deprived the very large owners of their estates. It endeavored to protect the poor -- the tenants and the landless -- by issuing decrees on rents and agricultural wages, but these were not carefully observed or enforced. In fact, the group that benefitted most from the state's actions was the middle holders who were able to devote a disproportionate share of their land to vegetables, fruits, and other high value crops which could be sold freely, while the small holders shouldered the burden of growing cotton, rice, and other crops which had to be marketed through the state at fixed low prices.

Many of the direct measures Egypt undertook in agriculture and with respect to the urban sector worked against greater equity in the former and intensified inequality between the two sectors.

On the macroeconomic side, a great deal of attention has been given to the so-called open door or Infitah policy announced by President Sadat in October, 1974. The main emphasis of the policy was economic liberalization and provision of incentives to foreign investment. Having concluded that domestic savings were too small to fuel the growth of the economy, the leaders hoped to attract foreign investment

⁵⁶ Ahmed Hassan Ibrahim, "Impact of Agricultural Policies on Income Distribution," in Ibid., pp. 198-236.

and to make the market a more important force for allocation decisions. The Infitah developed in the post-1973 era and was a response to changing political and economic realities in the Middle East. Egypt was eager to attract petrodollars from the Gulf and to make the country an industrial center for the Middle East. In a move designed to signal this change, Sadat expelled his Russian advisers and sought a close rapprochement with the United States. The Infitah anticipated an alliance of Western technical know how, Arab oil money, and an abundant and cheap Egyptian skilled labor force producing for Arab markets. Moreover, the Egyptian leaders also hoped to profit from the strategic importance of Egypt and the desire of conservative Arab oil countries and the United States to support Egypt for geopolitical reasons.

Although these international factors were important in the elaboration of the Infitah policy, both Ali Dessouki and Fouad Ajami refer also to the importance of domestic forces.⁵⁷ They place the roots of Infitah in the latter Nasser years. Referring to the Nasser period as the populist interlude, Ajami argues that this populist course was destined to be short in view of two sets of factors: the converging pressures outside (the cost of the Yemen war, the withdrawal of United States aid in 1965, and the regional accommodation of the conservative Arab states) and the course's own lim-

⁵⁷ Dessouki, op. cit. Ajami, op. cit.

its. Elements from the pre-1952 era who had been able to preserve their wealth and connections despite the Nasser expropriation and nationalization joined with high-level state bureaucrats who were now anxious to increase their wealth in an expanding private sector.

Since our data sources do not cover well the post-1975 period, we cannot evaluate the impact of the Infitah on distributional patterns. The regime remained committed ideologically to social justice. Although Sadat criticized many of Nasser's policies, he never suggested that the quest for social justice was incorrect. The most enduring commitment to equity has been the subsidies. Yet the Sadat regime reintroduced profit incentives and market forces. While it stressed that progressive taxation would be a major instrument of income redistribution, most of the scholars in our study believe that Infitah has produced a new skewing of income and the growth of a new middle class. There has been a steadily rising share of profits in national income and a steadily declining share of wages.

There are several reasons to expect Infitah to have detrimental effects on income distribution. First, Infitah tends to cause public expenditure to run ahead of public revenue, leading to a mounting budgetary deficit that is largely covered by inflationary methods (borrowing from the Central Bank). Second, by encouraging more capital intensive projects, it tends to depress the share of wages in

GDP. Third, the tax and customs duties exemptions under the Infitah law (Law 43 for 1974 amended by Law 32 for 1977) lead to a greater concentration of wealth.⁵⁸

Since Egypt's resource base is so narrow, its cultivable land so limited, and its population growing so rapidly, Egypt more than most countries, faces strong growth constraints on alleviating poverty and perhaps faces strong growth-equity tradeoffs. At least Egyptian policy makers came to see their situation in this way as the economy began to stagnate in the mid-1960s and was then buffeted by the 1967 War. The direct and indirect policy measures chosen often went in different directions as Egyptian policy makers struggled with their resources and their constraints.

4.4 TURKEY

Turkey exhibits many of the same patterns as our other cases. It is most like Nigeria in that no formidable consistent effort was made by government to curb inequality and greater priority was given to the goals of economic growth and economic independence than to equity. While Egypt and Mexico have been more equity oriented than Turkey and Nigeria, at least for certain periods of their recent histories, they, too, have been more growth than equity oriented. Egypt opened up its economy to foreign interests after 1974 in the interests of growth while at an earlier period it em-

⁵⁸ Ajami, op. cit.

phasized economic nationalism. The Turkish government hoped, like the others, that the spread of primary education, widening the system of social security, and the general reduction of low-end poverty would raise aggregate demand and serve the primary objective of furthering economic growth while giving real benefits to poor people. At the same time, Turkish policy makers did develop explicitly redistributive policies. Some of these, especially agricultural price support policies, appear to have had effects which were contrary to their declared intent. Other policies, such as efforts to provide services to relatively deprived regions, may have slowed the widening of inequalities. Some education policies and government promotion of unionization may have achieved positive equity gains.

National priorities in Turkey have strongly favored public investments in industrial development over outlays for urban infrastructure, housing and social services. Limited public expenditures have been available for city services and facilities. Within this framework, most government efforts in urban Turkey reinforce intra-urban income differences. Because public investments in such areas as health, education, and housing are low, city dwellers with higher incomes are able to command better health care, educational opportunities and housing facilities than recent migrants.⁵⁹

⁵⁹ Michael Danielson and Rusen Keles, "Urbanization and Income Distribution in Turkey," in Ozbudun and Uluhan, op. cit., p. 277.

In the case of housing where direct governmental investment represents less than 5% of total investment, middle- and upper-income urban families are the primary beneficiaries of existing programs. Within cities, public services tend to be concentrated in the more established, higher-income areas. Because of their illegal nature, squatter settlements initially lack even the most rudimentary public services. Only through persistent political effort are gecekdndus able to secure public facilities. The response of government to these pressures, however, is constrained both by limited public resources and by the enormous growth of squatter settlements which are seeking more public services from hard-pressed local agencies.

An important exception to the general lack of redistributive effects of governmental programs in urban Turkey has been legalization of squatter housing. Initially, government responded to the development of gecekondus by seeking to prevent the establishment of squatter settlements and thus protect private property and public lands from illegal occupation. But prohibition failed, largely because of political resistance from the growing number of voters in squatter settlements. As a result of these political realities which have been bolstered by the inability of government to provide alternative housing, a substantial number of gecekondu dwellers have obtained title to their land. The net effect of legalization has been to transfer valuable

property rights to lower-income city dwellers. To be sure, not all squatters have benefitted from these politics, and some gecekondü landlords have received disproportionately large benefits. Legalization also has encouraged squatting on public land, thus reducing its availability for other public purposes. Nonetheless, the overall effect of legalization of squatter settlements has been somewhat redistributive, in sharp contrast to the overall thrust of government's response in Turkey to mass migration and rapid urbanization. Since much of the land involved is public, the redistributions are from government to individual squatters.

Urban-rural differences are magnified when public services are taken into account.⁶⁰ For political realities also reduce the ability of highly centralized government in Turkey to achieve more of its potential for redistribution. Turkish centralization tends to serve the interests of those who exercise great influence within the system: national political leaders top-level bureaucrats, and powerful economic interests. This political and economic elite derives enormous advantage from the existence of a relatively simple central structure which makes most of the key decisions affecting resource allocation. Because power is concentrated

⁶⁰ The spread of the structure of income inequality between agriculture and nonagriculture seems to have been reversed after 1968, largely stemming from improvement in the terms of trade toward agriculture. See Kemal Dervis and Sherman Robinson, "The Structure of Income Inequality in Turkey, 1950-1973," Ibid.

at the top, and because most national elected officials have a vested interest in the maintenance of centralized rule, less influential interests in the provinces and cities have not been very effective contestants in the fierce political competition for limited resources. Moreover, the ability of local governments to respond to localized interests is severely constrained because these subunits are heavily dependent on the central government for their resources and authority.⁶¹ Thus public investment programs have, on the whole, worked to accentuate rural-urban, and intra-urban, disparities.

One exception to this pattern has been the attempt to promote greater equity through more balanced distribution of public investment among Turkey's regions which are themselves marked by wide disparities in income levels. Regional differences in income distribution appear to have narrowed in recent years, in part because of out-migration from rural areas in poor regions to cities in both poor and better off regions. Government's attempts to spread industrialization regionally were effective and regional development programs have spurred urbanization in eastern Anatolia.⁶² However, clear cut policies for regional development and ur-

⁶¹ Michael Danielson and Rusen Keles, "Allocating Public Resources in Urban Turkey," in Ibid, p. 313.

⁶² Danielson and Keles, "Urbanization and Income Distribution," in Ibid. p. 288. Also see The World Bank, Turkey: Prospects and Problems of an Expanding Economy (Washington, 1975) p. 175.

ban growth have not been established and maintained over time. Instead, objectives and priorities have shifted from plan to plan, making it difficult for the central government to focus resources effectively. These changes reflect the lack of consensus on both key development objectives and the utility of the means available to achieve them. Moreover, many elements of the plans have not been effectively implemented, both because of inadequate resources to undertake the ambitious designs of the planners and because of political pressures on the limited resources available to central policy makers.

In agriculture, the distribution of land tended to become more unequal in the late 1960s and up to the mid-1970s.⁶³ Given the unequal distribution of resources to start with, government price-support policies and other support activities such as irrigation schemes and subsidizing fertilizers tended to make large landowners better off. Agro-climatic realities worked to increase differentiation of rural income in terms of who received benefits from improved technology, first mechanization for wheat farming and later improved high yielding varieties of wheat. But policies were important also since benefits were conveyed mainly to those who were able to purchase tractors and the distribution of credits controlled tractor purchases. Initial farm size affected the distribution for wheat farmers in terms of access to

⁶³ See Aydin Uluhan, "Public Policy Towards Agriculture and Its Redistributive Implications," in Ibid. pp. 125-168.

inputs; the distribution of benefits from price support programs were distributed in proportion to the amount marketed which was in turn a function of farm size.⁶⁴

Similarly, in the field of cotton production, government policies have been instrumental in worsening the already unequal distribution of income among cotton producers. Government policies have not been utilized across the board in equal weight for all farmers. Even if the government could give equal weight to all farmers, such policy as price supports cannot alleviate the already unequal distribution of income in cotton due to unequal land ownership.⁶⁵

Thus Turkey, with one of the most developed systems of government intervention on the input and output side for agriculture, did not use its policies for equity purposes. It's very possible that governments in Turkey, as elsewhere, have had an imperfect understanding of the consequences of specific policies and of the ways that different policies have checked or worked against each other. It is also necessary, however, to account, if only in a very summary form, for the politics of distribution in our case studies.

⁶⁴ See Charles Mann, "The Effects of Government Policy on Income Distribution: A Case Study of Wheat Production in Turkey Since World War II," in Ibid, pp. 197-240.

⁶⁵ See Metin Berk, "Public Policies Affecting the Distribution of Income Among Cotton Producers in Turkey," in Ibid, pp. 247-266.

5. POLITICS AND POLICY

Charles Frank and Richard Webb pointed to a number of factors in accounting for the relatively good performance of Korea and Taiwan in reducing poverty and having relatively equitable distributions of income. They called attention to widespread availability of social services such as sanitation, education, medical care.⁶⁶ We have seen, however, that although all of the countries we examined have emphasized expansion of social services as a way of improving growth and equity, many programs continue to widen income differentials as access to service is itself highly skewed. Political and administrative factors work to keep service access unequal as powerful receiving and implementing interests pursue their own goals.

Frank and Webb also called attention to unequal distributions of land as a factor which is important for continuing inequalities. In all our cases except Nigeria, land holdings remain highly unequal. Although Mexico and Egypt had important land reforms, in recent years their governments have not tackled agrarian problems through large new redistributions because they have feared effects on growth and because alliances exist between bureaucrats and middle to large farmers in Turkey and Egypt as well as in Mexico.

⁶⁶ Charles Frank and Richard Webb, "An Overview of Income Distribution in Less Developed Countries: Policy Alternatives and Design," in Frank and Webb, op. cit., p. 8.

The expansion of education is singled out as critical for preventing the emergence of large wage and salary differentials based on acute shortages of skilled and educated manpower. In all four of the countries, governments have heavily emphasized expenditure on education. But access has been uneven, educational subsidies have often benefitted the better off, and quality has fallen as programs have expanded rapidly. Moreover, if the economy has not expanded rapidly enough to productively employ educated people (or if there is a mis-match between peoples' education and skills required) drains on budgets are marked as government becomes the employer of last resort. This occurred in Egypt. Bottlenecks continue to exist in certain skill positions in all four of the countries and education takes time to make an impact on wages. However, rapid expansion of education does have important political and social effects. Expansion of education has held out the prospects of upward mobility and rising standards of living for many and has certainly worked to affect significant numbers of people in Nigeria, Egypt, Mexico, and Turkey.

It is true that in Nigeria mobility and opportunity are related to starting points. There are strong positive relationships between the level of education of fathers and children and between education and occupation and education and participation. There has also been little downward mobility so far. Peoples' perceptions of their future do not

correlate with actual statuses.⁶⁷ Nigeria has not become a class society in perceptual terms whatever the objective correlations of income and education. Rulers have political space for reformist policies if they choose them. As yet, organized demands from below are weak and are not articulated by social classes. Economic and political power do not neatly cohere at the top of societies' income and power hierarchies.

Turkey, Mexico, and Nigeria all had high growth rates at least up to the late 1970s. Egypt had a jagged rate of growth with some very substantial rates in the early 1960s and then again between 1974 and 1977. Absolute levels of income were rising for most socio-economic groups even when relative income distribution worsened. Growth, then, may have slowed politicization and radicalization as did educational expansion, at least in the short-run. Indeed, where we have clear evidence of downward mobility for government employees in Turkey, we also see a strong polarization of politics. For in Turkey, low average incomes of government workers, combined with their high levels of education and political information, help explain the leftist orientation of segments of the public sector in the late 1970s. Civil strife in Turkey, which intensified after our study was completed, cannot be explained only by trends in relative wages

⁶⁷ Donald G. Morrison, "Inequalities of Social Rewards: Realities and Perceptions in Nigeria," in Bienen and Diejomaoh, op. cit., pp. 173-192.

of government employees. But such trends do help to explain internal strife and tensions within the civil service and the growing difficulties within the military and police until the armed forces intervened once again in 1980.

Indeed, as we look for an explanation as to why there were not stronger pressures for redistribution in Turkey given the growth of political participation, we saw the availability of significant "exit" possibilities. Millions of Turkish citizens migrated to Europe. Migration occurred on a large scale from Egypt to the Gulf states too. And of course, migration from Mexico to the United States has been large and persistent. Nigeria, on the other hand, after exporting people in the 1950s and 1960s was the recipient of inflows after 1973.⁶⁸ But in Nigeria, as in all our cases, massive rural to urban migration occurred. Thus millions of Turks, Nigerians, Egyptians and Mexicans were exiting from rural to urban areas and once in urban areas were for the most part having an improvement in standards of living. Beyond the actual improvements in standards of living were perceptions of a better life for one's children and a sense of available channels through education and occupation for

⁶⁸ See Ergun Ozbudun and Aydin Ulusan, "Overview," in Ozbudun and Ulusan, op. cit., p. 16. For discussions of exit options see Albert Hirschman Exit Voice and Loyalty: Responses to Decline in Firms, Organizations and States (Cambridge: Harvard University Press, 1970); Samuel Huntington and Joan Nelson, No Easy Choice: Political Participation in Developing Countries (Cambridge: Harvard University Press, 1976).

improvements.⁶⁹

Other mobility-related "dampening mechanisms" were at work in Turkey and some of these were significant in the other countries too. In Turkey, status inconsistencies occurred resulting from uneven changes in the stratification system. Private and public stratification seem dominated by the market for the former and by values that inhere in traditional systems in the latter. Bureaucratic position dominates the public stratification system.⁷⁰ Moreover, as Mardin notes, traditional values including the concept of "just rewards" and the dichotomies of the metropole and the periphery persist from Ottoman times.⁷¹ Thus there are inconsistencies in the correlations among income, education, and prestige. Such inconsistencies tend to soften the effects

⁶⁹ For social mobility in Turkey see Segvi Aral, "Social Mobility in Turkey," in Ozbudun and Ulusan, op. cit., pp. 481-500. Also see Kemal Karpat, The Gecekonu: Rural Migration and Urbanization (Cambridge: Cambridge University Press, 1976). For migration in Nigeria see Pauline Baker, Urbanization and Political Change: The Politics of Lagos, 1917-1967 (Berkeley: University of California Press, 1975). For Mexico see Wayne Cornelius, Politics and the Migrant Poor in Mexico City (Stanford: Stanford University Press, 1975). For a general discussion see Joan Nelson Access to Power: Politics and the Urban Poor in Developing Countries (Princeton: Princeton University Press, 1979).

⁷⁰ Aral, op. cit.

⁷¹ Serif Mardin, "Turkey: The Transformation of an Economic Code," in Ozbudun and Ulusan, op. cit., pp. 23-54. Also see Serif Mardin, "Super Westernization in Urban Life in the Ottoman Empire in the Last Quarter of the Nineteenth Century," in P. Benedict, et. al., eds., Turkey: Geographic and Social Perspectives (Leiden: E.J. Brill, 1974).

of inequality by reducing its visibility. In other words, when a superior position along one dimension of inequality is accompanied by an inferior position along another dimension, inequality in overall socioeconomic status is perceived to be less.⁷²

Also contributing to the general lack of effective collective action aimed at income redistribution in rural areas is the strong in-group feelings and the absence of class-based politics among Turkish peasants. In some of the least developed regions (e.g., the East and the Southeast), where land and income inequality is greatest and redistributive action is most needed, the low level of social mobilization and the strength of patron-client relationships tend to make peasant political participation more mobilized from above and deferential than autonomous and instrumental. In other areas (e.g., central Turkey) relative equality of landownership together with overall poverty also works against the emergence of class cleavages among peasants by producing a "corporate village" pattern. This may explain why the left-of-center Republican People's Party, which has based its appeal on the promise of a more egalitarian income distribution and greatly increased its urban strength in the last decade, was not able to achieve nearly the same degree of success in rural areas. Rural inequality had very insignificant effect on voting participation variables and on

⁷² Aral, op. cit.

party votes. This may explain why agricultural price-support policies that actually worsened income distribution within the agricultural sector were found to be the politically most expedient means for appealing to all rural voters, rich and poor alike.⁷³

In Nigeria, perhaps more than any of the countries studied, there has been no clear development of a class-based politics. Neither peasant organizations nor trade unions in the industrial sector have been strong organizations pushing for redistribution of income. Nor have people in the urban informal sector constituted a force for effective radical change. The relationships between formal sector and informal sector workers are complicated and variable by city, region, and ethnic community.

It is very hard to speak generally about relationships between class and ethnicity in Nigeria, and it would be misleading to generalize the salience of class and ethnic issues over time and place in Nigeria. The meanings of wealth and equity vary within and between communal and occupational groups. Too hard a fix on per capita income figures would not capture the reality of situationally defined gains and the roles of families and communal groups in defining wealth and equality.⁷⁴ But it is apparent that ethnicity remains a powerful organizing tool in Nigeria and that communal

⁷³ Ozbudun and Ulsan, op. cit., p. 18.

⁷⁴ Bienen, "The Politics of Income Distribution," op. cit., p. 162.

cleavages often, although not always, cross cut cleavages based on income and occupation. Cultural and communal heterogeneity do work as "dampening mechanisms" also, especially when cultural and communal heterogeneity is not dichotomous -- a simple we-they distinction -- but complex and multifaceted.

Egypt emerges as the country in our study where the class structure may have hardened the most from the late 1960s on. Upwards mobility was more confined to children of the middle and upper strata. Moreover, Egypt is a relatively homogeneous society in ethnic and cultural terms. Thus we could perhaps predict that income inequalities may be, in the future, translated more into political conflict in Egypt than in Nigeria or Mexico unless growth continues and the safety valve of emigration outside the country persists. Of course, this is too simple and there are still many variables that we have not accounted for as we look at relationships between political conflict and policy choice.

The level of organization of workers and peasants is important. In Mexico, these groups have been incorporated through a structure of bureaucracy, ruling party, and local patron-client groups. Independent trade union action has not occurred although trade unions are part of the ruling structure and organized labor has benefitted from the rules of the game. In Turkey, levels of unionization have been significantly correlated with labor's share of income. Rel-

ative wages were significantly affected by union activity.⁷⁵ During periods of martial law and suspension of union activity, labor lost out in Turkey. While Nigeria has had relatively weak unions, these unions have protected organized labor better than peasants or members of the informal sector have been protected during inflation. When government has enforced restraints against trade union activity and especially during the Nigerian Civil War, labor's share of income declined.

Also, the willingness of governments to repress is a factor that has to be considered. Thus the Mexican government, for all its revolutionary rhetoric, has vigorously suppressed violent peasant movements and student dissidence. The Egyptian government called in the military during the Cairo food riots of 1977. The Turkish military has intervened to put down civil strife and to restore order according to its own lights. Indeed, the last paragraph of the Introduction to our Turkey volume was something in the way of an accurate prediction. Ozbudun and Ulusan wrote, before the coup of May, 1980:

Either the forces favoring redistribution will strengthen their hold on political power and, lacking growth will force a more equitable sharing of poverty. Or, alternatively, a more authoritarian regime (probably of a military variety) will intervene to repress both redistributive and participatory demands. The first of these less attractive cases, absent growth, would be very likely to

⁷⁵ See Ataman Aksoy, "Wages, Relative Shares and Unionization in Turkish Manufacturing," in Ozbudun and Ulusan op. cit., pp. 409-454.

induce a switch to the second. And whether the resort to it were immediate or delayed, it would thwart, for an uncertainly long time, Turkey's reach toward a more just and democratic system.⁷⁶

To some extent, this quote, while predictive, is atypical in that for the most part, our studies look at income distribution as an effect rather than a cause. The political analyses in the volumes do not assume that policy makers start with either growth or equity objectives. Rather they explore why different elites have formulated and implemented various policies and chosen specific policy tools. Indeed, policies that may have been framed for very different purposes such as increasing the power of the military or centralizing authority, or trying to diminish foreign influence in an economy may have significant impacts on income distribution. Each volume explores, as noted earlier, the political history of when any stated policy manifests a growing concern with distributional issues. Our focus is much more on how political institutions and processes influence income distribution than vice-versa. This is because we have seen a relatively loose fit of economic and political power in the societies we examine.

In all our cases, market forces frequently were more consequential than government policies in affecting distributional outcomes. Sometimes this occurred as individuals adjusted to price and subsidy policies. Sometimes, migration, demographic growth, comparative advantage of regions, firms,

⁷⁶ Ozbudun and Uluhan, "Overview," *op. cit.*, p. 20.

and individuals swamped the intent of government policies, and worked to increase relative inequalities. In these respects, our studies were confirming of Frank and Webb's earlier analysis.⁷⁷ Also, we like Frank and Webb, while seeing the weight of existing power and wealth in the four countries, also saw complex and fluid relationships between political and economic power. These fluid relationships made it difficult in many situations to move towards more egalitarian distributions but they also provided space for reformist policies. The constraints on outcomes of greater equity often appear to be administrative and market ones more than political ones. However, backlashes do appear to various government policies and these policies have unintended effects as better off people are able to take advantage of educational and social service opportunities. They use government programs to further their own interests.

After already spending many pages trying to develop themes from our efforts, it is clear that no simple or tidy generalizations can be stated easily from four case studies anymore than they emerged from an extensive earlier look at the world in Income Distribution and Growth in Less Developed Countries (or any more than they have emerged in the literature on distribution which has appeared in the last decade). There is, no doubt, a paucity of cause and effect hypotheses in our studies and no explicit cross-country gen-

⁷⁷ Frank and Webb, "An Overview of Income Distribution in Less Developed Countries," op. cit.

eralizations are pushed forward here although generalizations within the country studies exist. Rather, we look in detail at country experiences, disaggregate variables that are often treated in highly generalized ways, and eschew grand paradigms for encompassing political and economic outcomes. We wanted to understand relationships between variables in their context, more than we hoped to predict other outcomes from these cases.

Still, we can put forward some conclusions in summary form.

1. The historical experience with and earlier commitment to equity issues tends to be long-lasting. Egypt and Mexico had equity oriented movements (the Nasser coup and the Mexican Revolution) and they do not later ignore these concerns, although there may be significant policy deflection away from equity goals.
2. The unintended consequences of equity programs are often far more important than the intended ones. In this respect it is necessary to observe that programs, like education reforms, public health services, and other public services, though usually intended (at least in theory) for all -- or sometimes consciously intended for low income groups -- are often dominated by politically more sophisticated and economically and socially better prepared groups.

3. A corollary of the above is the extreme difficulty of targetting welfare programs for the poor. All our studies showed the urban bias in equity-oriented programs. Since urban incomes are higher than rural ones on average, urban bias has accentuated rural-urban income differences. Within the urban sector, subsidies have sometimes been helpful to the poor. This has been the case for food subsidies in Egypt. But food subsidies have also warped the economy. Once in place they have been hard to diminish much less abolish. And in Mexico, food subsidies have been used by relatively better-off consumers. In Turkey, agricultural subsidies were captured by larger farmers. In rural areas, land reform and provision of services have been the most meaningful equity oriented reforms. Service delivery and the distribution of services are significant components of income and must be center stage in future analyses of distribution.

4. Though the whole issue of mobility is difficult to research, Egypt and Nigerian findings stress its importance for understanding attitudes toward equity. The real mobility (occupational, geographical, educational, and income) which characterized the fast decade of the Nasser years legitimated that regime and its avowal of equity. In Nigeria the perception of mobility (even though actual studies show the income

gaps to be widening) has given breathing space to the regime.

5. What Albert Hirschman has called exit options⁷⁸ proved to be very important in all our cases. Migration to urban areas, and for Mexicans, Turks, and Egyptians, migration abroad, increased income for large numbers of people and lessened rural and urban pressures.
6. Migration abroad is, of course, not the only way that economies have been integrated into the world economy. The role of trade can raise the incomes of the poor but we explore this issue more in Mexico than elsewhere. Given the emphasis on incorporation of developing countries in the world economy in a great deal of contemporary literature which uses various "dependencia" modes of analysis, our studies have been relatively, although not completely silent on the impact of international trade, aid, and politics on internal distribution questions.

⁷⁸ Hirschman op. cit.