Putting the Poor First:  
Alternative Development Strategies  
For Third-World Poverty  

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Abstract  
Since 1945 the countries of the non-industrialized world have made major efforts at stimulating modern economic growth. This essay considers the effects of this development experience on the extent and depth of poverty in these countries. Have the benefits of economic growth been broadly distributed over all income levels? Have incomes and welfare risen for the poorest 20 to 40 percent of populations in developing countries? In a large number of developing countries the answer is no; the benefits of economic growth have not reached the poorest 20 to 40 percent; their share of income has fallen, and their absolute average income has remained approximately constant. This essay explores the policy implications and strategic options of a model of economic development that places the welfare of the poor as the highest priority. What is involved in putting the poor first? What implications does this priority have for other measures of economic development? And what policy options are available to make the most rapid and immediate effects on the welfare of the poor? How would such a development plan differ from existing policies?  

The essay consists of three central arguments. First, I consider the normative grounds of a poverty-first development policy by extending John Rawls's arguments for the difference principle to the circumstances of third-world poverty. Second, I consider the chief economic policies that are available in designing a poverty-first policy, drawing on work by Irma Adelman, Atul Kohli, Keith Griffin, Hollis Chenery, and Ronald Herring. And finally, I provide some comparative evidence drawn from several developing countries to show that a poverty-first strategy can successfully compete with a growth-first strategy.

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1. The problem

Since 1945 the countries of the non-industrialized world have made major efforts at stimulating modern economic growth. The variety of approaches is as great as the variety among these societies themselves—the Brazilian model (import substitution industrialization), the Korean model (export-led growth), the Chinese model (socialist revolution, land reform, collectivization, and market reform), the Philippine model (aggrandizement of a small economic elite with near total disregard for the condition of the poor), or the Ethiopian model (general economic collapse in the midst of civil war). Economic development processes have resulted from a number of forces: domestic LDC government economic policy, the private activities of national and multinational corporations, the influence of industrialized-nation governments, and a variety of bilateral and multilateral development agencies.

The outcomes of these various economic development strategies are at least as varied as the strategies themselves. Some parts of the less-developed world have experienced respectable economic growth during the past four decades. South Asia has witnessed growth of slightly lower than 2% per capita per year since 1965, and East Asia has grown at a faster rate (3.5%). Per capita GNP in India has grown at 1.8%; in the Philippines at an average rate of 1.9% during this period; Indonesia at a rate of 4.6%; and China at a rate of 5.1%. Other parts of the world have been less successful. Parts of sub-Saharan Africa has witnessed falling per capita GNP during the past twenty years; the Caribbean economies have experienced almost zero growth (.6%); and the Latin American economies have had slight positive growth rates (1.6%) in per capita GNP. (These aggregated figures conceal substantial intra-regional diversity.)
Important as absolute per capita growth rates are, we must also consider the distributive characteristics of various growth processes. And here again there is substantial variation. In many LDCs inequalities have grown sharply in the past three decades: Brazil, Central America, the Philippines, Thailand, and Nigeria, for example. In other LDCs, by contrast, inequalities have remained constant or fallen: Korea, Indonesia, China, and Nicaragua. Income inequalities may be measured in a variety of ways; but two common measures are the Gini coefficient (figure 1) and the share of income flowing to the poorest 40% of income earners. The Gini coefficients and income shares to the poor are represented in table 2 for a number of developing countries over the past three decades. Inequalities have generally worsened in most developing countries; the average ratio of income of the top quintile to the poorest two quintiles rose from 4.14 to 4.45 to 5.03 to 5.18 in the four periods between 1956-60 and 1971-75. (The average for 1976-80 in this data set is substantially lower, but this reflects a skewed sample for the final period.) This data demonstrates a downward trend in the share of national income flowing to the poorest 40% of population in developing countries.

Finally, we need to concern ourselves with the question of poverty. How has third-world economic growth affected the poor? Have the benefits of economic growth been broadly distributed over all income levels? Have incomes--and consequently welfare--risen for the poorest 20 to 40 percent of developing societies? This question is distinct from that of inequalities, since it is possible for inequalities to rise while per capita income to the poor rises as well. However, in a large number of developing countries the benefits of economic growth have not reached the poorest 20 to 40 percent: their share of income has fallen, and their absolute average income has remained approximately constant. Table 3 provides data on the welfare of the poor in selected developing countries; it shows quite dramatically that there are substantial differences in poverty performance across countries. Low income shares to the poorest income strata have direct welfare effects: malnutrition, disease, inadequate water, low educational levels, high infant and child mortality rates, and depressed longevity statistics. Some countries--e.g. Sri Lanka--have made impressive strides in raising the welfare of the poor, even in the absence of substantial economic growth. Other countries--e.g. Brazil and the Philippines--have witnessed a sharp decline in the welfare of the poor in the midst of respectable national economic growth. Table 4 presents regional aggregation of this data set for each of the variables considered. There is a general upward trend in the three chief welfare indicators represented here at the country and region level--life expectancy, infant mortality, and school enrollments, indicating a general improvement in welfare in developing
countries during this decade. But these aggregate figures conceal substantial variation within each country, and it is reasonable to assume that much of the improvement indicated here is concentrated in the top three quintiles of income earners in each country. It should also be noted that there is substantial regional variation in each of these indicators; average infant mortality among countries in South Asia in 1986 was 138 per thousand, whereas the average figure for Southeast Asia was 48 per thousand.

It is important to separate out inequalities and the direction of change of inequalities, from the issue of poverty and the direction of change of poverty levels. For, as Gary Fields shows, it is entirely possible that poverty falls, the real welfare of the poorest rises, and relative inequalities increase. We may have social policy reasons for preferring less inequality to greater; but it is fallacious to assume that increasing inequalities necessarily entail increasing poverty. A simple numerical example shows that rapid growth with higher inequalities may improve the welfare of the least-well-off more than slow growth with low inequalities over a few years. If our ultimate concern is the absolute welfare of the poorest in a medium timeframe, then it may be preferable to favor growth over inequality. If, on the other hand, we are inherently concerned with equality (and not merely equality as an instrument for improving the welfare of the poorest), then we may choose the slow growth model. Whether growth with rising inequalities leads to immiseration or gradual improvement in the welfare of the poor depends on the rates of each; more basically, it depends on the form that growth takes. Consider the example of Brazil based on data in table 2. In 1971-75 Brazil is found to have an income ratio of 9.51, with the poorest 40% of the population receiving about 8% of the national income. Brazil's growth rate in 1986 was about 4.3%. If we assume that this rate of growth is uniformly distributed across all income earners (a highly unrealistic assumption), then the average income for the poorest 40% will rise from $91 to $95, while that of the richest 20% will rise from $855 to $892. If we take $125 as the poverty level, it will take about 40 years of growth at this rate to bring the average income of the poorest 40% up to the poverty level. On the more realistic assumption that the benefits of growth flow disproportionately to higher income groups, this disparity becomes even more pronounced.

These points make clear what was perhaps already well enough known to thoughtful observers: economic growth (improvement in per capita GNP) is not sufficient to produce improvement in the welfare of the poor. Instead, there are some growth strategies that have harmful effects on the poor and others that have poverty-reduction effects.

The problem before us, then, is this: how should the development policies
adopted by LDC governments and advocated by international development agencies deal with the problems of inequality and poverty in the context of economic growth?

2. "Put the poor first"

This essay explores the policy implications and strategic options of a model of economic development that places improvement in the welfare of the poor as the highest priority. What is involved in putting the poor first in development? In designing a development plan there are always a range of choice that must be made: to encourage export production, to promote cash crops or food crops, to favor heavy industry or consumer goods, and so forth. And the choices that are made among these alternatives will depend on the criteria of evaluation of consequences that are in use. If the goal is to increase GNP at the fastest possible rate, then one family of choices will be made; if the goal is a combination of growth and military security, another set of choices will be made; and so forth. Putting the poor first involves making these choices on the basis of consideration of how various alternatives will affect the welfare of the poorest strata in society. So, for example, a government may be deliberating between investment credits for a television assembly plant and for a sugar-processing plant. The television plant, let us suppose, will produce a greater amount of value added, generating a resulting higher amount of foreign currency; while the sugar-processing plant involves a substantially higher level of employment at a wage higher than the current average for unskilled labor. Prima facie these circumstances, conjoined with the "poverty-first" principle, entail that the government should select the sugar-processing plant, since this alternative creates the greater amount of additional income for the poor.

This proposal for a reorientation of development planning raises a number of important questions. What implications does this priority have for other measures of economic development? And what policy options are available to make the most rapid and immediate effects on the welfare of the poor? How would such a development plan differ from existing policies? And are there countries which currently pursue such a model of growth? (See the Appendix for a review of the evolution of World Bank development doctrines over the past fifteen years.)

3. The country data set

Tables 1-3 present development data for some 73 developing countries. The bulk of the data derives from World Bank sources. Table 1 contains data
on population (1985), per capita income in 1976 and 1986, growth rates in per capita income for 1960-1976 and 1965-1986, and the percentage of the labor force in agriculture in 1960 and 1975. The latter provides a rough indicator of the extent of structural transformation (transition from agriculture to manufacturing) that has occurred within a given economy after 1960. National income figures for 1986 show a wide range of per capita incomes, from $120 (Ethiopia) to $2920 (Venezuela). There is also a considerable range of growth rates in per capita incomes over these countries, from -2.6% (Uganda) to 6.7% (Republic of Korea). Significantly, all but two of the negative growth rates occur in sub-Saharan Africa. Table 1 also reports preliminary results of the United Nations International Comparisons Program (ICP), a program that attempts to adjust national GNP data by country consumption good prices. This index constructs a purchasing power parity (PPP) conversion factor that makes it more plausible to make cross-country welfare comparisons (World Development Report 1989, table 30 and technical notes). The ICP value represents a percentage of United States per capita GNP for 1985 (about $17,000). This value can be used to construct a poverty budget, permitting an estimate of the proportion of the population of a given country falling below the poverty line.

Table 2 presents a compilation of available inequality measures for a subset of these 73 countries. Two measures are provided: the Gini coefficient and the ratio of income shares of the top quintile to the bottom two quintiles of income. The two measures are defined differently, but show a reasonably high level of correlation in the small number of cases in which data is available for both ($R^2 = .73$). Income inequality data are both more difficult to come by and less reliable than national income data; these data have been drawn from World Bank compilations and several published review articles (Ahluwalia 1974, Fields 1980). Here too there is a wide range of country conditions. Available Gini data range from .378 (Republic of Korea) to .605 (Brazil); while quintile ratio values range from 1.57 (Korea, 1971-75) to 9.87 (Colombia, 1961-65). For our purposes it would be desirable to have reliable and comprehensive time-series data on income inequalities, in order to reach conclusions about the direction of change in this variable. However, limitations of available data preclude this. Multiple estimates of inequalities during different five-year periods are available for only a few countries, and these generally derive from different studies embodying somewhat different methodologies. So it is not possible to draw strong conclusions about the direction of change in income inequalities from this data set. It is suggestive, however, that the average income ratios for the five periods surveyed show a strongly rising trend.

Table 3 presents data on several indicators of population welfare for the
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This table provides an estimate of the percentage of the population below the poverty line in 1969 and 1985, longevity data for 1960 and 1975, infant mortality data for the same years, and primary school enrollment percentages for the same years. In the final column is an estimate of the Physical Quality of Life Index (PQLI) for each country, based on data from the 1970s. Several of these variables require some further comment. The percentage of the population falling below the poverty level is problematic because it is necessary to take account of variations across countries in the cost of living; a uniform dollar figure will not suffice. These data reflect adjustment of country income data by a purchasing power parity inflator reflecting the variations in the cost of subsistence goods and non-tradables across countries. ICP data provide the basis for such comparisons, but these data are available only for a minority of countries. Column 2 of table 3 represents my preliminary attempt to compute the poverty percentage based on a hypothetical income distribution (low, middle, and high), a poverty budget corresponding to the 45th percentile of India's income distribution, and ICP-corrected per capita incomes for several countries. (See figure 2.) These computed values are speculative, but they are plausible estimates. The model on which this computation is based can be improved by making use of actual income distribution data for each country; but this data is available in only a few cases.

The PQLI indicator is designed to provide a composite index of the quality of life in developing countries. It reflects average performance on variables such as infant mortality, literacy, and longevity. As was true concerning income inequalities, it would be desirable to have time-series data on poverty and quality of life, in order to see whether economic development has generally tended to reduce the former and increase the latter. However, once again it emerges that this time-series data is unavailable, so it is necessary to base conclusions on the direction of change in poverty and quality of life on other grounds.

Finally, table 4 presents a crude aggregation of all of these variables by region. This aggregation does not weight variables by population; instead, it represents simple averages of the country data by region. Even this level of aggregation is illuminating, however. It shows that there is a good deal of inter-regional diversity in each of the variables under consideration--per capita income, poverty, and inequality. The greatest income inequalities are found in Latin America, Central America, and the Caribbean. However, these regions also fall on the high end of the per capita income--leaving open the possibility that the condition of the poor may be higher in these regions than in more equal Asian economies. And in fact the regional aggregate figures show that the highest percentage of poverty in 1969 is found in South and Southeast Asia.
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(It is noteworthy, however, that sub-Saharan Africa and South Asia switch relative positions depending on whether we consider GNP or ICP-adjusted GNP.) The aggregate data also suggest a rough correlation between PQLI and per capita income; South Asia has the second lowest per capita income and the second lowest PQLI (after sub-Saharan Africa), whereas Latin America has the highest per capita income and PQLI. This impression is born out by a simple rank-order correlation; the rankings imposed by these two variables on the ten regions produce a Spearman's rho rank correlation of .76. Poverty percentage and PQLI are somewhat more loosely correlated, with a Spearman's rho value of -.53.

Regression analysis of possible correlations among various pairs of variables provides some interesting results. First, there is a strong negative linear correlation between the poverty percentage and per capita income ($R^2=.58$)—that is, economies with higher per capita income tend to have lower poverty percentages. Second, there is a moderate positive correlation between income inequalities and per capita incomes ($R^2=.25$)—that is, income inequalities tend to rise as per capita incomes rise. There is a moderate negative logarithmic relationship between PQLI and the poverty percentage ($R^2=.25$)—that is, PQLI falls as the poverty percentage rises, an intuitively plausible finding. And there is a moderate correlation between PQLI and per capita income (1986) ($R^2=.49$). This reflects the fact that some very low-income countries—e.g. Sri Lanka—have achieved high PQLI, whereas some middle-income countries—e.g. Algeria, Jordan, or Tunisia—still have low PQLI.

When we turn to possible correlations between the poverty ratio and measures of inequality, we find that there is a moderate negative correspondence between these variables: economies with higher inequalities tend to have lower poverty ratios. There is a moderate negative linear relationship between the poverty ratio and the Gini coefficient—suggesting that higher inequalities correspond to lower absolute levels of poverty ($R^2=.23$). However, this finding is based on only nine data points, and is probably not significant. When we turn to a possible relationship between poverty and the income inequality ratio we find the same general pattern; there is a weak reciprocal correspondence between the poverty percentage and the income ratio ($R^2=.13$). This correlation is based on 28 data points. These correlations might seem to suggest that rising inequalities are favorable for reducing poverty; however, when we recall that there is a positive relationship between per capita income and income inequalities (i.e., societies with higher per capita incomes tend to have greater income inequalities), it is reasonable to hypothesize that these correlations represent a form of collateral causation: falling poverty percentages and rising inequalities are both collateral effects of rising per capita incomes.
A final set of variables of interest are the poverty percentage, PQLI, and the percentage of the labor force in agriculture. These variables allow us to track the consequences of the process of structural transformation on poverty and physical quality of life. Here we may take the agricultural work force as the independent variable and speculate that more agricultural economies will have higher poverty percentages and lower PQLI. This hypothesis is born out by moderate correlations between the two pairs of variables. There is a positive logarithmic relationship between the poverty percentage and the agricultural work force: societies with higher percentages of agricultural workers tend to have higher poverty percentages as well ($R^2=0.17$). And there is a negative linear relationship between PQLI and the agricultural work force ($R^2=0.50$). This means that countries with higher percentages of labor in agriculture tend to have lower PQLI. Finally, inequalities tend weakly to increase as the percentage of the workforce in agriculture falls; but this trend also probably derives from the stronger association between rising per capita incomes and rising inequalities.

The country data set serves chiefly to provide a general picture of the state of development in the less-developed world at the end of the 1980s. In order to improve this picture, however, it is necessary to take a closer look at several countries. Below we will turn to a comparative study of six Asian countries with a variety of development experiences over this period.

4. The difference principle

The poverty-first approach has much in common with John Rawls's arguments concerning inequalities in *A Theory of Justice* (1971). Rawls's difference principle establishes a baseline in terms of which to evaluate social and economic inequalities, and has the effect of concentrating our attention on the welfare of the least-well-off position in society. This principle has implications for economic policies in the less-developed world today; it implies that development policies ought to be structured so as to have the largest possible effect on raising the welfare of the poor in those societies. Rawls has not applied this framework to the problem of economic development. However, Rawls's theory of justice has the merit of providing an extensively developed discussion of the justice of inequalities, along with a broad literature identifying some of the strengths and weaknesses of this framework.

Before proceeding with this discussion, however, we need to consider whether a normative argument is relevant in this context. For it might be held that development theory is a purely positive discipline, concerned only with the technical relations between such variables as rates of saving, technological
change, and GNP. Why should we consider the question of justice in this context at all? The short answer to this question is convincing: development processes are the result of policy choices by various agents—national governments, political parties, organized interest groups, donor agencies, and the like; and policy choices unavoidably express normative goals. Whether justice requires putting the poor first is therefore a critical question. And the normative case for the priority of the poor is not difficult to construct. The most immediate answer is a concern for the welfare of all members of a society and a collateral conviction that it both is important and feasible to focus attention first on the strata in the most immediate need.

Let us look briefly, then, at Rawls's theory of distributive justice. The concept of justice as fairness depends on the idea that just social institutions are those that would be acceptable to all members of society, given appropriate restrictions on knowledge about personal circumstances. Rawls makes this idea more specific by introducing the idea of the original position, in which hypothetical members of society deliberate about a basic charter for society (a theory of justice) behind a veil of ignorance. Participants are postulated to have extensive knowledge about economic arrangements but no knowledge about their own particular circumstances; and they are assumed to choose a theory of justice on the basis of their assessment of their own best future interests.

Rawls's theory of justice rests upon his argument that two principles of justice would be chosen in these circumstances of choice to regulate the basic institutions of society. "The first statement of the two principles reads as follows. First: each person is to have an equal right to the most extensive basic liberty compatible with a similar liberty for others. Second: social and economic inequalities are to be arranged so that they are both (a) reasonably expected to be to everyone's advantage, and (b) attached to positions and offices open to all" (1971:60-61). The first principle is referred to as the "liberty principle," while the second is the "difference principle." It is the difference principle which is of greatest interest in development studies. Rawls amplifies the difference principle in the following terms: inequalities in initial life prospects are justifiable "only if the difference in expectation is to the advantage of the representative man who is worse off, in this case the representative unskilled worker" (78).

Rawls applies the difference principle in terms of what he refers to as "basic goods"—goods that are needed for the furtherance of virtually any human life plan. He includes income, status, and the prerequisites of self-respect. This conception of basic goods converges nicely with the idea of "basic-needs" satisfaction and the fruition of human capabilities that A. K. Sen has offered as an alternative to growth-maximizing strategies of development.
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The difference principle requires that

* inequalities are justifiable only insofar as they work to the advantage of the least-well-off.

Justice requires, then, that the basic structure of society be arranged so as to create the least system of inequalities consistent with maximizing the position of the least-well-off. In the context of development, then, we may formulate the following principle:

* development strategies should be chosen so as to produce the most rapid improvement for the least-well-off.

This principle implies that we should not be concerned about average GNP or total GNP directly, but rather on the share of GNP flowing to the poorest 20%. It also implies that if two outcomes assign the same absolute amount of income to the poorest segment, we should choose that outcome that contains the least inequality—thereby reducing the total of GNP. We should not “stretch” the ladder of income. This principle, however, has seriously counterintuitive implications in the context of development theory. For one of the central goals of development is to expand the welfare of all members of society—to create a material basis for more fulfilling human life. Growth, in other words, is of inherent value in development. The difference principle, however, appears to imply that we should choose to minimize growth, by selecting against policies that benefit groups other than the least-well-off. This implication violates a reasonable Pareto condition, and would not be chosen by rational agents in the situation of the original position. Instead, agents would be interested in establishing the highest welfare floor possible, and then maximizing the welfare of each group above the floor. Consider, then, the following principle:

* First maximize the income to the poorest 10%; then maximize the income to the next decile; and so on through the income ladder.

This principle involves maximizing GNP sequentially from the ground up; it does not permit tradeoffs between gains for higher deciles at the expense of lesser losses for lower deciles. This principle puts the poor first, but also places positive weight on income gains to other groups. It thus stretches out the income ladder and maximizing GNP consistent with maximizing the position of the least-well-off.
5. Cases

So much for normative theory; I turn now to a quick review of several Asian country development experiences with regard to the issues of growth, inequalities, and poverty. Asia remains the home of the most extensive of the world's poverty: African poverty is deeper but less extensive, and Latin American poverty is on the whole both less extensive and less deep. Indonesia and India are home to the majority of the world's poor; so the development experience in South and Southeast Asia is critical for the prospects of poverty alleviation. At the same time, Asia is the locus of two of the most dramatic development experiences in the past forty years: the peasant revolution in China, on the one hand, and the breakthrough of other East Asian economies (Taiwan, South Korea, and Japan), on the other.

a. Korea. Korea is, of course, one of the success stories of post-war economic development. Its GNP per capita jumped from $670 in 1976 (1976 dollars) to $2370 in 1986 (1986 dollars). Moreover, the benefits of development were broadly distributed over all sectors of the Korean economy--urban and rural, industrial and agricultural. Income inequalities have been consistently low by international standards--a gini coefficient of .378, and an average income ratio of 2.13--substantially below mean LDC measures of inequality. What were the chief characteristics of Korean development?

First, of course, is the spectacular success of Korea's industrial development strategy. Korea has pursued a strategy of export-led growth, with a rapid buildup of industrial production and foreign trade. Manufactured exports increased from .2% of total exports in 1954 to .3% in 1960, 19.7% in 1965, and 39.2% in 1976 (Mason et al:137). Moreover, the pattern of industrial growth tended to be labor-absorbing, with the result that demand for labor grew at a respectable rate from the mid 1960s onward. Industrial employment expanded at an annual rate of about 7% during the period of 1963-76 (Mason et al:109), while agricultural employment expanded at only 1% during this period. This pattern facilitated the process of structural transformation from a largely agricultural workforce in the early 1960s to a largely industrial workforce in the late 1970s; agriculture's share of the labor force declined from 63% in 1963 to 45% in 1976.

Important as this process of structural transformation was in Korea's economic development, agricultural development played a central role as well. For the bulk of Korea's population was rural until the mid-1970s; so the benefits of economic growth could only reach this part of the population through rural development. Korea's experience of rural development is framed by the occurrence of a major land reform in the 1940s and 1950s. This land
reform created the basis for a substantially more equal pattern of asset-ownership in the rural economy, leading to a narrower range of income inequality as well. Moreover, this early redistribution of productive assets in the countryside influenced the pattern of economic development more broadly. 

"A lower level of rural inequality in turn had a substantial influence on much else that occurred in the Korean agricultural sector. The pace with which new techniques spread from one farm or region to another, to take only one important example, was undoubtedly accelerated by the absence of extreme inequality" (Mason et al:210). The land reform was quite extensive; 60% of the arable land was owned by landlords in the 1930s, and virtually all of this land was distributed to tenants and landless during the 1940s. The land reform program was established by the U.S. Military Government in 1945; it was politically feasible because many of these landlords were Japanese, and the Korean landlords were discredited after the war by their pattern of collaboration with the Japanese (237). The land reform program involved compensation to landlords, but at a very low level; with the result that the productive assets of the landlord class were virtually wiped out. Mason et al provide a reconstruction of the effects of land reform on household income, which shows that household income almost doubled between 1933 and 1975 (239).

It is often argued that agricultural development must precede industrial growth; but the Korean experience contradicts this assumption. In this case rising demand for agricultural outputs (food and inputs for manufacturing) stimulated the growth of the rural economy. "In a basic sense, therefore, it was rising urban and export that 'caused' a large part of the increase in farm demand" (213). Moreover, the robust demand for labor in manufacturing soon gave an impetus to raising farm productivity (because of the induced increase in the cost of rural labor; 220). From the 1960s forward there is a rising trend in real wages for both factory and farm workers (220). This led to a round of agricultural modernization, including mechanization of farm work; which in turn increased the productivity of the farm economy.

The Korean state provided only modest assistance for agricultural development during the 1960s, but this pattern began to change in the 1970s. The government provided some support for rural credit for poor farmers, though demand for credit greatly exceeded supply (233). And in the late 1960s the government created a series of grain price policies that improved the terms of trade for agriculture.

In this case, then, we have growth with equity. Mason et al write, "One of the most striking features of Korean economic development since 1945 is that development has been achieved without requiring or causing a highly unequal distribution of income" (408). And this high degree of equity depends on two
things: an effective land reform that leveled out access to assets in the farm economy before the period of rapid economic growth, and a pattern of industrialization that was heavily labor-absorbing, creating strong demand for labor and stimulating rising wages.

b. India. Turn now to a second important example: India. A. K. Sen's (1989) recent review of India's development experience is a useful point of departure. First, the successes: India has succeeded in developing a massive industrial capacity; it has experienced a fairly consistent rate of per capita growth of about 2 percent a year; and it has successfully introduced Green Revolution farming on a massive scale, making India food self-sufficient. Its failures, however, are daunting; most importantly, it has made little or no progress in reducing the mass and depth of poverty since Independence, and inequalities--particularly rural inequalities--remain high, by Asian standards. In spite of a national development rhetoric that gives priority to poverty alleviation, the condition of the poor (largely rural) has changed very little over a forty-year period. Atul Kohli summarizes the situation in these terms:

Three decades of planned economic development have failed to improve the living conditions of India's poor. This persistence of poverty is clearly manifest in the continuance of low per capita income. It is nevertheless clear by now that higher growth rates, and therefore higher per capita income, are not sufficient to improve the lot of the poor. New wealth has not "trickled down." The solutions to the problem of India's poverty will thus not emerge from higher rates of economic growth alone; if they emerge at all, they are likely to involve conscious state intervention aimed at reconciling growth with distribution. (1987:1)

India's industrial development has been largely led by a model of state planning that combines Soviet-style encouragement of heavy industry and state intervention with a market economy. Indian industrial policy emphasized national planning mechanisms to encourage a high degree of industrial autarchy in key production industries--steel, heavy equipment, etc. (a policy of seizing the "commanding heights" of industry)--and a relatively low degree of emphasis on export production and consumer goods. (Each of these features has changed somewhat in the 1980s as the result of a series of liberalization reforms initiated by the government of Rajiv Gandhi.)

Central to India's agricultural development has been the adoption and diffusion of Green Revolution technologies. During the 1960s and 1970s India absorbed the new varieties of wheat and rice, along with the chemical and water technologies needed for NV cultivation (about 15.5 million hectares of
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... each in 1977; Griffin 1989:148). The results were dramatic; India’s grain production increased sharply, and farm incomes rose as well. Food output rose from 72 million tons in 1965-66 to 108 million tons in 1970-71 (Varshney 1989:83).

How has Indian development affected poverty and inequality? In brief, there has been little or no positive effect on either poverty or inequality. William Murdoch emphasizes the magnitude of continuing rural inequalities in India, writing “In parts of India the income of the large landowner from the farm alone is typically 100 times that of the farmworker and the family farmer” (1980:160), and he reports that real rural income in Bihar actually declined during the 1960s; “between 1961 and 1971 the proportion of the rural population below the poverty line increased from half (21 million) to 59 percent (30 million)” (242). The Rudolphs report data showing that the extent of landlessness and the land poor has remained virtually constant in India between 1954 and 1972 (1987:336). Griffin reports that wages rates in Maharashtra in the late 1980s are actually lower than in the mid-1970s (1989:138). And Gillis et al conclude that “the most recent analyses suggest that the proportion of people who are poor has changed little since the 1950s” (1987:91).

Given its successes in both industrial and agricultural development, why did India fail so completely in reducing poverty and increasing the absolute incomes of the poorest 40% of its population? Atul Kohli’s The State and Poverty in India (1987) is a comparative study of three Indian states--West Bengal, Karnataka, and Uttar Pradesh--that attempts to answer this question. He argues that poverty alleviation requires positive policy efforts on the part of the state; the normal workings of a market system do not inevitably or commonly lead to improvement of the condition of the poor. However, some states in India have done better than others in poverty alleviation. What are the social and political factors that influence the welfare of the poor in the process of third-world economic development? Kohli finds that the welfare of the poor is not correlated with the overall prosperity of a state. Instead, the critical variable is the type of regime in power during the process of economic development: regimes formed by strong, competent political parties of the left succeed in tilting the process of development towards poverty alleviation, whereas weak regimes and regimes dominated by the propertied classes have a poor record of performance in poverty reform. Poverty reform requires a political regime that has both the will and the means to implement it, and a regime that is relatively autonomous from the political reach of economic elites. The Communist Party, Marxist (CPM) in West Bengal succeeded in bringing tangible benefits to the poor through poverty reforms including tenancy reform, rural credit programs, and rural employment schemes. CPM is a leftist party
with a coherent redistributivist ideology, competent party organization extending down to the village level, and effective leadership. The Urs regime in Karnataka also possessed a redistributivist ideology, but lacked effective political organization and had a fragmented leadership; its efforts at poverty reform were not successful. And the Janata party in Uttar Pradesh was dominated by the rural landowning class and lacked the will to implement poverty reforms. Kohli explains the presence or absence of poverty alleviation in a state, then, as the result of the presence or absence of a regime which has both the will and the means to implement poverty reform.

Kohli finds that West Bengal, though the poorest of the three states considered, has made a perceptible impact on rural poverty in its decade in office. (About 65 percent of the rural population lives in conditions of absolute poverty; 118). The CPM is strongly committed to a political program favoring the interests of the rural poor; it has effective administrative capacity through which to implement its program; and it has an electoral strategy that permits it to retain office while implementing these policies. What, then, are the poverty-oriented policies that have been adopted in West Bengal? Kohli singles out three main policy efforts described as operation *barga*: tenancy reform, programs for small farmers (credit for sharecroppers); and employment and wage schemes for landless laborers (117).

First, there is a program of tenancy reform. Sharecropping is the primary form of land tenure in West Bengal (96% of overall tenancy). CPM chose to pursue tenancy reform rather than land redistribution because it judged that the political risks of the former (determined landlord opposition) were too great. The party has made a determined effort to register sharecroppers (to improve their legal position vis-a-vis landlords); the chief aim of this program is to increase tenure security. Kohli does not assert that the tenancy reform program took as a goal the reduction of the share taken as rent, but his survey data shows that the rent share prior to this program was almost universally 50%, whereas after the program 66% of tenants paid 25% and 32% paid 50% (130).

Second, CPM put into place several support programs for sharecroppers and smallholders, including particularly state-funded credit. The regime undertook to facilitate low-interest loans to smallholders and sharecroppers (133). It also attempted to induce commercial lenders to extend credit to poor farmers. These programs brought credit to 430,000 small farmers--a small fraction of the total population, but a significant number nonetheless.

Finally, Kohli describes a package of wage and employment schemes created by the CPM regime for landless agricultural workers. Landless agricultural workers can depend on 3-4 months employment annually; the CPM regime undertook to improve both employment opportunities and wage levels
for this group. It created the National Rural Employment Program (NREP) to offer employment to landless workers in the off-season at a daily wage about 25% higher than the rural average. This program provided about 25 days employment to about one-third of all landless families in West Bengal (137) thus increasing annual income for these families by about 25%. (It appears that this labor was expended on local public works projects.) CPM has also attempted to facilitate unionization among unskilled workers to raise wage rates, with inconclusive results.

A final feature of Indian development is the major land reform that was effected in the state of Kerala. Kerala, though one of India's poorest states, has had a relatively spectacular record on indicators of the welfare of the poor: high education, low infant mortality, and high longevity. Ronald Herring describes this experience in *Land to the Tiller*. In brief, a communist government (CPI) enacted a package of land reform legislation that put a low ceiling on land holdings and effectively redistributed the surplus to the land-poor and landless. This eventually involved about 40% of the total arable land in Kerala (Herring 1989). This policy redistributed income dramatically to tenants. But only a small minority of Kerala's rural poor benefitted; in a study of one region Herring finds that only 12% of landless workers received land, and these generally in amounts of less than an acre (1989). In this recent article Herring suggests that the progressive efforts of the communist government have stalled as a result of the shifting of interests created by the land reform: smallholders no longer have a material interest in supporting programs that favor the interests of those even poorer than them.

The Indian case, then, represents a pattern of development in which both industrialization and agricultural improvement have worked reasonably well, and yet in which the condition of the poor has been little improved. And a persuasive case can be made that the explanation of the latter fact has a great deal to do with the lack of institutional reforms improving the position of the poor (access to land and education) and a capital-intensive industrial strategy; and these in turn can be explained as a consequence of the absence of a political regime committed to poverty reduction.

*c. China.* China's development experience is substantially different from either of these. It is not possible to review the whole complicated story here, but several central themes emerge, and the overall record is mixed. On the one hand, the economy has shown respectable rates of growth, poverty alleviation, reduction of inequalities, suppressed population growth, and high rates of savings. Seen from this perspective, China represents a strong model for other developing countries. On the other hand, China's economy during this period shows some crucial flaws as well. Growth has not been based on rising
productivity but rather extensive expenditure of capital and labor. Much of this expenditure has been of low efficiency, producing products of poor quality and diversity. The central planning process has produced some of the same problems of allocative inefficiency to be found in the Soviet system. Rural incomes witnessed little improvement until the post-Mao reforms. Urban-rural inequalities have remained significant (though they have declined since 1978). And tumultuous political events (GLF, Cultural Revolution, and the democracy movement of the last few years) have disrupted the economy and the process of economic planning. Let us look briefly at some of the most salient characteristics of this development experience.

\textit{i. Institutional reform.} As the CCP pursued and consolidated power in the late 1940s and early 1950s, a program of land reform redistributed land and farm capital from landlords and rich peasants to poor peasants. The lands of landlords, and to a lesser extent rich peasants, were confiscated and redistributed to poor peasants. According to Robert Dernberger, "By the end of 1952 all rented land (about 40 percent of China's cultivated area) had been redistributed to poor and landless peasants" (Dernberger 1982). However, the "land to the tillers" program was only the beginning of the agrarian reform. The next step was the creation of "Mutual Aid Teams" (MATs)--small groups of households which were encouraged to exchange draught animals, labor, and tools (Shue 1980:145). MATs were designed to build upon traditional modes of cooperation in Chinese village life; but they were also intended to begin to establish a basis for more extensive cooperation and collective ownership in the future. MATs were confronted with several administrative tasks almost immediately: assigning work points and compensation for contributions of draft animals and tools, and coordinating the expenditure of labor and other resources efficiently. This package of rural reforms had the potential for dramatically improving the performance of agriculture, particularly when supplemented by rural credit, marketing coops, and the like. For under these circumstances small farmers have both the incentive and the capacity to increase output and productivity.

The next major step in the process of Chinese agrarian reform was the creation of cooperatives for marketing (Supply and Marketing Co-op) and credit (Credit Co-op) (Shue 1980:196 ff.). The chief function of marketing and credit cooperatives, however, was not so much to coordinate production as it was to alter the economic environment within which farming took place and to discourage the reemergence of capitalism in the countryside. By controlling markets and access to credit, the state was in a stronger position to prevent the concentration of wealth that might otherwise have occurred.

The next stage in this process was the creation of Agricultural Production
Co-ops, which were designed to directly organize the production process at the local level. Up to this point cultivation took place within the altered circumstances of private ownership and rent that were established by the land reform laws; the evolution of production cooperatives, by contrast, was designed to lead to full collective ownership and management of land and capital equipment. One goal of the Agricultural Production Cooperative was to encourage rich peasants to invest their surplus in capital available to the Cooperative, thus increasing the productivity of local farming.

Elementary cooperatives involved a larger scale of cooperation than MATs, but they continued to work through private ownership and compensation. Each member made his labor, capital, and land available to the cooperative, to be used jointly; but the owners of these resources were to receive compensation in proportion to their contributions. Thus each member potentially received both work points and "rent" on the land and capital he provided to the cooperative. According to Shue, the average size of an elementary cooperative was between 27 and 32 households (291). Advanced co-ops went one step further, in that all capital goods were to be turned over to the cooperative, with some small compensation to the owner. Income was based solely on labor contribution (Dernberger 1982:72).

The transition to production cooperatives was initially propelled through gradual and voluntary means; in 1955, however, the government took the decision to collectivize agriculture immediately by law. The most immediate goal of collectivization was to rationalize the production process through economies of scale. Land was to be pooled and farmed on a larger basis; labor was to be allocated more efficiently; collective goods (dams, reservoirs, ditches, roads, etc.) could be provided using surplus co-op labor; and so on. This led in a short time to the formation of very large brigades, collectives, and communes. It led also, during the Great Leap Forward, to a massive crisis in agriculture over several harvests culminating in a famine in which perhaps 30 million deaths occurred.

ii. The post-Mao reforms. The post-Mao reforms in agriculture involved several major changes in policy. First, the household replaced the production team and other collectivized units as the basic production unit. Through the family responsibility system farmers were given longterm contracts for parcels of land and were given wide authority to make production decisions. This increased authority permitted farmers to specialize in high-value crops and crops well-suited to their factor endowments. And second, market institutions and price reform were reintroduced into the rural economy. Real prices of agricultural products rose sharply for the first time in several decades--producing corresponding incentives to increase production and cut
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The net result was a sharp increase in output and productivity in the rural economy; and these gains flowed to rising rural incomes to an extent unprecedented in China's development experience.\(^5\) Grain output increased almost 5% a year between 1978-1984. And non-grain output rose even more rapidly. And these increases have been reflected in rising rural incomes as well, with rural incomes rising from 134 yuan in 1978 to 355 yuan in 1984 (Lardy 1985:17).

d. Indonesia. Indonesia is often described as a model of market-driven development that reconciles growth and equity goals. It is held that a combination of appropriate government macro- and micro-economic policies, oil revenues, and industrial expansion have led to the outcome that the Indonesian economy has expanded at a rate of about 4.5 percent, while improving its poverty performance over the past 10 years. Peter Timmer and other development economists argue that the data in Indonesia support the notion that growth leads (or can lead) to a reduction of poverty. Moreover, this process has taken place under inauspicious political circumstances—the New Order regime (1966-present) has few social commitments to the rural poor and no appetite for land reform or other agrarian reforms.

Many observers suggest that Indonesian development in the past decade has had two important features: industrial development has led to an expansion in the demand for labor, leading to a rise in real wages in both industrial and agricultural sectors; and agricultural development has enhanced the productivity of rice cultivation, again with the effect of increasing incomes to participants in the rural economy. A recent study by the Stanford Food Research Institute finds that in the case of Indonesia, poor rural people are displaced in the rural economy, but move more or less easily into the bottom rungs of the urban economy with a net and immediate increase in income (Stanford Food Research Institute 1988). And they find that rural household incomes have tended to rise across the board in the agricultural sector, as productivity increases improved farm income and rising demand for labor improved wage income. In particular, Roz Naylor computes data suggesting a positive trend in farm labor real wages since 1980 (chap. 5, p. 25) (with a dramatic slowdown in growth in 1985-87). "Policies designed to stimulate rice production have enhanced farmers' incomes and have generated a significant amount of employment for unskilled labor in rural areas" (SRI, chapter 5, p. 1). Small-scale rural enterprises provided much of the non-farm demand for labor in the off-season (15). The report concludes, "The existence of a broadly competitive rural labor market in Indonesia implies that adjustments in rice production or in labor saving innovations in rice farming can occur smoothly as long as the demand for labor in non-agricultural sectors of the economy
An important component of Indonesia's development story is the Indonesian government's agricultural policies, including particularly its price policies and its financial support for irrigation and modernization. Indonesia's price policies turned towards agriculture after Sukarno through a series of increases in the floor price for rice (Timmer 1989:30). Higher prices stimulate further production, technical innovation, and higher farm incomes.

The question to be asked in the context of the issues raised in this paper is this: what is special about Indonesia? For we have seen that modernization directed at maximizing growth rates does not generally have positive effects on poverty and the incomes of the poor; so what special features of post-1960s Indonesia produced this seemingly more benevolent outcome? Moreover, we do not have in this case a regime that is primarily rooted in the material interests of the poor (as was the case with the communist regimes in Kerala and West Bengal); instead, Indonesia's New Order government has no inherent interest in poverty alleviation or attenuation of rural inequalities.

One possible answer to this question is that the current view of Indonesia is overly rosy. For when we turn to village studies of rural change in Java, we get a rather different picture: an increase in land inequalities as larger farmers benefitted more fully from Green Revolution technologies, an accelerated social differentiation among large farmers, smallholders, and landless workers, and a shrinking demand for farm labor as larger farmers introduced labor-saving innovations (Hüsken and White 1989:236).

Hüsken and White analyze New Order agricultural strategies in terms of the rural social tensions engendered by unequal access to land in Java. After suppressing the Communist insurgency in the mid-1960s, the New Order regime sought to consolidate its power in the countryside. The state made strenuous efforts to create administrative forms capable of penetrating local society--replacing both traditional village arrangements and the interest-group organizations of the early 1960s (250). The New Order regime attempted to increase rice production through a combination of quotas and subsidies imposed on rice cultivators. This program included subsidies on fertilizer prices, subsidized agricultural credit, state purchases of paddy, and subsidy of irrigation water (253); the result was a rough doubling of rice output on a fixed arable land. And Hüsken and White argue that the preponderance of this state support for agriculture--and ensuing income benefits--flowed to the richest 1/3 of Javanese farmers, who produce by their estimate about 75% of Java's rice crop, since the richest 10-20% of farmers control 70-80% of farmland. And they find that "the share of output received by hired laborers in the form of wages has declined proportionately to the much more rapid growth of the
farmers’ net income from crop production” (254). On the basis of a detailed seven-village study in Java White and Wiradi find that income shares increased substantially more for labor-hiring farmers than hired laborers during the 1970s—though each group showed increases in almost every case (White and Wiradi 275). “These data therefore indicate a growing divide between ‘farmers’ on the one hand, and ‘hired laborers’ on the other, in terms of their relative ability to command incomes from paddy production” (274). Moreover, White and Wiradi find that the demand for labor per hectare actually fell in each village sampled (285). But they find that wage rates for virtually all agricultural tasks rose during the period 1971-1981—a fact they explain as the consequence of the increasingly rigid scheduling requirements in modern-variety cultivation. ( Though overall demand for labor has fallen, the demand at peak periods has risen; 288.)

In short, the picture that we get from village-level studies of Java is one of rising inequalities in land ownership and incomes and slowly rising real incomes to small farmers and landless workers—a finding much less rosy than that of the SRI team.

e. Philippines. If Indonesia is a possible success story, the Philippines is the reverse. Its record of development since 1950 shows a combination of urban industrial growth, enrichment of the wealthiest families, Green Revolution innovation in agriculture, and stagnating or falling real incomes in rural areas. The Huk rebellion (1946-early 1950s) mobilized small peasants in rice and sugar areas in Luzon. And a weak land reform was undertaken, first in 1953 without effect, and then again under Marcos in 1971. The Marcos land reform redistributed some land, with massive evasion by land owners; it also increased tenure security for remaining tenants (Fegan 1989:134). But land inequalities remain extreme, and farm wage incomes have fallen substantially during the 1970s and 1980s.

The Philippines was one of the first and most extensive adopters of Green Revolution technologies in the 1960s. Innovations developed by the IRRI (new seed varieties, chemical fertilizers, and mechanized cultivation) were rapidly adopted; by 1980 about 78% of rice land was planted in high-yielding varieties (Griffin 1989:153; Barker et al 1985). State grain price policies created a bias against agriculture, however, that made rice farming increasingly unprofitable during the 1970s (Fegan 1989:138), and mechanical innovations in rice cultivation have put pressure on unskilled farm labor markets. "The prospects for landless laborers seem bleak: they will be largely displaced from the rice production cycle by machines and chemicals. IRRI innovations, in the context of government policies that make capital artificially cheap, have marginalized landless agricultural workers” (Fegan 1989:138). Export crop cultivation on
large plantations represents the most profitable form of agriculture in many regions, and is dominated by large land holders and foreign corporations.

Philippine development, moreover, has bifurcated sharply by sector. Industrial development has proceeded much more rapidly than agricultural development (Fields 1980:219), and the benefits of growth have been narrowly concentrated in upper income groups. "Despite a tripling of the national product and a doubling of national product per capita, mean family incomes grew by less than 1% per year" (Fields 220). And, even more disturbingly, the real income flowing to the poorest 20 percent (chiefly rural) in fact fell by more than 10% between 1961 and 1971 (Fields 222). Fields argues that this extreme instance of growth with poverty is explained by the character of the Philippine regime: "successive regimes in the Philippines did not take direct measures to spread the benefits of growth" (224-25), and in the absence of such measures, the least-well-off received virtually nothing.

f. Malaysia. Turn now to another example from Southeast Asia: the effects of the Green Revolution in the rice-growing regions of Malaysia. James Scott provides a careful survey of the development process in Malaysia in *Weapons of the Weak*. The chief innovations were these: a government-financed irrigation project making possible double-cropping; the advent of MV rice strains; and the introduction of machine harvesting, replacing hired labor. Scott considers as relevant parameters the distribution of landholdings, the forms of land tenure in use, the availability of credit, the political parties on the scene, and the state's interests in development. His chief finding is that double cropping and irrigation substantially increased revenues in the Muda region, and that these increases were very unequally distributed. Much of the increase flowed to the small circle of managerial farmers, credit institutions, and outside capitalists who provided equipment, fertilizers, and transport. Finally, Scott finds that the lowest stratum--perhaps 40%--has been substantially marginalized in the village economy. Landlessness has increased sharply, as managerial farms absorb peasant plots; a substantial part of the rural population is now altogether cut off from access to land. And mechanized harvesting substantially decreases the demand for wage labor. This group is dependent on wage labor, either on the managerial farms or through migration to the cities. The income flowing to this group is more unstable than the subsistence generated by peasant farming; and with fluctuating consumption goods prices, it may or may not suffice to purchase the levels of food and other necessities this group produced for itself before development. Finally, the state and the urban sector benefits substantially: the increased revenues created by high-yield rice cultivation generate profits and tax revenues which can be directed towards urban development.
Scott draws this rather gloomy conclusion:

The gulf separating the large, capitalist farmers who market most of the region's rice and the mass of small peasants is now nearly an abyss, with the added (and related) humiliation that the former need seldom even hire the latter to help grow their crops. Taking 1966 as a point of comparison, it is still the case that a majority of Muda's households are more prosperous than before. It is also the case that the distribution of income has worsened appreciably and that a substantial minority--perhaps 35-40 percent--have been left behind with very low incomes which, if they are not worse than a decade ago, are not appreciably better. Given the limited absorptive capacity of the wider economy, given the loss of wages to machines, and given the small plots cultivated by the poor strata, there is little likelihood that anything short of land reform could reverse their fortunes. (Scott 1985:81)

This example well illustrates the problems of distribution and equity that are unavoidable in the process of rural development. The process described here is one route to "modernization of agriculture," in that it involves substitution of new seed varieties for old, new technologies for traditional technologies, integration into the global economy, and leads to a sharp increase in the productivity of agriculture. Malaysia is in effect one of the great successes of the Green Revolution. At the same time it creates a sharp division between winners and losers: peasants and the rural poor largely lose income, security, and autonomy; while rural elites, urban elites, and the state gain through the increased revenues generated by the modern farming sector.

6. Are there viable poverty-first development strategies?

   a. The distributive features of market-driven development schemes.
   Survey of the cases considered above suggests the following hypothesis: that market-driven rural development strategies that work through existing property relations have a built-in structural tendency towards favoring the interests of the rich over the poor--large landowners over small, owners over tenants, and managerial farmers over hired hands. Such schemes do not do very well at improving the welfare of the lowest stratum of rural society, and they work to extend rather than narrow rural inequalities.

   These conclusions rest on several converging lines of argument. First is a political point: development strategies are the object of intense political activity within the LDC, and the extreme inequalities in political powers between large
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landowners and peasants guarantees that the former will have the preponderant voice in this political struggle. As a result, we should expect that development strategies will emerge that are biased towards the interests of the landowner.

Second, there is a structural tendency stemming from the character of stratified property holdings themselves that leads to deepening inequalities between landowners and landless workers. Excluding tax revenues, incomes are generated through two basic sources--income on property (rent, profit, interest) and income on the sale of labor power. The effect of rural development is to increase the productivity of rural farming systems--ultimately, to increase the yields on land. These increased yields are then converted into increased earnings for the owners of land and other capital resources. Wages increase only if the demand for labor rises; but to the extent that mechanization is part of the package of technological changes that are introduced, the opposite is more likely. Thus there is a tendency for the larger share of the gains through innovation to flow to the owners of land and capital.

This tendency leads to greater inequalities between land owners and the landless; but another important feature of rural inequality is that between large and small owners (managerial farmers and landlords, on the one hand, and subsistence peasant farmers, on the other). How does rural development affect the micro-farmer? There is much debate on this question in the literature, but several factors appear fairly clear. The very small farmer faces serious barriers to successful implementation of technical innovations of the Green Revolution. First, his plot is very small--often too small to fully satisfy subsistence needs. He has little access to credit, since he has little collateral and little political influence. His current cultivation is frequently a food crop, whereas the available spectrum of innovations are oriented towards riskier market crops. And many--though not all--of the available innovations are indivisible, requiring a minimum acreage to be efficiently used. This is particularly true of mechanized innovations--tractors, harvesters, etc. Finally, the small farmer is in the most precarious economic position: frequently heavily indebted, with few cash reserves, a bad harvest or slump in the commodity market can lead to the loss of the land that he owns or rents. Moreover, as the potential return on land increases through development, there will be more pressure on the smallholder to relinquish his land. Thus foreclosure, abrogation of tenancy, and intimidation should result, pushing some small farmers into the wage labor sector. The net result is that it would appear as a practical matter that larger farmers and landowners are in a substantially better position to implement Green Revolution technologies; to the extent that this is so, however, we would expect a widening gap between earnings on the two types of farms. And we should expect a significant slippage in the number and size of small farms, as
peasants are proletarianized or marginalized by changing economic circumstances.

There is an extensive literature within development studies that is organized around the problems of inequalities and poverty in development. In order to design a strategy of economic development that puts the poor first, we need to have an analysis of the causes and circumstances of poverty in the developing world. The poor have few assets to sell within a market economy. They are land-poor or landless, and are dependent on the sale of unskilled labor for income. And the institutional arrangements of LDCs—the property system, national political arrangements, and local power relationships—commonly leave the poor with little access to land and little political power through which to influence state policy. This analysis suggests that there are three broad avenues for improving the income of the poor: by improving their access to productive assets (chiefly land and education), by increasing the demand for labor, and by increasing the flow of state resources into amenities for the poor. This in turn suggests several strategies for poverty-reduction: asset redistribution programs (land reform, for example), and economic programs that have the effect of increasing unskilled employment.

b. Asset redistribution. Asset redistribution programs have immediate and enduring effects in reducing inequalities and increasing the share of income flowing to the poorest. The land reforms that occurred in Taiwan, Korea, and China had substantial impact on both inequalities and poverty in each of those economies. Land reform, however, faces daunting problems of domestic political opposition, since it typically involves a transfer of wealth from the affluent to the poor. And land reform in the absence of corresponding support programs (e.g. provision of rural credit, appropriate price policies, marketing arrangements, etc.) is likely to leave the rural economy in a stagnant state. (See Herring 1983 for a detailed comparative study of Asian land reform programs.)

Irma Adelman (1978) makes a strong argument for the need for redistribution of assets—before the period of rapid economic growth. Her argument is based on the post-war experience of Taiwan and Korea, in which a sweeping land reform occurred prior to industrialization and agricultural modernization, with an outcome that is favorable for both inequalities and poverty. She argues that asset redistribution (land reform) is necessary in most LDCs because land is the chief productive asset in most poor countries, and development of agriculture without redistribution will lead to the bulk of rising incomes flowing to large farmers and landlords. A simple model demonstrates that the distributive outcome resulting from agricultural modernization in an environment of highly skewed landholdings depends critically on the effect of modernization on the demand for unskilled labor; if demand rises sufficiently,
then large farmers, small farmers, and landless laborers all show gains (with the greatest gains flowing to large farmers). Many such innovations, however, are not labor-intensive—for example, mechanization; and in these circumstances, the incomes flowing to the landless poor will stagnate or decline.

Further, Adelman argues that redistribution should occur before development, for two reasons. First, the assets are still low in value, so redistribution will be less politically and financially costly. And second, by redistributing in advance it is all but guaranteed that development will lead to more evenly distributed income gains across rural society. (Adelman's article in Lewis (1986a) is a concise summary of her proposals on this score.)

Adelman's arguments largely depend on equity grounds. But it is often argued that land reform is in many contexts a positive step in agricultural productivity through its capacity to increase the productivity of land. This increase results from the fact that agriculture commonly involves few economies of scale; small farmers with appropriate institutional support, are able to implement agricultural innovations, and generally supply greater inputs of labor per hectare. So there is generally an increase in yields as farm size decreases. A second advantage of asset redistribution is the increase in demand that it creates for light manufactured goods—thus providing an impulse to growth in the industrial sector.

Hollis Chenery (1974) offers a more modest proposal as a solution to the maldistribution of assets in LDC contexts. He argues that direct asset redistribution is too politically contentious to be feasible in most LDC contexts. (This conclusion mirrors the World Bank view of land reform—a not unsurprising finding, given Chenery's role in World Bank analysis in the early 1970s.) Instead, Chenery argues for a policy of "redistribution with growth," in which LDC governments will commit themselves to channeling a significant fraction of annual growth into building up the productive assets of the poor—for example, education, rural credit, irrigation facilities, or input subsidies. Chenery holds that this is a politically feasible means by which to gradually build up the asset-base of the poor, without directly challenging existing property arrangements. (It ought to be noted, however, that the problem of keeping in place a redistributive program of this sort over a period of decades, in the face of the political opposition of elite and middle class organizations, is not much less daunting than that of implementing land reform itself.)

These arguments suggest that land redistribution is critical and attainable in many circumstances. But the political context is critical; the strength of propertied elites is quite different in different contexts. In Brazil and the Philippines landed elites are dominant in the political system; anti-elite policies
cannot get on the agenda. In India elites cannot block the agenda, but they can block the implementation of policies contrary to their interests. Thus Atul Kohli argues that land reform is much more feasible in a multi-class setting, with elites in both urban and rural sectors, than is a transition to socialism in a two-class industrial setting. The central variable, according to Kohli, is the presence of a politically competent party with organizational capacity that is committed to development policies favoring the poor. The obstacles are not class opposition so much as weak states and failures of administrative capacity.

But Kohli raises this problem: what are the mechanisms that translate greater rural equality into greater urban and industrial equality? Why should the fact that rural incomes are more equal lead to greater equality in the modern sector? Why is Korean development so much more egalitarian than India’s? This is a paradox, since the Korean elite political ideology is anti-egalitarian, while official Indian ideology is egalitarian.

c. Employment- and wage-increasing measures. Turn now to employment-increasing measures. At any given time a domestic economy can be tilted in a variety of directions: more heavy industrialization, more light industry, more agricultural development, more high-technology production. Some of these options have substantially greater impact on the condition of the poor; in general, those products and production processes that create the greatest demand for unskilled labor have the most immediate and extensive impact on poverty. Irma Adelman explores this dynamic in numerous writings and comes to the conclusion that two strategies of development are most effective: agricultural development, increasing the demand for rural labor and decreasing food costs; and industrial development oriented toward the production of labor-absorbing products for export (Adelman 1986).

d. Agricultural modernization. As the final two columns of table 1 show, the bulk of employment in most LDCs is still in agriculture, and the majority of the poor are rural. (This is true in spite of the fact that agriculture in most Asian economies is now less than 50% of GNP.) John Mellor argues, therefore, that agricultural modernization is an efficient way of addressing poverty in most LDCs—in spite of the fact that the overall growth rates of agriculture are constrained by inelastic demand and the limits of nature.

e. Investment in human capital assets for the poor. A third important policy option is to increase social spending on programs that enhance human resources of the poor: education, job retraining, health care. The chief asset controlled by the poor is unskilled labor. Programs that work to increase the value and productivity of this asset through higher literacy and other technical competences should have the effect of raising the incomes that flow to the poor.

f. Public amenities. A fourth important policy option affecting the
condition of the poor is to attempt to substantially increase government spending on programs providing public goods that typically fail to reach the poor: clean water, roads, electricity, telephone service. Both these policies require the redirection of substantial state revenues toward the poor; in the first case, with the goal of improving the productivity of labor, and in the second, to improve the quality of life of the poor. But this in turn requires the expenditure of political power, which is likely to occur only in circumstances where the poor are capable of exercising political influence on their own behalf. (See Kohli 1987 and Lipton 1976 for analysis of the politics of poverty reform.)

g. Socialist development. There is, of course, a more radical alternative to poverty-first development; this is the example of China, and a sweeping program of socialist reform. The defects of centralized administration of a complex economy are now painfully obvious; but the possibility of alternative property systems, involving some state ownership, some cooperative ownership, and some private ownership, provide promising avenues of development which cannot be further developed in this context. 8

h. Evaluation of alternatives. Each of these strategies holds out promise for poverty reduction in developing societies. In order to go beyond a qualitative listing of possibilities, however, we need to consider the economic characteristics of the alternative policy options discussed here. Is it possible to estimate the effects on GNP, growth, poverty, and inequalities, of various of these options within a particular macroeconomic environment? To what extent are these alternatives compatible with each other? Are there likely to be contradictory effects of employment creation in choice of manufacturing strategies and greater state spending on rural amenities, for example? These questions suggest that we need to make use of formal econometric models and simulations in order to attempt to work out the systemic consequences of various policy choices.

We should also ask briefly what strategies are the most unfavorable to the poor. Several chief instances should be mentioned in this context. In industrial development, it is argued that import substitution tends to be capital-intensive (since it involves a substantial degree of heavy manufacture). So import substitution strategies tend to result in slack demand for labor, with attendant slow effects on the incomes flowing to the poor. And in agriculture, mechanization is plainly labor-replacing, thus reducing the demand for rural labor. To the extent, then, that a given rural economy selects mechanization rather than more labor-absorbing innovations (irrigation and multiple cropping, for example), it will have harmed the rural poor. Finally, the policy of "squeezing" agriculture through unfavorable terms of trade and a price policy that favors urban consumers over farmers is directly contrary to the goal of
reducing poverty; since most of the poor are rural, disadvantaging agriculture relative to industry inevitably harms the poor.

7. Technology, inequalities, and property relations

The issues of equity and stratification that I am raising here have been much discussed in the development literature. But there the question is usually a somewhat different one: do modernization of agriculture and technological innovation all by themselves lead to a worsening of inequalities and the welfare of the rural poor? I suggest, however, that this is not the right question to ask, inasmuch as it emphasizes the technical changes of the Green Revolution rather than the institutional arrangements through which innovation occurs. Defenders of Green Revolution technologies hold that these new techniques confer benefits that are largely neutral across classes, while critics hold that the technologies favor richer farmers. I will make several points on this subject, however: first, that it is the institutional arrangements through which development occurs rather than the technologies themselves that determine the distributive impact of modernization; and second, that within the spectrum of available Green Revolution technologies, some favor large farms and some small.

A number of agricultural economists address the question of whether Green Revolution technologies favor large farms over small. There appears to be a rough consensus that the technologies themselves are largely neutral across farm size, and that they do not inherently have the effect of increasing stratification. Thus Robert Herdt (1987) summarizes the experience of the Green Revolution in the Philippines, and argues that there was no clear bias in these technological changes in favor of large farms. Small farms incorporated green technologies as readily as large; there was no tendency for farm size to increase; real wages for farm labor rose slightly. In a similar vein Hayami and Ruttan (1985) argue that MVs and agricultural modernization do not have the effect of increasing rural inequalities.

However, these authors also conclude that the local institutional arrangements--property and political power--decisively influence the distribution of the benefits of innovation. Thus Hayami and Ruttan write:

The potential gains from technical change set in motion both private and bureaucratic efforts to capture the gains from technical change in the form of institutional rents rather than allowing the market to partition the gains among factor owners and consumers. The possibilities for bias in institutional innovations are greatest in societies with highly unequal
distribution of economic and political resources. (Hayami and Ruttan 1985:361)

And in his survey of the rural development experience of Mexico W. Randall Ireson emphasizes a similar conclusion.

While the findings reported here do support [Nicholson's (1984)] general contention that Green Revolution technologies by themselves do not increase inequality, the landholding context in which technologies are introduced is found to affect their relative impacts across farm groups. (Ireson 1987:361)

Most research on Mexico has emphasized an increasing income inequality in the agricultural sector as well as a strong institutional bias in favor of large commercial farms. (Ireson 1987:352)

The importance of land distribution patterns as a crucial element of agricultural structure must be acknowledged. The data analyzed here clearly indicate the effect of land concentration on increasing income concentration and also the influence of landholding inequality on the different effects of technical change. Perhaps, rather than continuing to debate the distributional consequences of technical change, the development community should pay more attention to the effects of resource concentration on technical change and income concentration. (Ireson 1987:363)

Finally, in his major study of the rice economy of Asia, Randolph Barker argues that the Green Revolution technologies themselves do not create greater inequalities, but that unequal ownership of land and capital leads to greater inequalities of income through technical change (1985:157). Barker comments that the decisive factor determining distribution is the set of property relations and institutional arrangements present.

If ownership of these resources is concentrated in a few hands, then their earnings will likewise be concentrated. . . . The effect of resource ownership on the distribution of earnings is so great that any effect caused by technological change is marginal. . . . That does not say that when incomes are increased because of a technological change, all participants benefit equally. On the contrary, they benefit in proportion to their ownership of resources and the earnings of the resources. . . . The
important factor determining who receives the direct income benefits is the ownership of resources. (Barker 1985:157)

These observations corroborate the basic point to be argued here. Herdt, Barker, Hayami and Ruttan, and others have shown that modernization and green technologies themselves do not induce inequalities; rather, the inequalities are generated by the institutional arrangements through which these innovations are introduced. Thus new technologies confer benefits and burdens only through the lens of the property relations and relations of political power that exist in a given country. In this sense the technologies themselves are neutral; it is the property relations and political institutions that are the decisive mechanism of distribution.

It is also worth noting that, given typical institutional arrangements in many parts of the less developed world--i.e., private ownership of land, stratification of landholdings, and credit through private or semi-private banks--there are sharp differences between different new technological options. Some technological innovations are biased towards large farmers, while others favor small holders' interests, and still others appear to be equally available and beneficial for all strata. New seed varieties are equally available to large and small holders; while expensive capital equipment and irrigation technology is only available to larger farmers and those with substantial credit available. Thus Green Revolution technologies do not form a seamless package of innovations, but rather a differentiated set of options with differential consequences for different classes.

8. What obstacles stand in the way of "poverty first" development?

Arguments above show that "poverty first" development is economically feasible. Moreover, from a neutral observer's standpoint it seems clear that such a strategy has greater social welfare consequences than "growth first" strategies. So why is it difficult to introduce such strategies into domestic and international development planning?

The short answer is that development policy is unavoidably politically contentious because it imposes costs and benefits on different groups in different ways. There are winners and losers in any given choice of development policy; so we should expect that groups will mobilize their political resources toward the government decision-making bodies to secure the most advantageous policy mix for themselves. How do poverty-first strategies distribute costs and benefits? The benefits of such a strategy are reverse-stratified: the least-well-off receive the greatest benefits, while the best off
receive the least benefits. (I am assuming that it is still true that every group receives some benefits of the policy adopted; but the most-well-off receive smaller benefits from the "poverty-first" strategy than they would under a "growth-first" policy.) We now need to ask, what groups are likely to have the greatest political resources to deploy in defense of their preferred policy? And here the answer, if not wholly unambiguous, is fairly clear: the more advantaged a group is in economic terms, the greater its political resources are likely to be in a typical developing society. This means that the advocates of a "poverty-first" strategy are at a substantial disadvantage within the domestic political system: the primary beneficiaries of such a strategy are the least powerful groups in society. This rough calculation leads to a conclusion: we should expect that there will be a bias in national development strategy toward the interests of the more advantaged.

These arguments suggest two important political conclusions: first, that poverty-first strategies require substantial use of state political resources to implement; and second, that this exercise of state power is most likely to occur in societies in which the poor have an effective political voice. (The exceptions to this point--Taiwan and Korea--are possible largely through the presence of a regime that is not encumbered by the political influence of landholding elites.) This in turn suggests that poverty-first strategies and third-world democratization movements need to flow hand in hand: regimes whose political base depends on support from the rural poor will be the most motivated to pursue a poverty-first program, and the most capable of implementing such a program; whereas the existence of such a program within a developing democracy provides a plausible basis for mobilizing further mass support for the poverty-first party.

How does the presence of democratic institutions affect the viability of poverty-first strategies? It is in principle possible for a political party representing the interests of the disadvantaged to acquire substantial political influence in a third-world democracy, through its electoral significance. And in countries in which there is such a political party, we should expect that government policy will be accordingly tilted back in the direction of the poor. However, even here there are constraints on the political capacity of such a party. First, there are numerous channels through which elite interests can subvert the political goals of a party of the poor. And second, there are structural constraints on the policies that such a party can advocate, let alone implement, without creating an economic crisis that worsens the condition of the poor.

Turn now to the international development agencies. These groups too have constituencies, including large business interests and foreign policy
departments of the industrialized countries. The economic interests of large businesses and of industrialized economies are affected by alternative development processes. And there are good reasons to suppose that "poverty first" development goals are not as beneficial for these interests as "growth first" goals. Compounding this economic bias is the effect of Reaganism on international development planning. The anti-government, pro-market bias of the conservative revolution of the 1980s is wholly unsympathetic to the poverty-first goal. Economists and policy makers from this perspective mistrust such a policy orientation as an effort to reimpose a "dirigiste" imprint on economic planning.

9. Normative implications

I have now argued that justice requires that development strategy place top priority on poverty alleviation. More abstractly, development policies ought to conform to the difference principle. We now need to ask to whom this normative advice is directed? There are two agents in the development process who have the ability to adopt this policy goal, and they are agents of quite unequal influence. First, there are the governments of the developing countries themselves. Each government invests substantial resources in development planning and implementation, and these processes are guided by national economic priorities. Many national governments already give rhetorical allegiance to a "poverty first" approach--for example, Indian planning has fairly consistently taken this stance since independence. However, in many instances this rhetoric is not accompanied by corresponding policy commitments. Each government has a set of domestic constituencies who are affected in different ways by the development process. So the first audience of this normative argument is the government planning agencies and domestic constituencies--the poor--in the less developed countries.

The second category of player in the development game is the international development agency that offers advice and aid to developing countries. The World Bank, US-AID, United Nations agencies, EEC development agencies, and the like, offer advice and program aid to poor countries; and these interventions are based on a mix of normative and analytical assumptions. We must not overestimate the ability of international agencies to affect the development process in various poor countries; in general it is domestic governments rather than international agencies that call the tune. However, it is also clearly true that international agencies have some leverage with domestic governments. The sort of argument offered above is intended to reaffirm and deepen the "poverty first" normative orientation that was current
in development thinking in the 1960s and 1970s, but that is now regarded as infeasible or undesirable. There are good normative reasons for concluding that the "poverty first" approach is superior to the "growth first" approach on welfare grounds. And there are good analytical reasons to believe that there are economically feasible development strategies available that effectively pursue the poverty first approach. So a second goal of this argument is to make the argument to development policy makers in the industrialized world that development advice and aid should be structured around this goal.
Endnotes

1. Development economists generally agree in defining modern economic growth as sustained rise in per capita gross national product. This definition identifies the economic condition that is necessary for rising incomes and rising domestic welfare. See Kuznets, Meier, Ellis et al for various statements of this conception of economic growth. Chenery and Srinivasan, eds. (1988) is a rich sourcebook on development theory.


3. Indeed, Rawls suggests that the "circumstances of justice" do not emerge until rather late in the process of economic development (1971:??).

4. For a valuable survey of this historical experience of development see Carl Riskin, China's Political Economy: The Quest for Development since 1949 (1987). It should be noted that Tom Rawski argues to the opposite conclusion. He holds that growth and investment were occurring in Republican China in the 1930s as a result of normal market-driven economic processes.

5. This summary reflects Lardy 1985:1-10.

6. Particularly important are writings by Irma Adelman, Gary Fields, Atul Kohli, Keith Griffin, Hollis Chenery, and Ronald Herring.

7. Keith Griffin describes the requirements of a poverty-first strategy of development as involving the following elements: "(i) an initial redistribution of assets; (ii) creation of local institutions which permit people to participate in grass roots development; (iii) heavy investment in human capital; (iv) an employment intensive pattern of development, and (v) sustained rapid growth of per capita income" (1988:31).

8. See Elster and Moene, eds. (1989) for a number of useful essays on such alternative forms of non-capitalist organization. William Hinton's (1990) recent criticisms of the rural reforms in China are also worthy of attention.

9. Herdt's study is based on an IRRI research project consisting of a 15 year study of two wet rice areas in the Philippines. The project surveys patterns of land tenure, technology, yields, and income distribution and changes in each of these over the period of the study (during which time the green revolution technologies became available).
10. "It is critical to recognize that modern technologies are not homogeneous in their effects on agrarian structure. Advances in mechanical technology are usually accompanied by scale economies, resulting in economy in management effort as well as in the use of labor in production. . . . Biological technology, in contrast, is generally embodied in divisible inputs such as improved seed and fertilizer and requires intensive on-the-spot supervisory management decisions. Its effect is to raise the relative efficiency of small family farms and promote a unimodal farm-size distribution" (Hayami and Ruttan 1985:332).

11. "Although the Green Revolution is usually considered to be a package of changes, its different components interact with landholding patterns to produce different effects, some of them contradictory, on income inequality. The political context of farm-level decision making and resource allocation is a third area crucial to understanding the dynamics of technical change" (Ireson 1987:363).
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