Putting the Poor First
An Essay on Economic Development and Poverty

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Putting the Poor First

This study 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. Here I offer an extended argument for putting the poor first in economic development policy. This amounts to something like the following:

- Economic development policies, both domestic and international, should be structured in such a way as to give highest priority to improving the welfare of the poor in developing countries.

What is involved in putting the poor first in development? In designing a development plan there are always a range of choices 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.)
Conceptual issues

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.

In spite of over forty years of respectable growth in many of the economies of the less-developed world, however, problems of poverty are as severe as ever in many developing countries: the incomes flowing to the poorest 40% have climbed much more slowly than GNP, social welfare indicators such as longevity and infant mortality have shown little improvement in the lower quintiles, and processes of modernization and structural transformation have had little effect on the poorest strata. These generalizations are not true everywhere; Korea, Taiwan, and Sri Lanka represent exceptions (for different reasons). But this story is largely accurate for many more countries: for example, India, the Philippines, Brazil, Nigeria, and Mexico.

In this study I present some of the work I have been doing on a project called “Putting the Poor First”: an extended argument designed to show that it is both desirable and possible to give highest priority to improving the condition of the least-well-off strata of developing societies. My work has focused on rural poverty, both because most of the world’s poor are rural and because rural poverty has in general proved more difficult to address than urban poverty. In this paper I first lay out the normative case for putting the poor first (Section I). I then turn to an analysis of some of the main features and causes of rural poverty (Section II). This analysis begins with a somewhat institutionally specific description of the forms that rural poverty takes. Analysis is provided of some of the main sources of income for the rural poor. This analysis emphasizes the centrality of the distribution of assets and sources of income in determining the distribution and character of rural poverty. I then turn to the more important part of the argument: analysis of the policy options available that would have the effect of privileging the poor (Section III). The point concerning the centrality of distributive institutions becomes crucial when we turn our attention to ideas about how to alleviate poverty, since it suggests that entitlement reform and, more broadly, institutional reform must play a central role in the process if poverty alleviation is to succeed. I then turn to a consideration of some of the strategies of development through which poverty-first

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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.
development might occur. I close with a discussion of the political obstacles that stand in
the way of poverty-first development (Section IV) and the role that democratization is
likely to play within this process.

Inequalities in development

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.

Income and distribution

One measure of the affluence of an economy is its gross national product (GNP) per
capita. But there is substantial variation in the pattern of distribution of income across
economies; some economies have a very pronounced skew toward higher income groups,
whereas others have a more substantial degree of income equality. Income inequalities
can be measured in a variety of ways; the goal is to arrive at a way of characterizing the
degree of dispersion of income across groups. A common tool for representing the
dispersion of income is a graph of income representing cumulative shares of income
across cumulative shares of population (referred to as a Lorenz curve; figure 1). A
society in which income is equally distributed across all persons will have a straight-line
Lorenz curve at 45 degrees to the origin. The Lorenz curve for a particular income
distribution permits us to read off how much of the national income is flowing to the ith
percentile of income earners.

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Let us dwell for a moment on the mathematics of income and distribution. One measure of the affluence of an economy is its gross national product (GNP) per capita. But there is substantial variation in the pattern of distribution of income across economies; some economies have a very pronounced skew toward higher income groups, whereas others have a more substantial degree of income equality. Income inequalities can be measured in a variety of ways; the goal is to arrive at a way of characterizing the degree of dispersion of income across groups. A common tool for representing the dispersion of income is a graph of income representing cumulative shares of income across cumulative shares of population (referred to as a Lorenz curve; figure 3.0). A society in which income is equally distributed across all persons will have a straight-line Lorenz curve at 45 degrees to the origin. The Lorenz curve for a particular income distribution permits us to read off how much of the national income is flowing to the ith percentile of income earners.

Corresponding to each Lorenz curve is a simple measure of inequality—the Gini coefficient. This construct measures the degree of inequality represented by a given Lorenz curve as the ratio of the area enclosed by the Lorenz curve and the 45 degree line to the area below the 45 degree line; thus perfect equality corresponds to a Gini coefficient of 0 and perfect inequality corresponds to a coefficient of 1. It is important to note, however, that the Gini coefficient represents less information than the full Lorenz curve; different Lorenz curves may possess the same Gini coefficient.

The fact of differences in the distribution of income across economies means that two countries with the same per capita GNP may have substantially different amounts of income flowing to the poorest income groups. So if we are concerned with poverty we need to pay particular attention to the pattern of distribution of income, and the amount and dispersion of income flowing to the poorest 20 to 40 percent of income earners. This suggests that we need to associate GNP data with a disaggregation of income across the population.

In practice we rarely have income distribution data as detailed as that represented by a Lorenz curve distribution for any country. Instead, available data generally represent an aggregation of data representing distribution of income across quintiles. World Bank tables provide estimates of percentage of income flowing to quintiles and upper deciles; however, this data is only available for a minority of reporting countries (21 out of 89 low- and middle-income countries; WDR 1990). Other sources may provide only an estimate of the ratio of income shares of the top and bottom quintile, or an estimate of the Gini coefficient of income; Human Development Report 1991, for example, reports the income share of the lowest 40% of households (24 of 160 countries), the ratio of the top quintile to bottom quintile (20 of 160 countries), and gini coefficients (28 of 160 countries).

![Figure 1. Lorenz curve of income](image-url)
countries). It is desirable to be able to convert information provided in these various forms into an approximation of the Lorenz distribution of income that underlies the data. This can be done as a relatively simple spreadsheet exercise by constructing a linear Lorenz distribution consistent with the constraints imposed by the data source (e.g. quintile share data, quintile ratio data, or Gini data). Figure 3 presents the results of this exercise for Brazil, Egypt, and India. Once we have constructed the linear Lorenz distribution corresponding to a given data estimate, we can also calculate the percentage of the population falling below a given poverty budget. (This is convenient because poverty data are even more difficult to get than distribution data.)

Quintile share data can be converted into an estimate of the average income flowing to each quintile. This disaggregation of income is useful because it permits us to focus on the incomes flowing to the poorest 40%. Egypt’s purchasing power parity–adjusted GNP per capita in 1987, for example, was $1357. United Nations sources provide an estimate of the income share of the lowest 40% and an estimate of the ratio of the top quintile to the bottom quintile. These estimates can be interpolated to provide a quintile distribution: the bottom quintile of income earners received 6% of income; the second lowest quintile received 10%; the third received 13%; the fourth received 20%; the ninth decile received 16%; and the tenth decile received 35%. These data may be broken out into an estimate of the average income of each quintile (figure 2). If we adopt a PPP-

adjusted poverty budget of $850, this disaggregated data suggests that the bottom two quintiles of income earners fall below the poverty line.4

The data underlying Figure 2 can be converted into a Lorenz distribution, making use of the quintile inflection points. This Lorenz distribution corresponds to a Gini coefficient of 0.419.

Figure 2a. Lorenz distribution for Egypt (based on Figure 2)

The fact of differences in the distribution of income across economies means that two countries with the same per capita GNP may have substantially different amounts of income flowing to the poorest income groups. So if we are concerned with poverty we need to pay particular attention to the pattern of distribution of income, and the amount and dispersion of income flowing to the poorest 20 to 40 percent of income earners. This suggests that we need to associate GNP data with a disaggregation of income across the population.

Figure 3 illustrates this set of facts. In this chart the national incomes of India, Egypt, and Brazil are disaggregated over their populations. (These income data reflect PPP-adjusted dollars, based on 1987 data. The graph should be interpreted as representing a value for the average income flowing to the nth percentile of income earners.) There are substantial differences in the national income of these three economies; but as the chart demonstrates, the condition of the poor is strikingly similar in the three cases. Brazil’s per capita income (PPP-adjusted) is $4307, Egypt’s $1357, and India’s $1053. Brazil, then, is substantially better off than Egypt or India. However, Brazil’s income distribution is much more skewed than that of either Egypt or India; these income distributions correspond to Gini coefficients of .358 for India, .419 for

4 Purchasing-power parity is a measure of income that takes into account differences in prices in different economies.
Egypt, and .591 for Brazil. The poorest quintiles of each of these countries receive approximately the same income. India and Egypt have about the same levels of income through the 80th percentile, after which Egyptian income rises more rapidly than Indian. And the level of income of the Brazilian population begins to rise above those of Egypt and India after the poorest quintile, slowly at first and then very rapidly above the 80th percentile. It is not unreasonable to interpret these data as showing that Brazil’s relative affluence is chiefly concentrated on the upper quintiles of income earners, whereas the poor of Brazil are about as badly off as those of Egypt or India.

**Figure 3.** Income distribution data

**Source:** Income data reflect *Human Development Report 1990.*

**Poverty**

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

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5 Income distributions have been estimated on the basis of limited quintile-distribution data. This income data is reported in *HDR 1990.* The income curves represented here are my approximation of income distribution given HDR data on shares flowing to each quintile.
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 reducing 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?

**Defining poverty**

It is well and good to favor the poor; but who are they? I will discuss this question in greater detail in the next chapter, but a brief discussion is needed here as well. We
cannot have a definite understanding of the poverty-first doctrine unless we have some idea of how we are to identify the poor.

There is an extensive literature within development studies that is organized around the problems of inequalities and poverty in development.\(^6\) 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), economic programs that have the effect of increasing unskilled employment,\(^7\) and what Dreze and Sen refer to as “public policy” spending—provision of health and education services to the rural poor (Dreze and Sen, 1989).

There are two general strategies through which we can identify the poor. First, we can identify poverty with low income. On this approach we are to imagine the population as ranked in order of income levels (individual or family). We are then to choose a poverty budget: a level of income that is just sufficient to satisfy the minimal subsistence needs of an individual or a family. The poor are then defined to be the portion of the income distribution of population that falls below this income. This identifies what we might refer to as the “absolutely poor.”

As a variant, we might consider poverty as a relative notion: the poor are the least-well-off in society. But the poor in Sweden find themselves at a level of welfare vastly above the medium-well-off in Bangladesh. On this approach, we might arbitrarily identify the poorest 20% or 40% of income earners as the poor.

\(^6\) 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” (Griffin 1988:31).
Both of these approaches have one important analytical flaw: they identify radically heterogeneous groups. Some of the poor, on this account, are poor because they are aged; some are poor because they are physically handicapped or ill; some because they are unemployed; some because they have too little land to support subsistence needs; and so forth. An improvement from this point of view is a functional analysis of the income structure of a given economy—an analysis of the breakdown of income earners into groups defined by the source of their income. Thus we can distinguish landless workers, subsistence farmers, commercial farmers, itinerant merchants, landlords, owners of large businesses, owner-operators of small businesses, and so on. For whatever functional taxonomy of income-earners that we provide we can then consider the distribution of income within each group. Some of these groups will have low average income, low minimum income, and low dispersion around the mean; that is, most members of these groups are poor. We might then define the poor as members of functional income groups which are typically poor, along with a residual category including those who are poor because of their age, health status, or other non-economic circumstances.

This functional approach allows us greater analytical grasp. It permits us to identify the poor in terms of their economic relationships (their entitlement package, in A. K. Sen’s term).

In the following, then, I will consider the poor in functional terms. Putting the poor first means choosing economic development strategies that are particularly effective in improving the incomes and welfare attaching to members of poor functional groups, or that have the effect of aiding the transition for members of poor groups to non-poor groups (e.g. landless workers in transit to urban industrial employment). What are the central economic mechanisms through which rural poverty is produced and distributed? In order to explore this question it is necessary to consider first the economics of income
generation and distribution; we will then turn to a brief “microsociology” of rural poverty.

The definition of poverty

The simplest definition of poverty involves comparison of income levels across various groups: the poor are those persons and families who have lower incomes than a given poverty line. In order to purchase the goods needed to satisfy human requirements one needs income. And those persons which exceptionally low income will find themselves unable to purchase enough goods—food, clothing, or shelter—sufficient to fully satisfy their human needs. They will tend to be malnourished, poorly clothed, and in poor health as a more or less immediate consequence of their low income. It is possible, therefore, to compute the money equivalent of a given level of consumption—a poverty subsistence basket—in a particular economy. (Since prices and exchange rates vary, the poverty line will be different in different economies.)

On this approach, then, we have a simple definition of the poor; they are those persons or households whose income falls below the poverty line. This definition is crude, however. For one thing, it cannot distinguish between the case in which large numbers of individuals fall just below the poverty line and the case in which there is a wide dispersion of income below the poverty line. The poverty-count approach cannot measure the depth of poverty—a failing that can be to some extent lessened by computing the poverty shortfall—the amount of additional income that would be needed to bring all the poor up to the poverty line.

Second, the low-income criterion of poverty fails to take into account non-income factors that influence the well-being of the poor. Particularly important are public amenities provided for the population at large, or targeted sub-groups; but various forms of informal assistance, subsistence farming, and other kinds of in-kind receipts affect the condition of the poor in a given society.

Quality of life, capabilities

So far we have approached the problem of poverty in income terms: the poor are identified as persons and groups falling below a given level of income. The rationale for this approach is that the satisfaction of human needs—food, clothing, shelter, medical care, education, and so on—requires income; so having low income strongly reduces the ability of persons to satisfy minimal human needs. This approach needs qualification on several grounds. First, it is clear that income is not the ultimate value at issue in poverty alleviation. The ultimate concern is with the ability of the poor to live fully human lives—to fulfill themselves as full human beings. Increasing the realization of human capabilities by the poor (so eloquently stressed by A. K. Sen) is the goal toward which poverty alleviation is directed.

Sen’s basic insight is that well-being is best defined in terms of the individual’s capability to become a fully functioning human being. “In assessing the standard of living of a person, the objects of value can sensibly be taken to be aspects of the life that he or she succeeds in living. The various ‘doings’ and ‘beings’ a person achieves are thus potentially all relevant to the evaluation of that person’s living standard” (Sen 1985:29). If we were fortunate enough to live in a world in which all persons, rich and poor, were fully capable of realizing their human capacities, then the issue of poverty and wealth would be of secondary concern. In our world, however, the limitations on personal development imposed by poverty are all too obvious: malnutrition, illiteracy,
poor health, boring and dangerous conditions of work, and early mortality are plainly serious obstacles in the way of full human development for the poor.

Second, it must be noted that increasing the realization of capacities can be achieved through other means besides simply raising incomes; putting the point in another way, it is possible for the poor in one society to have higher income and lower capacity realization than the poor of another society, due to differences in the public provision of capacity-enhancing amenities. Societies in which there is extensive provisioning of education or health services, for example, will have a higher level of well-being in its poor population—even though the absolute income flowing to this stratum may be as low or lower than that of other societies.

This point brings to the fore a third qualification of the income-based criterion of poverty. Given the possible divergence between income and capacity-realization, we need to have other ways of measuring the extent and depth of poverty in different countries. It is here that a variety of “quality of life” indicators prove their merits. For it is possible to measure other variables besides income that have a more immediate relation to capacity-realization. Malnutrition is directly and patently incompatible with full realization of human capabilities; so, other things being equal, one society with a higher level of malnutrition than another is worse-off from the point of view of the condition of the poor. Longevity is a general indicator of the quality of health services available to the population (and the poor, since poor health care for a large share of the population will translate into reduced life expectancy on average). Infant mortality statistics are generally taken to be another sensitive indicator of the health and nutrition status of the poor; downward fluctuations in the latter lead to significant increases in the former. Likewise, data about school enrollments at various levels—primary, secondary, post-secondary—provide important information about the extent to which a given society is succeeding in providing education to its poor; and lack of education is plainly intimately related to obstacles in the way of capability-realization. (Literacy statistics can serve the same purpose.)

Measures of these non-income variables provide a fairly sensitive indicator of the condition of the poor in a way that permits informative cross-cultural comparisons. Several important indices of well-being have been constructed using such information. Central among these are the Physical Quality of Life index and the Human Development index.

**Nussbaum’s formulation**

Martha Nussbaum offers an analysis of gender issues in development that flows from the “capabilities” approach to the analysis of quality of life (Nussbaum, 1995). Advocated and developed by Amartya Sen in a variety of writings, this approach attempts to define well-being in an objective way, by identifying a set of core human capabilities that are critical to full human functioning and assessing well-being (and the success of development policies) by the degree to which the individual is in circumstances which lead to the realization of these capabilities. The approach is studiedly critical of standard utility and preference-satisfaction approaches to the measurement of well-being. Along with its predecessor volume, *The Quality of Life* (Nussbaum and Sen, eds., 1993), the book provides a superb basis for discussions of

8 See, for example, “Capability and Well-Being” in Nussbaum and Sen, eds., 1993. Crocker (1992) provides a very clear exposition of the theory.
justice and morality within the context of economic development policy. (It should be noted that the Human Development Report, published annually by the United Nations Development Programme, offers development statistics for about 150 countries that are designed to provide empirical information about quality of life in developing countries. The methodology of these reports is very much influenced by the capabilities theory advanced by Sen, Nussbaum, and others.)

The core of the theory is a principled account of a set of fundamental human capabilities which are held to be essential to a good human life. The Aristotelian origins of the approach are manifest. Martha Nussbaum’s essay, “Human Capabilities, Female Human Beings,” provides an effective exposition of the theory (as does David Crocker’s piece). It is Nussbaum’s contention that we can say a great deal about what is needed for a good human life; and this account is substantially independent of cultural variations (that is, human beings have the same capabilities for functioning in a wide variety of social and cultural settings). The capabilities involved in a good human life may be listed and justified, and the resulting list can serve as both a guide and a critical standard for development policy. Nussbaum devotes much care to the composition of this list; in brief, it includes:

- Being able to live to the end of a human life of normal length.
- Being able to have good health, adequate nutrition, adequate shelter, opportunities for sexual satisfaction and choice in reproduction, and mobility.
- Being able to avoid unnecessary and non-beneficial pain and to have pleasurable experiences.
- Being able to use the senses, imagine, think, and reason; and to have the educational opportunities necessary to realize these capacities.
- Being able to have attachments to things and persons outside ourselves.
- Being able to form a conception of the good and to engage in critical reflection about the planning of one’s own life.
- Being able to live for and to others, to recognize and show concern for other human beings.
- Being able to live with concern for and in relation to animals and the world of nature.
- Being able to laugh, to play, to enjoy recreational activities.
- Being able to live one’s own life and no one else’s; enjoying freedom of association and freedom from unwarranted search and seizure.9

Nussbaum characterizes the significance of this list in these terms: “My claim is that a life that lacks any one of these capabilities, no matter what else it has, will fall short of being a good human life” (p. 85). Further, she maintains that the list, and its associated argumentation, ought to be taken seriously by development theorists in the design of development strategies. Public policy must be guided by a conception of the human good that gives the policy maker strong guidance in selecting goals and priorities for the development process. “The basic claim I wish to make . . . is that the central goal of

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9 This list largely quotes Nussbaum’s language, pp. 83-85.
public planning should be the capabilities of citizens to perform various important functions” (Nussbaum and Glover, p. 87).

**dignity issues**

Much of the harm of poverty is tangible and material: high rates of infant mortality, poor nutritional and health status, and so forth. However, the emphasis on capabilities and functionings above should alert us to the fact that poverty has an intangible side as well. For the underlying value, recall, is that of the fully developed human being—the person in realization of his or her capabilities and functionings qua human being. And among the diminishments imposed by poverty are enduring assaults to human dignity over the whole of a human life. The person who cannot afford minimally decent clothing will often be ashamed to present himself in public. The underemployed housemaid may be compelled to accept indignity and disrespect from her employers rather than risk losing her job. The tenant farmer with low income and little power will be obliged to kowtow to his landlord rather than face eviction. Each of these situations is one in which we find a human being in circumstances of indignity; and it would be hard to imagine the person being able to sustain a robust sense of self-worth and self-respect in these circumstances.10

**Income insecurity**

These arguments show the importance of disaggregating national income over the population as a whole. But there is another form of disaggregation that is important as well: disaggregation over time for a given person or family. There are two kinds of temporal variation that affect the status of the poor: life cycle variation in income-earning power and seasonal fluctuation in incomes. Consider the second point first. It may be that a very poor family in West Bengal subsists on an annual income of $200 per year, along with the products of a small piece of land. But this income and produce has a strongly cyclical character over the course of the year: demand for labor fluctuates, leading to employment and wages in some seasons and unemployment and no wages in other seasons. And the period just before the harvest is likely to be a lean season as well: food stocks have begun to run out, harvest-based employment has not yet begun, and grain prices are at their highest point of the year. During these periods the very poor may become absolutely destitute, unable to buy food in sufficient quantities to support one meal a day. Thus poverty has its own cycle of ebbs and flows; and if we think only of the average level of well-being of the poor, we will have missed completely the extended periods of even greater hardship that have occurred throughout the year.

These forms of fluctuation of income capacity point up the very great importance of income stability as a factor underlying the well-being of the poor. A somewhat higher average annual income may involve long periods of unemployment, and subsequent deprivation throughout significant parts of the year.

The other important kind of temporal fluctuation in poverty is life-cycle variation. A poor family is in its best circumstances when both parents are present and healthy and when children are old enough to contribute their labor to the family’s well-being as well. At the beginning and end of this process, by contrast, the earning capacity of the family is reduced. During pregnancy and infancy the mother’s capacity to labor is often

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10 See James Scott’s eloquent discussion of the social psychology of domination and subordination (1990).
diminished to some degree, during the early years of childhood the children are hungry mouths rather than sources of labor. At the other end of the cycle, aging, illness, and death once again reduce the income-earning capacity of the family. (Jean Dreze has written very movingly of the terrible situation of widows in rural India; Dreze 19??:?) So when we think of the situation of the rural poor, it is important not to imagine a sort of homogeneous level of deprivation. Instead, there will inevitably be a range of experiences, from the disadvantaged but viable to the horrendously deprived at the bottom. And the various measures of well-being discussed above—infant mortality and health and nutrition status—are certain to be correlated with these variations.

**Why rural poverty?**

There is special focus in this study on problems of rural poverty, not poverty in general. It might be thought that this is an unreasonable narrowing of the subject matter—that rural poverty is fated to decline in importance as urbanization and industrialization occur. And in fact when we see images of third-world poverty they are more often than not drawn from the urban poor—the slums, the malnutrition, the childhood diseases of the millions of poor people crowded into the major cities of the developing world. However, several facts are salient. First, the majority of the poor today—and for the foreseeable future—are found in rural areas. [data]. Most developing countries are still largely rural in their population and agricultural in their economies. Low-income countries had an average urbanization rate of 35 percent in 1988 (25% if we exclude China and India).11 So two-thirds to three-quarters of the population of developing countries are rural. The agricultural structure of developing economies may be quantified in different ways: as a percentage of the labor force or a percentage of value-added. As figure 2.0 shows, the percentage of labor in agriculture remains well above other forms of employment for most developing countries. (Because agricultural products have lower prices on world markets than industrial products, however, the prominence of agriculture slips when we look at value-added data.) These two dimensions might look as though they coincide, but they do not. Not everyone in rural society subsists on agriculture, and not everyone in industrial employment lives in towns and cities. At the same time, it is generally true that the largest component of the rural economy is agricultural production. [data]

Second, the pang of poverty is generally more severe in rural areas. States are compelled to give some attention to the material interests of the urban poor, or face the destabilizing bread riots that can dislodge a government from power. As a result, most developing societies have some level of socially-funded urban amenities—food subsidies, clean water, education. The rural poor, by contrast, are more easily ignored. They lack the clear threat advantage of the urban poor, and governments can easily be tempted to slight their interests. [data]

Finally, it is true that virtually all developing societies are facing a process of structural transformation from agricultural and rural societies to industrial and urban. But this is a lengthy process, and one that does not move all in one direction. (Indeed, a powerful factor for rural economic development is the emergence of rural industry—the creation of non-urban forms of manufacture and industry.) So even though there is a longterm dynamic leading to the diminution of the problem of rural poverty (replaced, perhaps, by the problem of urban poverty), for the foreseeable future the numbers of the

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rural poor will be virtually overwhelming, and it will be impossible to imagine a solution to their plight that depends on taking them out of the countryside. The problem of rural poverty, in short, must be addressed directly.

**How do the rural poor earn their incomes?**

Let us turn now to a consideration of the institutional background of rural poverty. What are the social and economic processes that produce poverty within a rural economy? Any economy is a system of production and distribution. Goods are produced and income streams are assigned to persons entitling them to gain access to some quantity of these goods in virtue of their position within the property system and income-generating institutions. In order to understand the causes of poverty, therefore, we need to have a disaggregated view of the institutional structures through which incomes are generated and distributed within a given developing society.12

So far we have examined the symptoms of poverty: low income, insecure access to food, and poor performance on a variety of welfare criteria. Let us turn now to a consideration of the causal background of rural poverty. What are the social and economic processes that produce poverty within the rural economy?

Any economy is a system of production and distribution. Goods are produced and income streams are assigned to persons entitling them to gain access to some quantity of these goods. A chief determinant of the distribution and character of poverty, then, is the system of entitlements that a given economy creates for its population: the means through which persons gain income through wages, interest and rent, sales of products, state-funded subsidies, and the like. So we can get an initial view of the physiology of poverty by examining some of the sources of income in typical developing economies that produce chronic and acute poverty.

A substantial shortcoming of neoclassical approaches to development theory is insufficient attention to the institutional determinants of income distribution; but analysis of these institutional arrangements is mandatory if we are to have an informed basis for designing poverty-alleviating strategies of development. Local institutional arrangements—the property system, the institutions of credit, the characteristics of labor markets, and the circumstances of political power—decisively influence the distribution of the benefits of economic growth in existing rural economies. 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 (Barker, Herdt, and Rose, 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

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12 This approach reflects two important streams of thought in development theory: Marxist economic theory and A. K. Sen’s theory of entitlements. Marxist theory emphasizes the relationship between incomes and ownership of assets (Bardhan 1988); while Sen’s approach emphasizes the diverse opportunities for exchange that a given individual possesses (Sen 1981).
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, Herdt, and Rose, 1985 : 157)

Let us turn, then, to the institutional framework that determines the generation of
income. A chief determinant of the distribution and character of poverty is the system of
entitlements that a given economy creates for its population: the means through which
persons gain income through wages, interest and rent, sales of products, state-funded
subsidies, and the like, as well as the distribution of ownership rights in productive
assets. So we can get an initial view of the physiology of poverty by examining some of
the sources of income in typical developing economies that produce chronic and acute
poverty.

_**land-poor peasant farmers**_

This category includes small peasant farmers who own enough land for subsistence.
The incomes flowing to member of this category depend on farm product prices, the
prices of inputs, and the terms of credit available to the farmer.

_**tenant farmers**_

Tenant farmers include the land-poor and the landless: those farming households
that own too little land for self-sufficiency and consequently rent or lease land. This
situation leads to the result that a portion of the agricultural surplus flows from the
producer to the landlord. The poverty and well-being of the tenant depends, on the one
hand, on absolute agricultural productivity, and on the other on farm product prices and
the terms of tenancy. There is another important dimension of welfare for tenant farmers,
however, that has less to do with absolute income levels; this is the legal and institutional
facts that determine the level of tenancy security available to the tenant. To the extent
that tenure security is weak, the tenant is exposed both to the risk of dispossession and to
chronic upward pressure on rents, reflecting the weak bargaining position of the tenant
(Kohli, 1987).

_**landless farmworkers**_

The chief asset in the countryside in developing societies is land. Those who lack
land and lack as well the right, opportunity, or resources to rent land are then forced to
find other sources of income; chief among these is agricultural labor. The Rudolphs
report that about 27 percent of Indian agricultural households were landless between
depends almost entirely on the circumstances of local labor markets: if demand for labor
is strong and regular and wages are high, then this group will do fairly well, whereas if
demand for labor fluctuates widely and wages are low, it will do poorly. And the latter is
the case more commonly than the former. Farm labor is unavoidably cyclical, with peaks
of demand around soil preparation, planting, weeding, and harvesting. Farm laborers
may be hired by the year or casually; if the latter, their income is unavoidably
intermittent.

In his careful study of the agrarian economy of Tamil Nadu V. K. Ramachandran
arrives at the startling conclusion that agricultural labor has __increased__ as a percentage of
the total workforce—a direction of change that belies the common view of economic
development as a process of structural transformation from agriculture to industrial
production. Consider an illustrative case drawn from Ramachandran’s study of Tamil Nadu. The average daily farm wage for a male agricultural laborer in Tamil Nadu in 1976 was 6 rupees. Farm laborers average 109 days of work a year, yielding an average income of 652 rupees per year (Ramachandran, 1990: 152). For 1975 the poverty line in Tamil Nadu was 536 rs. per capita per year. This wage leaves the single agricultural worker at the poverty line—if the wage is evenly distributed throughout the year. But, as pointed out above, this is unlikely to be true; as a result, the farm laborer is almost certain to go through extended times of dearth throughout the year, separated by periods of higher income. If the worker has a family, then other sources of income are needed—female and child labor, sideline activities, etc.—in order to bring the household’s income up to the poverty line. And—as Ramachandran emphasizes—female labor is substantially less well paid than male labor in the Indian economy.

The labor market is further disrupted by processes of agricultural modernization and the institutional reforms that often accompany it. Some innovations are labor-intensive; thus multiple cropping increases the demand for labor by increasing the number of crops and tasks that must be attended to. And increased use of fertilizers may increase the demand for labor by increasing the return on such tasks as weeding. Other innovations, however, are labor-displacing. Mechanization of various parts of the cultivation process generally has the effect of drastically reducing the demand for labor; thus one tractor harvester can replace several hundred man-days of harvesting labor in the Malaysian rice economy (Scott, 1985).

workers in rural industry

An important characteristic of rural development is the emergence of rural industries: relatively small-scale facilities producing common commodities (cement, food processing, iron products). These enterprises are typically labor-hiring, and wages are generally higher than those in the farm economy. Rural economies in which there is robust development of rural enterprises generally witness sharp increases in the demand for labor, with increasing trends in wages as well. (See Vogel, 1989 for an extensive description of this process in Guangdong Province in China in the 1980s.)

small traders, handicraft producers, and necromancers

There are many interstitial positions in which the rural poor may find themselves within an agricultural economy: street peddlers, petty craftsmen, handicraft producers, magicians, itinerant teachers, and necromancers. The incomes flowing to these positions depend almost entirely on the economic security of the rest of the rural economy; in times of relative boom there will be demand for these services, whereas in times of hardship people will do without them. This means, among other things, that these interstitial positions will be among the first to suffer from entitlement shocks: if incomes to farmers have suddenly decreased, we may expect the shock to be transmitted almost immediately to the martial arts instructor and barber as well. (This observation follows Sen’s analysis of famine as the consequence of entitlement shock; Sen, 1981.)

migrant workers

A final response to rural poverty is migration, either permanent or seasonal. And in fact remittances play a large role in many developing economies: for example, hundreds of thousands of Indian workers have migrated to the Persian Gulf states and support their families through wages they send home. More common than long-distance migration are urban migration (in pursuit of unskilled labor in towns and cities) and seasonal
agricultural migration (following the peak of agricultural labor demand around harvest and planting seasons).

Assessment

Here, then, we have a more segmented analysis of the micro-sociology of rural poverty: the economic relations and categories that determine that particular groups will have low incomes. An important lesson follows from this taxonomy: different groups of the poor may be very differently affected by different kinds of economic policies. This is true because the income and security of a given group depends on the stability of the economic relations within which it finds itself, and measures designed to improve one group’s lot may actually harm another group. A classic case is the use of state-enforced grain prices to keep food prices low. Policies of this sort may have some immediate benefit for some parts of the rural poor; but the policy has a depressing effect on output (since farmers, large and small, have less of an incentive to increase production). Moreover, contraction of grain production will lead to a contraction in the demand for labor as well, and a reduction in the incomes flowing to small farmers. (See (Varshney, 1989) for analysis of these sorts of effects in India’s food price policies.)

Geographical basis of poverty

So far we have looked at the institutional framework of poverty. But there is also an important geographical dimension to poverty: some regions are inherently poorer than others. There is an uneven distribution of resources across any national economy. Some regions have good cropland, whereas others have poor soil. Some regions contain extensive natural resources—coal, oil, or mineral deposits. Some regions are advantaged within the transportation system (ports, rail and road hubs, etc.), thereby making investment and economic activity more attractive to outsiders. And it emerges frequently that these patterns of unequal distribution of assets tend to coincide; so that poor farming areas are also poorly served by the transportation system, have low levels of social investment in health and education, and have low levels of non-agricultural economic activity. Disadvantaged and peripheral areas will tend to be poorer across the board than more advantaged areas. Thus China’s economy since 1949 has largely succeeded in reducing intra-regional inequalities of wealth and income through land reform and other social policies. But it has been much less successful in evening out inter-regional inequalities (Lyons, 1991). Coastal cities and their hinterlands have gained substantially in past decades, whereas interior provinces have lagged behind. The most acutely disadvantaged provinces are in the southwest and northwest of China (Perkins and Yusuf, 1984).  

There is a similar geographical pattern within regions as well. G. William Skinner has documented for China a pronounced core-periphery structure of the economy, in which resources are concentrated in urban cores and thinly spread on peripheries (Skinner, 1977a; Skinner, 1977c). This pattern is paralleled by the distribution and character of poverty; there is typically a lower average income in peripheral areas, with a concomitantly higher rate of poverty. This pattern also imposes an administrative handicap on poverty alleviation. Poverty occurs most intensively in peripheral areas that are generally on administrative borders. So effective development and poverty

13 Walther Aschmoneit has constructed a Quality of Life index based on the Chinese 1982 census that bears out this pattern (Delman et al 1990).
alleviation requires complex and unlikely levels of coordination between administrative units (counties, provinces).

**Conclusions from these observations**

A clear result of this analysis of the diverse social positions of the poor has to do with the structure of stratification within a developing economy. We may think of the institutions and economic relations that define a given economy as a distributive system, channeling flows of income to various groups. And it is apparent that there is substantial inequality in most such systems in the developing world, with large streams of income flowing to some social groups and irregular trickles of income flowing to others.

A second lesson that we may draw is the centrality of ownership of assets in the distribution of income. Land is often very unequally distributed; access to credit is very uneven; ownership of capital is very narrowly concentrated. The poor are poor, in large part, because they control few assets beyond their labor power. It is a familiar truth that productive activity requires proper tools; in economic terms, value-added is a function of the amount of capital set into motion by a quantity of labor. The poor have very little access to capital goods; consequently, the products of their labor have relatively little value, and their incomes remain low.

The low productivity of the labor of the poor is exacerbated by the low degree to which the poor have access to the services that would enhance the value of that single asset (education, health care). Illiterate, innumerate workers are less productive than their better educated counterparts; with the result that their incomes are lower as well. So a reasonably direct way of improving the welfare of the poor is to increase the productivity of their labor through education and training.

Third, the economic condition of the poor depends a great deal on the character and quality of government programs for social welfare: food subsidy programs, rural health and education programs, credit regulations and provision, and the like. The state is a substantial player (often by inaction rather than action). But equally important are negative effects of state policy: anti-rural bias in agricultural policy, restrictive migration policies, anti-agricultural bias in national credit programs, and the like.

Finally, preceding analysis shows that the particular institutional arrangements of a rural economy have profound effects on the character and distribution of poverty. The most general economic institution is the market: the institutional setting in which buyers and sellers, producers and workers, meet and exchange products at market-determined prices. We have seen that market relations conjoined with sparse assets and low-productivity labor skills guarantees low income to the poor; if we are to overturn this outcome then specific steps must be taken to offset the workings of the market.

But other more specific institutions are pertinent as well. The details of the land tenure system determine the relative shares of farm income that flow to tenant and landlord—thus profoundly affecting the ability of the tenant to survive hard times. The terms of labor hiring likewise have substantial effects on the well-being of workers: where employers are required to meet minimal conditions of wage, security, health, and safety, workers who find employment will be better off than otherwise. Economic institutions have the effect of channeling income into the hands of various groups; to the degree to which these institutions are skewed in the direction of the interests of the rich, the poor will suffer. (And, as will be argued in the final section, there is every reason to expect just such a skew, since the rich have greater access to political power than the poor.)
The empirical case

The country data set

Table 1, Table 2, and Table 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.1

Table 3 presents data on several indicators of population welfare for the 73-country set. This table provides an estimate of the percentage of the population below the poverty line in

1 Data like these suggest the “Kuznetz” hypothesis: that inequalities tend to increase during the process of economic development, before beginning to decrease toward more moderate levels.
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. (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 ($R^2 = 0.25$)—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) ($R^2 = 0.49$). 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 ($R^2 = 0.23$). 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 ($R^2 = 0.13$). 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.

**Inferences about distribution and poverty**

World Bank tables provide GNP data, quintile shares, and a PPP adjustment factor for most countries. It is possible to analyze such data in such a way as to construct an implied Gini coefficient and an implied poverty rate. Quintile income distribution data can be converted to a Lorenz distribution of income immediately; the Gini coefficient can then be computed directly. More intriguingly, we can convert the average income and the quintile distribution information into an implied linear income distribution. Figure 0.0 provides an illustration of these approaches. Figure 0.1 provides panel data for India. Figure 0.2 offers the Lorenz distribution that corresponds to this data. And figure 0.3
provides a linear income distribution corresponding to these data, along with a poverty budget line (US$760), which allows us to estimate the proportion of the Indian population that falls below the poverty line.

<table>
<thead>
<tr>
<th>Income and distribution</th>
<th>1987</th>
</tr>
</thead>
<tbody>
<tr>
<td>GNP per capita</td>
<td>$300</td>
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<tr>
<td>PPP adjusted</td>
<td>$793</td>
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<tr>
<td>Q1</td>
<td>8.8%</td>
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<tr>
<td>Q2</td>
<td>12.5%</td>
</tr>
<tr>
<td>Q3</td>
<td>16.2%</td>
</tr>
<tr>
<td>Q4</td>
<td>21.3%</td>
</tr>
<tr>
<td>D9</td>
<td>14.2%</td>
</tr>
<tr>
<td>D10</td>
<td>27.1%</td>
</tr>
<tr>
<td>implied GINI</td>
<td>0.307</td>
</tr>
<tr>
<td>Implied poverty rate</td>
<td>60.3%</td>
</tr>
<tr>
<td>average PPP adjusted</td>
<td>$422</td>
</tr>
<tr>
<td>income to poorest 40%</td>
<td></td>
</tr>
<tr>
<td>poverty budget</td>
<td>$760</td>
</tr>
</tbody>
</table>

figure 0.1. Income and distribution—India
source: WDR 1995, table 30
Cases

I turn now to a brief 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.

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
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.

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.—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 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 actual 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.

China

China’s development experience is substantially different from either of these.² 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.

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

² 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.
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 costs. 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.\(^3\) 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).

**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 remains strong” (36).

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

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\(^3\) This summary reflects Lardy 1985:1-10.
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(195,966),(237,986)).

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 created 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.

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.

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.

Reflection on the cases

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 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.
The normative case

Philosophy in economic development policy

The process of economic development is an important instance of the interanimation of policy, contingency, and justice. Governments construct development strategies based on a variety of political and social objectives; this process may be characterized in terms of a decision-making process based on instrumental rationality. The outcomes of these strategies depend heavily on a variety of factors, only some of which are within the control of policy makers—world commodity markets, the behavior of powerful outsiders, weather and climate variability, and so forth. And the outcomes and implementations of development strategies unavoidably raise problems of justice. This is so because they have deeply significant distributive effects that may endure over many generations. Different groups do well or badly under different policy alternatives. So policy makers ought to be responsive to the demands of justice in their adoption of priorities and the instruments they choose in pursuit of the goods of development.

This essay raises problems about the role of normative considerations in several aspects of this story. These problems arise in two general areas. First, there are problems defining the instrumental rationality of policy makers. Even if we bracket the problem of distributive justice there are perplexing problems that arise in attempting to characterize the goods of development and how these should be treated by policy makers. (For example, how should environmental quality and average longevity be compared, given that a policy that results in lengthening life expectancy may also require worsening environmental quality?) And how should we think about the role of moral considerations within the policy process? The second broad topic is substantive: what are the overriding goals of economic development? I will argue that the highest priority goal ought to be the alleviation of poverty, a stance I describe as “putting the poor first”. Policy makers ought to give highest priority to improving the well-being of the poorest strata. But this position is faced with the task of explaining in substance why this is so: what is the bad of poverty? What is involved in placing highest priority on poverty alleviation? And what compelling moral reasons may be offered to support this position? These questions are important because the answers we provide for them will in large part determine how much importance we place on poverty alleviation in comparison with other compelling development goals.

Second, there are problems defining the relationship among the diverse goals of economic development. Even if we bracket the problem of distributive justice there are perplexing problems that arise in attempting to characterize the goods of development and how these should be treated by policy makers. (For example, how should environmental quality and average longevity be compared, given that a policy that results in lengthening life expectancy may also require worsening environmental quality?) And how should we think about the role of moral considerations within the policy process? The second broad topic is substantive: what are the overriding goals of economic development? I will argue that the highest priority goal ought to be the alleviation of poverty, a stance I describe as “putting the poor first”. Policy makers ought to give highest priority to improving the well-being of the poorest strata. But this position is faced with the task of explaining in substance why this is so: what is the bad of poverty?
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Seen from one point of view, this complex of issues is a relatively small part of applied moral philosophy, of interest only to a rather specialized audience. From another point of view, however, this area ultimately invokes virtually all of the most difficult and important topics within normative social philosophy: the problem of planning for a process of social change, the justice of the allocation of the benefits of social cooperation across individuals and groups, the problem of intergenerational justice, the legitimate claims that different groups and individuals have on each other and on outsiders, and the definition of the good of human life and social arrangements. So close study of the problems of economic development may have a considerable contribution to make for social philosophers more generally.

The normative context of development planning

Let us begin with a consideration of the normative position of the development policy maker. Policy making obviously involves an analysis of means and ends. Policies are sets of instruments designed to bring about certain outcomes, and the desired outcomes are selected because they embody one or more goods that are favored by the policy maker. But this formulation glosses over two issues: What is the nature of the goods toward which development policy is oriented? And what role, if any, do normative commitments play within the policy-making process?

Let us reflect briefly on the normative situation of economic development actors—planning agencies within LDC governments, international organizations like the United Nations or the World Bank, or donor agencies like the Agency for International Development. These actors attempt to influence the course of economic development in a country or region—that is, they undertake actions or policies today that lead to a change in particular features of the economy in the future. For example, the Minister of Finance may judge that existing financial conditions are leading to capital flight and disinvestment, and may seek to reverse this process by increasing interest rates at the national bank.

It will be useful to fix the terms of discussion a bit by providing a simple model of the development planning process so as to have a representative decision-problem in mind. Policy debates can arise only in a context where agents involved have actions among which they can choose. What are the action-opportunities that confront governments concerned to facilitate economic development? There are three broad types of actions available to governments. A government can expend resources in a variety of ways; it can affect the institutional context of economic activity through new legislation or regulations; and it can directly influence the economic environment for private activity through control of a number of macroeconomic variables (exchange rates, tariffs and subsidies, national bank interest rates, and the like).

The selection of an economic policy depends on several things. First, a diagnosis of existing circumstances is needed. Second, a theory of the economic or social mechanisms through which these circumstances might be changed is required. Third, it is necessary to have a coherent conception of the goals of possible intervention—the goods that intervention is designed to secure. Fourth, the minister requires an inventory
of the options and resources available to him. And finally, the minister must arrive at a plan—an orderly conception of a series of actions within his power that are well-conceived to bring about the goods selected. Finally the plan must be put into place.

It is useful to consider an abstract analysis of the process of economic policy intervention from the point of view of a government minister in a less-developed country. At a given point of time the policy environment is defined by the assets available to the national economy: currency reserves, natural resources, agricultural technology and resources, industrial equipment, human resources, and infrastructure. These assets are organized within a set of institutional arrangements: property rights, land tenure systems, and the like. And they are currently employed and controlled by a large number of economic agents. These features define the economic system as it exists at a given time; and political economists from Marx to Marglin have shown that the economic system has a dynamic of development of its own that continues without regard to explicit government policy. This ensemble is thus a causally ordered social system.

A second large factor defining the policy situation is the assets available to government through which it can exercise influence on the character and pace of economic change: taxation, subsidies, influence on interest and exchange rates, provision of credit, and establishment of economic regulations of various kinds. These assets represent the instruments through which a government minister can hope to modulate the economic processes that are ongoing within the national economic system.

Third, economic policy requires plans. A plan involves an orchestrated set of choices of such actions designed to bring about some end. Two questions arise: How is a particular policy choice (action) to be evaluated? And how is a plan to be evaluated? In general the answer is, through the probable consequences of the plan.

Finally, we need to be able to identify the range of consequences of economic policies. Several categories of outcomes are particularly important for assessment of policies. First are income consequences, which may be represented as a vector of incomes to different income groups. (This formulation allows us to characterize both average income to various groups and the pattern of distribution of income.) Second are structural or institutional consequences: changes (or persistence) in features of the economic environment. Likewise, we need to know the impulse that the plan will impose on future patterns of development (agricultural stagnation, rapid industrialization, etc.). Third are environmental consequences, including resource stocks—the consequences for environment and health of the plan. Fourth, we may want to be able to evaluate the demographic characteristics of the plan: what shifts in population size, density, and location may be expected to arise? And finally, we need to take account of political consequences: the effects on regime stability and popular politics that various strategies may have.

Consider first expenditure of resources. State expenditures may be directed toward infrastructure, productive investment, or consumption. Should the state widen the road connecting a secondary market town with the central market town? Should the state provide cheap credit to entrepreneurs proposing a shrimp-processing plant? Should the state widen or narrow the extent of basic food subsidies?

Turn now to institutional reform. It is possible for the developing state to alter the institutional arrangements through which economic activity takes place in such a way as to improve the situation of the poor. For example, programs to make tenancy rights more secure shift the balance between landlord and tenant; the tenant can claim a larger share
of the harvest if he is more confident that he cannot be expelled from his land. Likewise, establishment of rights of labor—free labor organization, the right to strike—enhance the ability of workers to demand higher wages and a larger share of the product of their enterprises.

This account perhaps gives the impression of an orderly, fully intentional process. However, this impression is misleading; economic development is a complex process that involves both policy choice and historical contingency. Governments, agencies, associations, and corporations undertake various actions designed to influence the process of economic change; but the outcome of economic development depends both on these actions (and their unintended interactive effects) and on various non-strategic circumstances—climate, the availability of resources, the discovery of new technologies, the shift of patterns of consumption in the world market, and so forth; and on the strategies chosen by other actors with different and often conflicting goals. And historical experience makes it rather clear that the course and character of a given country’s economic development experience is substantially less subject to policy determination than is the construction of a complex building. An architect can produce a set of plans for the building and be confident that the natural obstacles that arise in the process of construction will be resolved. There is a close correspondence between blueprint and the eventual structure of the building, whereas there is often wide discrepancy between the designs and goals of economic planners, and the eventual course of economic development in the event. The upshot of this observation is the need for humility on the part of the economic policy profession; it must be recognized at the start that events are not securely within the control of the agents charged with planning for economic development.

Given the importance of contingency and unanticipated consequences in economic planning—reflecting both the complexity of modern economies and the competition of actors with contending interests within such economies—it is necessary to pay particular attention to the range of risk and uncertainty associated with various policy candidates, as well as the goodness and badness of undesired outcomes. It might be, for example, that it is judged likely that \( P_1 \) will lead to an unemployment rate of only 6 percent, whereas \( P_2 \) will lead to an unemployment rate of 8 percent; but that \( P_1 \) runs the slight risk of causing a prolonged depression, whereas \( P_2 \) does not. Under these circumstances it might be rational to choose \( P_2 \), in spite of its being likely to lead to second-best consequences.

A role for justice

Before proceeding with this discussion, 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.
When we ask the question, what does justice require of economic development policy, we are forced to consider whether the answer we arrive at has any relevance for the behavior of actual policy-makers. To what extent, and in what ways, do policymakers take account of moral ideas, ideas about justice, and other normative commitments?

There is a line of analysis of policy choice in political science today that works on the assumption that policymakers are motivated solely by their particular private interests—not an estimate of what is best for society at large, but what is best for the policymaker’s own interests. This approach is described as “realism” or public choice theory. Margaret Levi represents a recent instance of this approach in her analysis of state revenue policies. “My hypothesis follows from two paired assumptions. The first is that all the actors who compose the polity, including the policymakers, are rational and self-interested. By this I mean that they calculate the costs and benefits of proposed actions and choose the course of action most consistent with their fixed preferences. The second is that actors who compose the state have interests of their own, derived from and supported by institutional power” (Levi, 1988). Likewise, Robert Bates’s analysis of African government agricultural policies aims to explain the policies selected as the result of the strategic efforts of groups in charge of government to maximize their power and income (Bates, 1981). On this account, state policy formation is similar to any other kind of rational action: the agent has certain interests and chooses instruments that best serve those interests. Political behavior is understood as the result of a straightforward calculation based on self-interest. And the interests in question are private interests; either personal (the wealth, power, and privilege of the particular policymaker) or corporate (the wealth, power, and privileges of the policymaker’s group). (On such an account, group-oriented policies emerge through the logic of coalition politics: in order to achieve his ends Minister A must gain the support of group B; and this requires A’s putting forward policies that serve the interests of B as well as himself.) This model appears to leave little or no room for an influence to be exerted by normative principles or constraints. What, then, is the relevance of a normative theory of justice in development? To what extent and through what mechanisms do moral ideas about the justice of development affect the choices of powerful agents in the development process?

It would be foolish to deny the operation of this sort of calculation of self-interest within the policy process. Here I will only suggest that the approach is flawed in its claimed comprehensiveness. The public choice approach implicitly denies that policymakers are motivated or constrained by moral considerations. But much recent work in rational choice theory converges on the conclusion that this strictly instrumental conception is inadequate for all but the most artificial examples of rational deliberation— e.g. consumer choice among commodities based on price and quality. In more ordinary instances decision-makers have to take into account both their particular interests and a range of normative constraints and values (Elster, 1989; Little, 1991; Margolis, 1982; Scott, 1985; Sen, 1982; Taylor, 1982). Practical rationality has more structure than the narrow model of economic rationality allows, and deliberation is a complex process in which the agent attempts to balance interests, commitments, and concerns for the public good. Debate arises over whether to regard these factors as extra-rational; my own position is that they are part of “extended practical rationality” which reduces to narrow economic rationality in special circumstances (Little, 1991).
In the area of economic development policy these points can be extended in several important ways. First, at any given time policymakers are operating within a normative framework that sets broad constraints on the nature and application of policy options that may be considered. (A politician who proposes abolishing state subsidies for public education in the United States would plainly transgress such limits.) Such constraints are often internalized, so that the decision-maker will not even consider adopting policies that flatly contradict the framework; but they are also externally embodied, so that there are substantial political costs that accrue to the regime that flagrantly violates popular assumptions about justice. A normative framework has the effect of helping define and limit the opportunity set for the decisionmaker; options that involve reintroducing chattel slavery are simply ruled out of consideration, whatever their economic effects. Norms affect policy choices by altering the options available to agents, giving priority to some goals over others, and making certain choices entirely unavailable. And they may have the effect of aiding in the mobilization of affected groups (e.g. the landless poor) whose new political dispositions impose new constraints and imperatives on policy makers. So even policy makers who are themselves indifferent to the new moral assumptions may be compelled to act otherwise.

Finally, it is unreasonable to assume that decision-makers’ interests are defined narrowly in terms of self-interest. As A. K. Sen argues (Sen, 1987), it is better to conceive of agents as having a broad network of interests ranging from narrowly private interests, to family interests, to class or national interests. And interests at any of these levels may be motivationally efficacious at various times. In the development process this leads to a conclusion: it is at least possible to motivate decision-makers to choose policies because they are best for society at large. Whether this concern plays a prominent or minor role is not a matter of logic or economic rationality, but one of moral education. And it may well be that what distinguishes between more and less predatory states is the character and quality of the process through which young policymakers are trained, selected, and promoted.

I conclude, then, that discussion of the justice of development is not a purely philosophical exercise. It is rather an attempt to contribute to a debate that may come to change the framework of our assumptions about the priorities of development, and eventually to change the motives and constraints that govern the behavior of the agents whose choices in fact determine the course of development. Normative theory is behaviorally relevant in explaining the course and character of an ensemble of policies (military, economic, political, or social).

The reason I have dwelt on this topic is that it makes a difference to how we think about problems of economic development policy and economic reform. If as potential reformers we are best advised to look at policymakers as self-serving adversaries to be out-maneuvered, then one line of strategy is recommended. If on the other hand it is true that decision-makers are to some extent swayed by moral arguments and considerations of the public good, then a strategy based on moral argument is feasible. In the former case our only hope is to create institutional arrangements that assure that the private interest of the policymaker is best served by adopting policies that we think best for the common good. In the latter case it will be causally efficacious to advance reasonable arguments about fairness, the welfare of the poor, or the demands of future generations; considerations of these sorts may be decisive in affecting policy choice.
I propose, then, that we think of the normative position of the policymaker along these lines. The agent is assumed to have a range of interests: personal security, income, and privilege; the continued ability of his or her party to retain power; the ability of the regime to reward its supporters with jobs, state investment and subsidies, and the like; and concern for the present and future welfare of some or all of the rest of society. And the agent is situated within the context of a set of moral assumptions about justice, entitlement, concern for disadvantaged groups, and the like, that are current in the society at large and that affect behavior by constraining and impelling choice. When considering a policy problem, whether a grand development theme (shall we liberalize our agricultural system through price reform and removal of subsidies?) or a more particular policy initiative (shall we replace current rice subsidies with a needs-based food stamp program?) I assume that the agent initiates a complex process of deliberation. What effect will the proposed policy have on me personally? (Perhaps liberalization will mean the ministry of development will have less importance within government and corresponding loss of funds and prestige.) What effect will the policy have on the electoral prospects of my party? (Perhaps the destitution caused to the landless poor will lead to massive loss of support for our party in the next elections.) What effect will the policy have on the welfare of rural society, in the short, medium, and long term? (Perhaps liberalization will lead to much unemployment in the short term, followed by strengthening demand for agricultural goods in the medium term, followed by rising demand for labor in agriculture in the long term.) What effect will the policy have on inter-sectoral equity, in which urban living standards are currently substantially higher than rural? (Perhaps liberalization will improve the terms of trade between urban and rural sectors, leading to rising rural incomes and a slight drop in urban incomes.) Finally, I will assume (with a proviso) that all these factors are potentially efficacious as a source of motivation. The policy chosen may in the end be one that is judged to be consistent with the official’s current interests, consistent with the electoral future of the party in power, and relatively progressive in its effects on social welfare and equity; and it may be the case that a different policy would have been chosen if welfare and equity concerns had not entered the calculation.

The proviso is this: there appears to be an almost unavoidable ranking of these considerations in any actual political decision-making context, such that the interests of the policy maker and his or her party must be satisfied as a necessary condition to the selection of a strategy. It is one thing to say that policymakers are concerned to further social welfare and equity; it is another to assume that they will do so even at the cost of loss of position, power, and privilege. We may read this proviso as a stipulation of political feasibility; policy initiatives that require the self-extinction of those who implement them are non-starters. Fortunately, the requirement of political feasibility does not narrow the opportunity set too drastically; there remain a range of options, some of which have better effects on the public welfare than others. What is excluded is the adoption of policies that would be best overall but that require that wielders of power relinquish substantial portions of their power, wealth, and privilege. (This is perhaps the central obstacle to meaningful land reform in the Philippines.)

If there is any force to this conception as a quasi-empirical theory of the reasoning of agents within the policy-making process, then debate and discussion of the goods and justice of development from the point of view of society as a whole have a practical role to play within development policy realm itself. In this case normative theories of the
goods of development, the bad of poverty, or the requirements of justice in development may have the effect of clarifying the normative issues involved and thereby inducing policy agents to choose options they would not otherwise have chosen. (This approach would be to put the philosophical examination of the ethics of economic development into the category of other fields of applied ethics—e.g. medical ethics—in which one of the goals of the field is to affect the behavior of practitioners. One might hope that the Kennedy School’s program for officials from developing countries might have this effect.)

**Models and simulations**

So far we have considered the planning process from the point of view of the goals of development. But central to rational planning is the availability of reliable expectations about the effects of various possible strategies. Much of the analytic effort expended in development economics is directed toward this goal. Economists have assembled a variety of modeling techniques that are designed to work out the probable consequences of various possible policy interventions. Economic models are used to simulate the effects on a complex national economy, situated within an equally complex international economic system, of various possible strategies. Computable general equilibrium models (CGE) are among the most sophisticated of these systems.1

**Heterogeneous goods**

Economic development planning (like most other areas of policy formation) is aimed at multiple goods, superficially at least. (It may be possible to consolidate these goods to some extent.) Consider these goals: increasing the national wealth (GNP); modernizing industry and agriculture; improving food security; improving the well-being of all members of society; improving the provision of health and education services; reducing poverty; securing the conditions for stable democracy; ameliorating inequalities of income, power, status, and wealth; preserving and enhancing environmental quality; improving the well-being of future generations; effecting a transition to “sustainable” economic activity; and so on. There are a variety of social welfare goals—for example, economic growth, industrial modernization, improvement of social welfare across the board, and improvement of welfare of the poor. There are environment goals—for example, environmental protection and sustainable development. There are equity goals—distributive justice among different groups in society and intergenerational justice. There are political goals—securing the conditions of democracy, establishing a stable and responsive government, securing electoral support for the regime in power, avoiding popular unrest. These goods are diverse and non-subsumable; so we must consider how multiple goods can be incorporated into the planning process. And we must consider how the priority of the poor is to be accommodated to the undoubted importance of other development goals as well.

The goal of economic development can be described rather briefly, it might appear: to promote a process of social and economic change leading to sustained improvement in the average welfare of society. And the central characteristics of this process are easy to describe as well: modernization of industry and agriculture, technical and organizational innovations leading to rising labor productivity, and establishment of efficient economic institutions. Development economists are inclined to summarize these features of

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1 See Taylor, ed. 1990 for an extensive description of CGE models, as well as a number of useful applied models.
development in this way: economic growth is aimed at increasing per capita national income, and this occurs as a result of the introduction of modern technologies and efficient market institutions within a stable political context. “Economic growth refers to a rise in national or per-capita income and product. . . . Economic development, in addition to a rise in per-capita income, implies fundamental changes in the structure of the economy” (Gillis et al., 1987). To this “growth and modernization” stance at least some development economists will add an equity goal as well: income inequalities should be managed in such a way that the benefits of growth have a positive effect on all participants.

This simple description needs amplification, however. To start with, how are we to characterize the good of society? Social welfare theory brackets this problem by assuming something like a classical theory of utility; the goal of social policy is to maximize social welfare. This approach is probably too single-dimensional even for steady-state policy problems. But economic development involves massive social, technological, and economic change over an extended period of time, and it involves a set of heterogeneous goods. So a single dimension of “welfare” is inadequate as a basis for reasoning about development policy.

Consider the following list of goods: average and total national income; income shares disaggregated across social classes; life expectancy and morbidity (again, average and disaggregated); rising literacy and educational levels; broadening the scope of individual liberties; extending the scope of democratic decision-making; the welfare, health, and liberty of future generations; improving the equity of distribution of resources and incomes across regions, groups, and classes; preserving and enhancing environmental quality; and conserving natural resources. Each of these is a good thing; it would be desirable to improve each variable as a result of a given development policy choice. Unfortunately, two facts are relatively clear. First, these goods are largely heterogeneous; there is no common measure to which they could be reduced (e.g. utility). So we do not have the simple option of choosing that policy that maximizes utility across all these goods. And second, there are substantial conflicts among them: policies that favor some of these goods harm others. (There is debate within the development world, for example, over whether democratic institutions may not make the structural adjustments required by economic development difficult or impossible; so we are forced to choose between democracy and efficient growth. For a review of this debate see (Haggard, 1990; Kohli, 1986).) If some strategies strictly dominated others with regards to these goods, then the problem of choice is relatively simple: the former are strictly preferred to the latter. Most commonly, however, it will be the case that policy options are mixed, with policy A doing better than B with regard to good $G_m$ but worse with regard to $G_n$.

If we are to make calculating choices in this circumstance, our options are limited. We might try to find a common measure for all the goods—which looks impossible. We might try to arrive at a set of priority rules ranking the goods of development: always favor an improvement in $G_n$ over an improvement in $G_m$. This would be to give lexical priority to $G_n$ over $G_m$ (as Rawls assigns lexical priority to liberty over welfare (Rawls, 1971)). In general, however, it is difficult to justify a lexical ranking of goods, since this implies that any miniscule improvement in the higher-ranked good will justify massive losses in the inferior good.
Third, we might try to assign a rough and ready scheme of weights to the various goods (perhaps changing in different stages of development and at different levels of provision of the various goods). This option allows the policymaker to consider tradeoffs among goods: is a substantial savings of rain forest sufficient to justify a modest reduction in rights of political association? Is a modest increase in individual liberties sufficient to justify delaying poverty alleviation by a generation? This suggestion gives rise to a microeconomic approach. We might conceive of each of these goods—income to each group and environmental bads—as individual commodities and then construct a series of indifference curves between each pair of goods. These curves establish the “price ratios” of each good against every other, for every level of provision of the goods: the ratio of marginal quantities of each we are willing to exchange.

![Figure 1. Indifference curves for income and environment](image)

Panel A represents the idea that we will accept large environmental costs in order to achieve relatively small increases in incomes to the poor—when those incomes are very low; whereas we will require greater improvements in the income of the poor in order to accept a unit of environmental cost at higher levels of income. But the elasticity of environment with respect to the poor is high throughout the range; a small percentage of change in incomes to the poor is sufficient to justify a larger percentage of change in environmental quality. By contrast, the indifference curve in panel C embodies a low elasticity of environmental quality with respect to incomes to the non-poor.

This approach raises a difficult problem of interpretation, however: whose indifference curves are thought to be represented here? It is one thing to postulate individual indifference curves among commodities, based on observed price behavior. It is quite another to postulate a “social indifference curve” analogous to a social preference ranking. Presumably this problem is subject to the same sorts of impossibility results as arise within classical social choice theory. We might attempt to finesse the problem by regarding the policy-maker’s indifference curve as the social ordering as well (this is the “dictator” strategy; (Arrow, 1963)). To the extent that we want economic development policy to derive from a democratic process, we need to have some way of aggregating individual preferences into a social preference function.

Finally, we might offer a mix of the last two approaches: rank some goods lexically and the rest according to a scheme of weights. Thus, for example, we might set a minimum level of poverty alleviation and basic democracy that must be satisfied before we begin sacrificing further advances in these goods for the sake of resource conservation or environmental protection.
The point of this discussion is messy but important: the policy-formation process cannot be adequately characterized in terms of a simple utility-maximizing framework of decision-making. There are heterogeneous goods that must be accommodated within the process; there are problems aggregating individual preferences into a social preference function; and the policy process is extended in time within a stochastic world, with the result that the planning process requires constant readjustment.

The poverty-first dictum

The central thesis of this book is an extended argument for putting the poor first in economic development policy. This amounts to something like the following:

- Economic development policies, both domestic and international, should be structured in such a way as to give highest priority to improving the welfare of the poor in developing countries.

Let us now attempt to formulate the poverty-first dictum more carefully. In terms of the discussion of heterogeneous goods in the previous section, I will defend this principle as involving a segmented hierarchy of the goods of development. Improving the welfare of the poor is to have lexical priority over all aggregate income improvements—in particular, over growth in per capita GNP. Poverty alleviation is to have a heavy weight in comparison to important non-welfare goods of development (resource conservation, environmental quality), particularly at low levels of income to the poor. And the interests of today’s poor are to be weighted more heavily than tomorrow’s poor, through a time discount function. Let us examine each relationship more closely.

The lexical priority of poverty alleviation over GNP growth reflects the idea that the needs of the poor are more urgent than those of higher income groups. Rising GNP per capita entails that average income is rising as well. But we can infer nothing from this fact about the behavior of incomes of the various income groups. It is entirely possible for increases in income to be concentrated in higher-income groups. The distribution of the fruits of growth depend entirely on the character of the distributive institutions in place in the developing economy. And it is not only possible but historically common that a widening income stratification will accompany growth, with the result that the poorest 20 to 40 percent of income earners show little or no improvement; their incomes may even fall absolutely as a result of worsening income inequalities (Fields, 1980).

It is important to mark the implications of this ranking. An increase in per capita GNP means an increase in overall social welfare: some groups, at least, derive higher incomes as a result of growth in national income, and this increase will have positive effects on their welfare. Moreover, there is no reason to suppose that the beneficiaries of growth are limited to the idle privileged classes; it may be, for example, that a growth-first strategy has a greater impact on the welfare of the near-poor than either the poor or the rich. (This would be true if the chief result of growth was a rising demand for modern-sector labor, leading to an increase in the size of this class and the real wage; (Fields, 1980).) And on any account these improvements are important and desirable. Increase in income to the near-poor may mean that families are able to keep their children in school longer, to provide better nutrition and health-care, or to avoid the imperatives of child labor. Putting the poor first may entail that we select a policy option that provides a small improvement in the welfare of the poorest, at the cost of a much larger
improvement in the welfare of the near-poor, and this is a substantial cost. Nonetheless, I will defend this ranking of the priority of the poor over the rest of society, though it may be that others would prefer only to give greater weight to improvements to lower income categories (Chenery et al., 1974).

Whatever justification there is for giving lexical priority to poverty alleviation over average growth, it does not extend to non-welfare goods such as environmental quality or resource conservation. It is utterly implausible to maintain that any small improvement in the condition of the poor would justify even massive environmental harm (e.g. burning down the Brazilian rainforest in order to create more cultivable acreage for the landless poor). What does seem true, however, is that increments in the welfare of the poor should count for more than increments in average welfare or the welfare of the non-poor in assessing environmental costs. The urgency of the needs of the poor would seem to justify environmental costs that improvements of the welfare of the non-poor could not justify. At the same time, this position requires that we make a calculating decision about possible tradeoffs between benefits to the poor and costs to non-welfare goods: the higher the non-welfare cost, the greater must be the benefit for the poor.

The reason why environmental quality and resource conservation appear more weighty than growth or average welfare seems to derive from a cross-temporal or cross-generational consideration. Environmental quality is a public good for persons of the present generation, but it is also a public good for persons of future generations. And the value of that future good depends on the development and consumption choices made by the present generation. Whatever else intergenerational justice requires, it demands at least that we should give some weight to important future interests in all our choices. Therefore it cannot be that the welfare of today’s poor trumps any consideration of environmental cost. But here the asymmetry of time creates a new problem. Tomorrow’s environmental quality is not a public good or a private good for today’s consumers. So we must postulate that consumers and policy makers take some altruistic interest in the welfare of later generations; otherwise environmental quality may be expected to decline rapidly.

This brings us to the final priority identified above: placing relatively greater weight on improving the welfare of today’s poor over tomorrow’s poor. Here I am making several assumptions. Most important is the assumption that poverty alleviation is occurring through a carefully structured process of economic growth. This guarantees that the condition of tomorrow’s poor will be better than today’s poor. Consider figure 2 once again describing hypothetical trajectories of three strategies in terms of the income flowing to the poorest 40%. Strategy WF leads to an immediate improvement in income.

2 The situation is not quite as desperate as this scenario might suggest, however, in that poverty-first growth strategies may be expected to have positive effects on the near-poor as well. This is probably an instance of the situation that Rawls describes in his presentation of the difference principle: focusing on the welfare of the least-well-off leads to reforms that have the effect of pushing the whole income ladder upward.

3 Hollis Chenery suggests an even simpler scheme: a linear utility function in which income is disaggregated over deciles, with lower deciles having larger coefficients than higher deciles. This has the effect of weighting improvements in lower-income groups more heavily than improvements in higher-income groups; Chenery et al. 1974.
to the poor. Strategy LF produces a slower rate of improvement in the first several decades. After 40 years the curves cross; after this point the real income of the poor is higher on strategy LF. By that time, however, the deprivation of the poor is no longer as severe as it is today; real incomes have doubled by this point. On both strategies, we may suppose, the poorest strata have access to health care, adequate nutrition, and secondary education. A temporal discount of future benefits gives us a way of giving immediate improvements in welfare greater weight than future improvements; at the same time, however, it rules out the situation in which extremely small improvements in the present trump massive improvements in the future.

Consider one final difficult comparison of heterogeneous goods: this time the tradeoff between welfare of the poor and overall social well-being indicators such as infant mortality or longevity. Suppose we are faced with a pair of policies, one of which confers a bundle of additional resources on the poor, whereas the other provides for an across-the-board increase in social health subsidies. And suppose that the predictable consequences are these: Plan A leads to higher income and welfare for the poor, which in turn produces an improvement in health indicators. This improvement amounts only to a small percentage increase in average well-being, however. Plan B leaves incomes as they were but produces a uniform improvement in health status, with a larger percentage increase in health indicators for society as a whole. Both plans lead to socially desirable outcomes; so how should we choose between them?

Here too I take the position that improving the welfare of the poor should receive greater weight than improving average social well-being. But this position does not at all amount to diminishing the importance of the latter. It is certainly a good thing to improve the health status of the near-poor, the non-poor, and the rich. Given, though, that there are insufficient social resources to achieve all good things, we need to have a way of comparing the relative urgency of the choices before us. And the following is a strongly supportable generalization: one’s position within the scheme of income inequalities within a typical developing society is a very good indicator of one’s performance on non-income indicators such as health status or longevity. Low-income groups have sharply poorer access to food, health care, and literacy, with the result that their health status is dramatically lower than the social average. Thus longevity, infant mortality, and morbidity are strongly associated with income, and raising the incomes of the poor may be expected to have a substantial effect on their health status. (K. Nagaraj documents this sort of pattern in his analysis of infant mortality in Tamil Nadu (Nagaraj, 1986).) This circumstance has two implications. First, the poverty-first approach is likely to have the greatest overall effect on health status for a particular group. And second, the improvements that occur do so at the level where they affect the most urgent human needs. It is always a good thing to add five years of life expectancy to a group average; but such an improvement is more significant when it takes the form of increasing the average from 45 to 50, than from 60 to 65.

Intergenerational justice

A second topic in the normative framework of development policy concerns the problem of taking present and future interests of society into account—the problem of
intergenerational justice. Suppose we are confronted with two development choices. The first policy package leads to an immediate and gradual improvement in the welfare of the poor, followed by slow but steady growth over the next 50 years. The second policy package leads to some decline in the position of the poorest 40%, then gradual improvement and medium steady growth for the next 50 years. Finally, suppose that the welfare of the poor on the second plan passes that of the first plan after 30 years. (This can best be visualized in the form of a graph of incomes flowing the poor over time.) Considered with strict temporal neutrality the second plan is preferable to the first; for an historically brief time the first dominates the second, whereas for the rest of time the second dominates the first. The gains achieved by the future poor vastly (perhaps infinitely) outweigh the sacrifices of today’s poor.

On the other hand, we might reason along these lines. The needs of today’s poor are extremely urgent. Infant mortality is high, morbidity is high, literacy is low, nutritional status is compromised, and so on. Today’s poor need immediate attention. Tomorrow’s poor deserves consideration as well; but their condition will be better than that of the poor today. Therefore we should give first priority to poverty alleviation for today’s poor, and then turn to improving the prospects of later generations.

Both these arguments have a certain amount of force. (Ideally, of course, it would be preferable to adopt the poverty alleviation strategy for the first 30 years and then switch effortlessly to the growth strategy. But this may not be feasible; the technological and institutional innovations needed for the first may not support the second.) So how are we to resolve the issue; shall we maximize utility over time—thus favoring the growth strategy? Or shall we maximize the welfare of today’s poor—thus favoring the poverty-first strategy?

One possible line of analysis involves introducing a time discount function. If we discount future utilities by even a low rate, then large gains in the distant future will not outweigh small gains in the near future. Moreover, if we do not discount future utilities, then we should always favor investment over current consumption—at every point in time. So a time discount is mandatory. But setting the discount rate high or low is a substantive moral issue, and we need to have a justification for our choice.

The way we treat this issue makes a great deal of practical difference in the kinds of development plans that we favor. If the present generation gets strong priority, then there will be less investment in productive assets and more in current consumption—food grain subsidies, free health care and education, and the like. On the other hand, if we favor future generations very heavily over the present generation (as might be justified by a temporally neutral social choice approach considering a large number of generations), then we will choose a mix of strategies heavily biased toward longterm investments in productive assets.

Distributive justice in development

We now have a reasonably clear idea of what is meant by the principle of poverty-first development. But why should we think that this principle is acceptable? Why should we put such a high priority on the alleviation of poverty? Why is poverty such a singularly important problem, demanding our immediate and highest attention for remediation? We think of poverty as synonymous with low income, implying material deprivation; and none of us would choose to live in the material circumstances of the poor. But we can say more than this about the bad of poverty: there is a fundamental relationship between poverty and obstacles to human development. It is not merely that
the poor are able to consume less than the non-poor; it is that they are less able to develop their full human potential. Poor or absent medical services lead to illness and premature mortality; poor education and illiteracy lead to stunted intellectual achievement; long and tedious work hours (when available) give rise to demoralized everyday experience; and the social stigma of shabby dress, poor housing, and low status employment lead to a failure of self-respect. So poverty is a unique bad in its concentrated destructive effects on the realization of the full human capacities of the poor: it is not just that the poor have a lower standard of living, but that they live less than fully human lives.

A. K. Sen’s writings have contributed much to clarification of the bad of poverty. In his lectures on the standard of living Sen (Sen and Muellbauer, 1987) distinguishes between a commodity-based definition of the standard of living and a “human functioning” view of well-being. His central insight is that we are centrally concerned with human beings in possession of a bundle of human capabilities which can be either realized or impeded through the economic and social environment in which the person is located.

What reasons can be put forward to defend the poverty-first position? It might be argued, against this position, that all members of society should be treated equally; and this means that no group should receive priority. So privileging the poor is unfair and contrary to a principle of equality of treatment. Instead, it might be insisted that improving average welfare should be the goal, or that equal proportional increases in welfare for all income classes should be the goal. Or again, one might hold that poverty alleviation is a good, to be sure; but it is only one out of many important social goals, and should receive no more weight than other important goals—e.g. environmental goals.

In this section I will consider a number of arguments for giving priority to poverty alleviation over other social goods in development planning. None of these arguments is wholly compelling. But taken together they give strong reasons for giving high priority to improving the welfare of the poorest strata of society.

Arguments for the “poverty first” dictum

A welfare argument

There is a straightforward social-welfare rationale for putting the poor first. Suppose that we postulate a utility-based social welfare theory and we maintain that policies should be constructed so as to maximize average social welfare. The difference between the poor and the non-poor is that the former have less income. By almost any measure there is a declining marginal utility of income: the utility gained by expending an additional dollar in a high-income situation is less than that gained by expending a dollar in a low-income situation. Therefore we can maximize social welfare by biasing policies in the direction of increasing incomes flowing to the poor.5

This approach has very strong implications for distributive justice. Consider the simplest case in which we have a set of n income groups and an amount of incremental income M to distribute. The assumption of diminishing marginal utility of income entails that utility is maximized when incomes are equal across groups. Utility is maximized, then, if income is redistributed to achieve income equality across groups. If

5 R. M. Hare makes an argument along these lines in “Ethical Theory and Utilitarianism” (Sen and Williams, eds., 1982, p. 27).
we impose the constraint that no existing incomes can be redistributed (reflecting individual entitlements that cannot be changed), then utility is maximized by directing new sources of income toward raising incomes of the poorest groups. It can be shown that the increased utility produced by the expenditure of $M$ is maximized by raising incomes from the bottom up: raising the income of the last group to the level of the second-lowest group; then raise this group up to the level of the third-lowest group; and so on until the resources are exhausted.\(^6\)

It might be noted that this finding is sharply at odds with a common criticism of utilitarianism: that the principle of utility is indifferent to distribution (Rawls, 1971). This is true in one obvious sense: the principle is indifferent between cases in which the same amount of utility is distributed over a small minority or diffused over a large majority. However, when we turn to consideration of the distribution of resources, along with the law of the diminishing marginal utility of resources, we get a strongly egalitarian conclusion: utility is maximized by distributing resources more equally.

**An urgency argument**

Social welfare theory is generally premised on a theory of utility as subjective preference. The good to be achieved through social choice is the satisfaction of individual preferences—whatever they are. If we adopt this theory of the good that is the ultimate object of social choice, then it is difficult to see why resources should be biased toward the poor. The poor will enjoy greater utility through expenditure of these resources, to be sure; but this gain will be accompanied by a comparable loss in preference-satisfaction by the non-poor, and the net sum will be zero. To put it as simply as possible, the poor will be able to purchase a more nutritious bundle of foods, but at the cost of the non-poor being less able to purchase textbooks for their children’s schooling and of the rich being less able to furnish their homes as they desire. The gains to the poor are balanced by the losses to the non-poor. Therefore it is impermissible to privilege the poor; instead, the equality of persons requires that development should be neutral between all persons’ preferences.

This argument turns on a subjective theory of welfare. Well-being is simply the level of preference-satisfaction an individual achieves—whatever the content of his or her preferences. My preference for truffles should receive as much weight as your preference for clean water. However, a number of philosophers have argued that an *objective* theory of welfare is superior. (See, for example, (Scanlon, 1975), (Griffin, 1986), (Braybrooke, 1987), and several authors in (Sen and Williams, 1982).) On this approach, we ought not to be neutral among subjective preferences. Instead, we should distinguish between basic and non-basic preferences on the basis of a theory of how the objects of preference relate to human needs at a variety of levels. It is a natural fact about human beings that they need clothing, food, and shelter. Somewhat less fundamental are

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\(^6\) Strictly speaking this finding only applies on the assumption that we are dealing with a purely allocative problem, and development is *not* solely concerned with allocation of consumption resources. The goal of much development spending is not to directly increase welfare through expanded consumption, but rather to create the possibility of future expansions in welfare through investment in the present. However, we saw above that there are distributive choices that planners must make; and this finding shows that social welfare is increased by favoring distributive outcomes that narrow inequalities by raising the welfare of the poor.
needs for education, health services, and retirement security. Likewise, humans need meaningful work, opportunities for satisfying social relationships, the grounds of self-respect, and free political activity. Finally, it might be said that persons need varied opportunities for entertainment and sport, access to libraries and parks, access to means of communication (telephone, television, personal computer), and access to the marks of status and public acceptance—attractive clothing, fashionable running shoes, or a mountain bike.

It is fairly clear that there are important differences in the needs listed here. If it is a choice between providing malaria pills to a cohort of Bangladeshi toddlers or the latest Air Jordan sneakers to a cohort of Boston teenagers, it is not difficult to argue that the former should take priority over the latter. And this remains true even if we imagine that the net preference-satisfaction produced by the sneakers is equal to that produced by the malaria pills. (Indeed, it might well be that the Boston teenagers feel intensely deprived, whereas the Bangladeshi toddlers are so demoralized that they would experience no subjective deprivation if the pills were not available.) The harder question is whether this distinction can be generalized. Is there a basis for holding that certain needs are more important than others?

Thomas Scanlon offers the distinction between urgent and non-urgent needs as an effort to make sense of this sort of example. The general idea is that certain needs are more fundamental than others because they are closer to the preconditions of continued existence. Scanlon’s own analysis is somewhat undetailed. But A. K. Sen’s discussion of capabilities provides a more developed basis for generalizing this notion. On Sen’s account, the most fundamental notion involved in human welfare is the idea of normal human functioning and the capabilities that must be realized to permit this level of functioning (Sen and Muellbauer, 1987).

Let us attempt to generalize this approach. We can analyze urgency of needs in terms of the centrality of the capability that a certain good serves in the attainment of full human functioning. I will define a need in terms of the goods, resources, or institutions that are necessary for realizing some aspect of a fully developed human being. And one need is more urgent than another if it is a prerequisite to the achievement of a feature of the full human personality that is prior to the feature satisfied by the second need. For example, food is more urgent than education because a poorly fed child may die, whereas a poorly educated but well-fed child will survive. Likewise, primary education is more urgent than access to libraries, because children who lack primary school will never be able to make use of libraries. (See (Braybrooke, 1987) and (Griffin, 1986) for extensive development of the conception of need and objective interests.)

If this distinction between urgent and non-urgent needs is viable, then we have a distinctive basis for justifying the poverty-first principle. Both poor and non-poor have a range of needs that are not yet satisfied. But the poor have a much lower level of satisfaction of urgent needs than the non-poor. And development planning ought to be biased toward satisfying urgent needs prior to non-urgent needs.

This line of thought looks most plausible when we consider the extreme cases—e.g. malaria pills versus sneakers. But it should be noted that other cases are more difficult. For most of the non-poor in developing societies are still possessed with a range of relatively urgent needs: higher quality food, more comfortable housing, access to secondary school, and so on. These are not trivial human needs; to the contrary, their satisfaction is mandatory in pursuit of full human functioning. And so the tradeoff to be
considered is between satisfying the very urgent needs of the poor versus the moderately urgent needs of the non-poor. And it is not self-evident that justice requires that we give absolute priority to the former; on the contrary, it is persuasive to suppose that large improvements in the latter might justly be chosen over small improvements in the former.

**A fairness argument**

We might motivate a priority for the poor along these lines: anyone would favor this principle in advance if uncertain whether or not he or she will be among the poor. So fairness dictates that we should embody this principle in economic development policy. This is a line of thought that follows John Rawls’s construction of justice as fairness.

This approach can be developed further through discussion of Rawls’s own principle of distributive justice, the difference principle (Rawls, 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. (Indeed, Rawls suggests that the “circumstances of justice” do not emerge until rather late in the process of economic development (Rawls, 1971). (Pogge, 1989) and (Beitz, 1981) have each borrowed some elements of Rawls’s theory in their own theories of international justice.) 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.

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” (Rawls, 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 “primary 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 primary
goods converges nicely with the idea of “basic-needs” satisfaction and the fruition of human capabilities that A. K. Sen has offered (discussed above).

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.

A human rights argument

Finally, we must consider whether there is a human rights basis for favoring the poor over the non-poor in economic development. (Henry Shue adopts such a position; (Shue, 1980).) This line of thought flows rather naturally from considerations raised concerning urgent human needs. Consider the following argument. All human beings have a right to access to the minimal goods needed to satisfy basic human needs. This right entails that if we are confronted with a group whose basic needs are not currently satisfied and if there are alternative plans that lead either to increased satisfaction of basic needs or to satisfaction of other persons’ non-basic rights, we should choose the former.
The poor do not have a high level of basic-needs satisfaction. They therefore have a right to priority in development planning until their basic needs have been satisfied. Therefore development planning should give priority to improving the incomes flowing to the poor.

**Assessment**

There is thus a family of converging arguments that support giving priority to poverty alleviation. At the same time, we have seen that there are other important goals within the development process as well. The program of “putting the poor first” must therefore be formulated rather carefully, and the doctrine cannot reasonably be construed as requiring lexical priority over all other social goods.

**Conclusions on normative issues**

Let us regroup. Economic development is an instance of goal-directed public policy, in which certain goods are selected as goals, and plans and strategies are adopted so as to bring about those goods. Here I have focused on several normative characteristics of this process.

First, I have drawn attention to the complex nature of the goals of development. There are heterogeneous goods to be advanced, these goods have shifting characteristics over time, and the goods themselves may be construed as reflecting either the preferences of specific individuals (policy makers) or society at large.

Second is the problem of the role of justice, and normative considerations more generally, within the policy process. Is it reasonable to assume that assumptions about justice and fairness have some motivational effect on policy makers? Or are we forced to adopt the somewhat cynical perspective of narrow public choice theory, according to which officials are assumed to pursue their only own private interests? I have offered reasons to believe that normative commitments can be motivationally effective, while recognizing the importance and frequency of policies driven by the latter sorts of motives. This argument has a substantial practical import, since it means that philosophical discussions of the justice of development may in fact affect the policy process.

The paper then turns to the substantive content of development policy. I hold that justice requires that development should put a high priority on improving the welfare of the poor. While recognizing that there are many legitimate goods to be furthered in development, I argue that poverty alleviation should have the greatest weight. More fully, improving the welfare of the poor should have lexical priority over average growth, it should have a substantial (but not lexical) weight in comparison to intertemporal goods (environment, resources), and today’s poor should receive greater weight than tomorrow’s poor (through a time discount function).

It is one thing to advance such a view and quite another to defend it. In the final portion of the paper I argue that poverty is the most important consideration within the development process because of the intimate connection between poverty and the fulfillment of human capacities. The poor are not merely relatively deprived; they are blocked from achieving full realization of their human potential. This basic perspective is then further articulated through a series of arguments that converge on the conclusion that the poor should receive highest priority: a social welfare argument, an urgency argument, a fairness argument, and a human rights argument.
Existing economic development strategies

Are there viable strategies of development that privilege the poor? This section begins with a discussion of what would constitute an alternative: an alternative must be both economically feasible and superior in performance of poverty-alleviation objectives. I then turn to a range of economic policies and programs that show some promise of satisfying both criteria: asset redistribution, entitlement reform, employment-expansion policies, agricultural development, and expansion of state-funded amenities for the poor.

What does development require?

What are the goals of rural development in the less developed countries? Several emerge from the development literature: to increase the net national income; to increase the productivity of the agricultural sector; to increase per capita income; to reduce rural poverty; to reduce hunger; to support a process of industrial development and urbanization; and so forth. Different development strategies affect these goals in different ways; and perhaps more importantly, different strategies have dramatically different consequences for the various strata of society in the less developed country. Different development strategies produce different sets of winners and losers. It is insufficient, therefore, to speak only of “modernization” or economic growth; it is necessary also to consider the effects on inequalities between various social classes that accompany a given development strategy.

It is possible for rural development plans to successfully increase agricultural productivity and per capita rural incomes, and yet simultaneously increase stratification and poverty at the bottom end. These effects raise serious problems of distributive justice and social policy. This paper has three main parts. First, it presents a schematic account of some of the considerations of distributive justice relevant to rural development. Second, it considers the tendencies concerning distributive justice that are contained in development schemes that work primarily through investments in private farming systems (capitalist development schemes). These schemes have a tendency to increase farm productivity and per capita income while at the same time increasing inequalities and creating a “surplus population” of rural poor. Finally, the paper considers socialist rural development plans that are designed to avoid these tendencies towards inequality and rural poverty. The paper considers whether such devices as fundamental land reform, producers’ cooperatives, and collective farming can potentially lead to a process of rural development that successfully increases agricultural productivity while at the same time reduces inequality and poverty at the lower end.

Let us consider briefly the main tasks of rural development in any developing society. Central among these are raising farm output, enhancing food security, and increasing rural incomes. A second set of goals involves improving equity in the distribution of wealth and income. Finally, developing economies are concerned with various aspects of economic modernization, including particularly the introduction of more efficient production technologies and the facilitation of structural transformation from traditional production sectors to modern production sectors.

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1 We need also to ask, whose goals: local political authorities, international lenders, U.S. foreign policy makers, or local people?
There is another aspect of development policy formation that is often overlooked by development economists; this is the role of political goals within the development process. Regime stability, security interests, and the domestic political interests of the ruling party all play an important role in development policy formation in the developing world. And in many states—China, for example—we may add to this list the set of ideological goals that have driven policy at various points: creation of a new man, reducing the social importance of material incentives, and enhancing the prestige and leadership role of the regime in power.

What is required in order for these development goals to be achieved? First, it is evident that most of these goals require the introduction of innovations increasing productivity in agriculture, particularly of land and labor. This is the kernel of truth in Schultz’s arguments about traditional agriculture; through long adaptation, traditional agriculture had adjusted in such a way as to extract the highest possible yields from traditional technologies and inputs. In order to enhance food security it was necessary that grain outputs should increase at faster than the rate of population increase, and this required the introduction of modern technologies and inputs into cultivation. These include particularly adoption of modern seed varieties, chemical fertilizers and pesticides, power machinery, electrification, and the extension of irrigation.2

A second means of development has to do with the organization of the institutions of production: the size of the unit of production, the investment funds available to the unit, the incentives defining the environment of choice of the participants, and the role of market processes in directing production decisions.

A third means of development focuses on the infrastructure of the rural economy: the efficiency and cost of transportation, the marketing system, and the system of grain storage. Here the role of the state is generally reckoned to be large in any developing country, since these features of the economy have many of the properties of public goods. But in an economy in which a fifth of the harvest may spoil during storage or in which the cost of transport from rural market to urban consumer is equal to the cost of growing the grain, development in these areas can have a major effect on output.

Through what policy tools might a state within a developing society attempt to reform technology, organization, and infrastructure? There are various dichotomies available: for example, plan versus market, compulsion versus voluntary adoption, or national policy versus regional variation.

Development orthodoxy

There is a more or less coherent development orthodoxy today. The central assumption of the development gurus is that growth in per capita income is the fundamental goal of economic development and that efficient markets, privatization of economic life, and a severely restricted role for the state in welfare and economic regulation are the central means. On this approach, economic development is a largely technical process involving the improvement of market institutions, price reform, and free-market entrepreneurial activity. Growth and efficiency are preeminent. Free markets and privatization are emphasized. And it is generally held that distributive goals should not intrude; the state is regarded as a predatory, rent-seeking agency which almost

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2 See Mellor (1976) and Hayami and Ruttan (1971) for discussion of the problems of implementing new technologies in agriculture in the developing world.
inevitably interferes with efficient growth. A chief goal, therefore, is to minimize the role of the state—including subsidies and welfare systems. Market institutions should be permitted to select the most efficient techniques of production, products, and uses of resources.

Three pure strategies

This section presents a very simple spreadsheet model on the basis of which to focus our thinking about the tradeoffs that exist between growth, equality, and poverty. Consider the time profiles of three pure strategies: growth-first, poverty-first, and immediate welfare improvement.

LF laissez-faire growth: choose those policies and institutional reforms that lead to the most rapid growth: unfettered markets, profit-maximizing firms, minimal redistribution of income and wealth.

PF poverty-first growth: choose those policies and institutional reforms that lead to economic growth favorable to the most rapid growth in the incomes flowing to the poorest 2 quintiles

WF immediate welfare improvement: direct as much social wealth as possible into programs that immediately improve the welfare of the poor (education, health, food subsidies, housing subsidies)

These strategies are stylized and reflect a set of assumptions about the dynamics of growth and distribution. (Distribution is measured by the percentage of GNP flowing to the poorest 40%.) I have assumed that the LF strategy has a consistently higher rate of growth, that PF begins with a growth rate 1% lower than LF, and that WF begins 2% lower (5%, 4%, 3%). I have assumed that each growth rate begins to fall in later decades (reflecting the notion that exponential growth is not permanently sustainable). Second, I have assumed that both LF and PF show a Kuznets-U pattern of distribution over time, with inequalities increasing and then declining, but that PF declines less and recovers sooner. Figure 4 illustrates these assumptions. On the basis these assumptions I have computed GNP and income to the poor for each strategy over a fifty-year period; the results are provided in panels C and D of figure 4.
Several points emerge clearly from inspection of these graphs. First, the laissez-faire strategy succeeds in accomplishing its central claim: it produces a substantially higher GNP at the end of the 50-year period—a 33% advantage over the poverty-first strategy and a 110% advantage over the welfare-first strategy. Over the long term (75-100 years) all income groups are better off with the highest growth rate strategy: even though this strategy gives the lowest relative share to the poor, the more rapid increase in total GNP more than compensates. From the point of view of the welfare of the poor over the bulk of the period of development, however, the LF strategy does less well. For the first twenty-five years the incomes to the poor are higher on both the PF and the WF strategies—even though LF’s GNP is substantially ahead of both alternatives. Second, in the near short term (0-25 years) the poorest groups are most advantaged by the

3 Empirical data suggests, however, that this process may be extremely slow. In 1971-75 Brazil had 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.
immediate-welfare strategy. During this period incomes to the poor improve very slowly on the WF strategy, and improve significantly on the PF strategy. The critical period, though, is the medium term. In this period the poverty-first strategy passes the immediate-welfare strategy, and it retains the advantage over the maximize-growth strategy as well. The immediate-welfare strategy loses ground in the medium term because it has made too little productive investment in the national economy and has directed too much of the available surplus toward immediate welfare improvement. Incomes to the poor then stagnate (along with GNP as well) and improve only slowly from this point on.

This exercise has several important lessons. First, these idealized strategies show that development policy forces us to choose among various things: average income versus income to the poor; rate of growth versus rate of improvement in welfare of the poor; improvement in the present versus well-being in the future. Equally importantly, however, the exercise shows that if we pay attention only to efficiency and growth, the interests of the poor in the short and medium term will not be well-served. Third, this example makes it clear that privileging the interests of the poor does not entail neglecting economic growth. It is plain that sustained economic growth is the only longterm solution to the problem of poverty. National economic plans that work primarily toward channeling existing income into welfare assurance plans have shortterm benefits but promise longterm stagnation. (This may be the case of Sri Lanka in the 1970s and 1980s.) Only if a national economy is able to produce substantially greater per capita income and wealth will it be possible to create and sustain a process of improvement in the condition of the poor. This example makes it clear that other things being equal, economic growth is desirable from a poverty-alleviation point of view. Growth makes possible a sustained improvement in the income and welfare of the poorest strata of the developing economy. But whether that improvement occurs or not depends on the particular characteristics of the growth process and the institutions and institutional innovations through which incomes are distributed. If growth is stimulated by capital-intensive investment for world markets, there will be only sluggish increase in the demand for labor, which means that the pool of modern sector labor will expand only slowly and modern-sector wages will rise only slowly. To give lexical priority to poverty alleviation, then, entails that we should rank strategies by their impact on the income and welfare of the poor, irrespective of overall growth rates.

Equally important, however, the exercise shows that if we pay attention only to efficiency and growth, the interests of the poor in the short and medium term will not be well-served.

These lessons also suggest that economic development planning should be time-sensitive. In a distributive environment in which there is extensive poverty and deprivation, policy should sacrifice some economic growth in exchange for more rapid improvement in the welfare of the poor. As the situation of the poor begins to improve substantially the mix of policy tools should then adjust toward a higher-growth strategy. And in fact there is a mixed strategy that suggests itself upon reflection. It would certainly be possible to shift the balance of strategy priorities over time, favoring the poor in the early stages and favoring growth in later stages (as the absolute welfare of the poor improves substantially). This would be a time-sensitive strategy: choose poverty-first strategy while there is widespread abject debilitating poverty; begin to shift to growth-
first strategy as the poor pass the level of abject poverty in order to maximize the well-being of the least-well-off in future generations.
Conditions of adequacy for alternatives

This research is put forward in the spirit of a practical policy recommendation for developing countries and agencies. This means, however, that these recommendations must be subject to appropriate feasibility conditions. There is no value in a description of a desirable goal if there are no feasible means through which to arrive at this goal. It is possible, for example, that the prescriptions of an ideal theory of justice—Rawls’s formulation of the difference principle, for example—are inaccessible from certain starting points and a given set of constraints on policy. These considerations dictate that recommendations in this area must be subject to appropriate feasibility conditions. There is no value in a description of a desirable goal if there are no feasible means through which to arrive at this goal. The most general way of putting the requirement of feasibility is this:

- a goal is feasible if, given everything we know about social and economic processes and the motives and actions of typical agents, there is at least one pathway through which agents could act in such a way as to bring about the goal.

The ultimate test of the policies associated with the poverty-first prescription, then, is this: Do these policies lead to the desired outcome? Are they feasible, given the constraints of individual motivations and the workings of political and economic institutions? And are these policies consistent with the long-term interests of humanity—the requirement of intergenerational equity?

Incentive feasibility

Economic change unavoidably occurs as the net effect of the independent activities of vast numbers of agents: consumers choose commodities based on incomes and prices, producers choose products and techniques on the basis of their expectations about future prices, and government agencies act on the basis of perceived interests of the agency. It is not possible for policies to be mandated by government without attention to the incentives, opportunities, and constraints that the policy will create for participants. There are substantial costs of enforcement that rise steeply the more contrary a given policy is to the interests of the agents whom it affects.

The central constraint is this: we may assume that agents have private interests (income, security, wealth, access to health care) that have a substantial or even dominant motivational role, and that agents are opportunistic: they will select strategies that permit them to take advantage of existing institutions and markets in such a way as to advantage their private interests. Policy instruments and goals that require that individuals ignore their private interests are infeasible (absent substantial coercion).

Consider the example of collective agriculture in China in the 1960s. Collective farms were created involving large tracts of land and the pooled labor of 100 to 300 farm families. The goal of this system was to reduce rural inequalities and to enhance efficiency through economies of scale. However, collective farms turned out to be highly inefficient, due in part to incentive problems: family income was determined largely by the average productivity of the collective, and there was little relation between quality and intensity of work and income. Each worker had little incentive to work efficiently or
intensively, since the added product that resulted from higher quality work had the effect
of raising the social average only slightly. The result was low quality work of low
intensity. This is sometimes referred to as the "easy-rider" problem. ((Oi, 1989;
Putterman, 1985); see also essays in (Nee and Stark, 1989) for elaboration.)

Political feasibility

Policies are implemented by governments, and governments are subject to a variety
of political constraints. Within a democratic electoral system governments are
unavoidably concerned about the effects of various policies on the electoral blocs upon
which they depend; so it is difficult for a government based on the support of rice farmers
to abolish input subsidies. But there are political constraints within authoritarian regimes
as well. Such regimes rarely have sufficient power internally to dominate the whole of
civil society, but depend rather on the support—explicit or implicit—of various interest
groups within society. Once again, it is difficult or impossible for such a government to
implement policies that are inimical to the interests of the groups upon which it depends.

In this context we may distinguish between varying levels of state autonomy with
respect to powerful elites. In some instances a powerful group—for example, a
landholding elite—may be in a position to simply determine state policy—through its
dominant presence in a legislature, its ability to capture the presidency, or through other
familiar mechanisms. In a wider range of cases, however, powerful elites will be in a
position to block various possible state initiatives, without being in general able to dictate
terms to the state. (For general theoretical discussions of this point see (Nordlinger,
1981) and (Migdal, 1988); for application of this approach to Indian politics see (Kohli,
1987).)

Political feasibility constraints do not entail a wholly conservative development
agenda, or one that is unavoidably hostile to the interests of the poor. For it is possible
for disenfranchised groups to acquire political influence, permitting them to pressure
governments to adopt policies that offend previously dominant groups. In order for this
progressive outcome to occur, however, it is mandatory that there be some pathway by
which the interests of the disenfranchised are converted into effective political resources.

Consider an example derived from Adam Przeworski. Suppose that our theory of
justice dictates that the just society requires democratic socialism. And suppose the
central constraint is that policies must be adopted and implemented within the context of
democratic electoral institutions. Then Przeworski offers an argument to show that the
socialist outcome is inaccessible from a starting point in which capitalist property owners
exist; for a socialist regime may be voted into office, but once it begins to implement a
program of socialist reform it elicits a strategic reaction from capitalists that produces
economic crisis; during the crisis a reform capitalist program can outbid the socialist
reform program for electoral support; and the process of socialist reform is interrupted
(Przeworski, 1985).

Economic feasibility

A third constraint on poverty-first development strategies is economic: we must
have good analytical reasons to believe that a given set of policies will in fact have the
desired economic effects. The problem of institutional design—the creation of property
arrangements through which efficient, modern agriculture may proceed while serving the
ends of equity and welfare—is a knotty one. Moreover, it is a commonplace that
economic policies often have unforeseen and perverse consequences. For example,
suppose that we are interested in raising incomes to unskilled rural workers. We might consider introducing minimum wage legislation in farm labor. Assuming that labor-hiring farmers are faced with choices of crops and techniques, this policy may well have the effect of reducing demand for unskilled labor, leading in the end to a decrease in demand for labor and lower overall incomes flowing to workers in this sector.

A second feasibility constraint concerns economic growth. Economies with low per capita incomes are incapable of improving the welfare of the poor very much. So economic policies that are chiefly redistributive will fail in alleviating poverty; greater equality will mean little more than spreading poverty more evenly. Instead, the policies that are chosen must have the effect of producing sustainable economic growth. This means, in particular, that development strategies must be productive of sufficient growth as to permit expansion in real incomes. If a given recommendation has the predictable effect that it will lead to economic stagnation, then it is disqualified by this constraint.

**Intergenerational constraint**

A final constraint is normative, but derives from the interest that each generation has in the wellbeing of the next. This is the requirement that the policies adopted should be broadly consistent with the interests of future generations; policies adopted today ought not be such as to guarantee harm for future generations. Several factors fall under this consideration: resource utilization and conservation; preservation of air and water quality; preservation of wetlands and rain forest; sustainable patterns of urbanization and urban development; and sustainable population policies.
Viable poverty-first development strategies

Property relations, political power, and distribution of income

Entitlements and the social-property system

A central argument here is that the distributive characteristics of rural development schemes are largely determined by the specifics of the institutional arrangements through which these work, including chiefly the form of ownership of land and the distribution of political power. I will thus be working within a framework of analysis that identifies the social relations of production, and system of surplus extraction that they represent, as the fundamental determinant of the distribution of income, wealth, and political power.¹

We may distinguish broadly between two families of development strategies: those that funnel development through existing property relations and political power alignments and those that involve a redistribution of property and political power in favor of the dispossessed. In the circumstances of many parts of the less-developed world, the existing property relations define an agrarian class structure based on highly stratified land ownership, and existing political institutions that are highly responsive to the political organizations of the elite defined by this property system. Somewhat oversimply we may say that “Laissez-faire” strategies of development are those that aim at diffusing technology, new investment funds, expertise, etc., through these existing private property arrangements, and then let the distributive chips fall where they may. “Poverty-first” strategies undertake to alter these fundamental institutional arrangements in such a way as to confer more power, autonomy, and welfare on the least-well-off strata of rural society.

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

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¹ This framework is very elegantly described by Robert Brenner: “Class structure . . . has two analytically distinct, but historically unified aspects. First, the relations of the direct producers to one another, to their tools and to the land in the immediate process of production—what has been called the ‘labour process’ or the ‘social forces of production’. Secondly, the inherently conflictive relations of property—always guaranteed directly or indirectly, in the last analysis, by force—and by which an unpaid-for part of the product is extracted from the direct producers by a class of non-producers—which might be called the ‘property relationship’ or the ‘surplus extraction relationship’. It is around the property or surplus extraction relationship that one defines the fundamental classes in a society—the class(es) of direct producers on the one hand and the surplus-extracting, or ruling, class(es) on the other” (Brenner 1976:31).
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.

**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 production for exports, 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). This line of thought suggests that developing states need to evaluate possible industrial strategies in terms of the net employment effects of the various alternatives. In a perfect neo-classical world it would be unnecessary to address this problem, since a labor-surplus economy will induce entrepreneurs to select labor-intensive products and techniques. However, many developing states have introduced a bias toward capital-intensive innovations through state-subsidized credit for industrial investment. And in circumstances where investment funds are undervalued, there will be a tendency for capital-intensive innovations to dominate, leading to slack demand for labor.

We may also consider public works employment as a state-financed effort to increase the demand for labor, while at the same time increasing the stock of public assets (irrigation systems, roads, etc.). There is disagreement over the net effect of such programs. John Mellor argues that public works programs have only a limited role to play in large economies like that of India (Mellor, 1976). Given the vast size of the Indian rural labor force, even large budget expenditures will have only a marginal effect on rural welfare (Mellor, 1976: 101). Mellor concludes that public works expenditures are most likely to have enduring effects in regions in which other forms of agricultural development are proceeding as well: extension of irrigation and multiple cropping, new seed varieties, and chemical fertilizers. In these circumstances the assets created by public works expenditures can have a positive effect on other improvements in agricultural productivity.

More recent observers of the Indian rural economy are more positive about public works programs. Atul Kohli describes one such program in West Bengal that had a substantial effect on landless workers (Kohli, 1987: 137). And Dreze and Sen
emphasize the importance of public works programs as an instrument of famine prevention, by providing emergency entitlements to endangered households (, : 113-15).

**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.) This implies, then, 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. Development policies that are designed to increase the productivity of agricultural labor and to extend the demand for labor in the rural sector will have the effect of inducing a rising trend in agricultural incomes.

Developing states have generally neglected agriculture, for a variety of reasons. (Indeed, Nick Lardy argues that this is true of China as well; (Lardy, 1989).) First, there is the now-familiar urban bias, and a related preference for industrial development over agricultural development. Second is an inference about the longer term process of economic development, and the inevitability of structural transformation: if the longterm pattern is for a dwindling of agriculture’s share within modernizing economies, then there is some reason to think that investments in industry rather than agriculture will be more productive. And finally, there is an argument about the relative value of agricultural products versus manufactured products that suggests, once again, that the state should channel investment into the expansion of manufacturing. Each of these arguments, however, seems to be wrong. A smaller agricultural sector may nonetheless be increasingly productive—thus justifying continuing investment in agriculture. Improving agricultural productivity is an important component of a national policy of enhancing food security. Progress in agricultural development may be a necessary macroeconomic condition for development in other sectors. Finally, improving the productivity of agriculture is the only plausible way of improving the incomes flowing to agricultural workers in the foreseeable future, since urban employment cannot expand rapidly enough to absorb a sizeable percentage of the rural workforce. The upshot, then, is this: the developing state needs to reverse the anti-agriculture bias that is common in the developing world. It needs to make adequate investment funds available to the rural sector, through credit institutions that are broadly accessible. It needs to organize and fund a variety of agricultural infrastructure projects: agricultural research, roads and market facilities, extension services, and extension of irrigation facilities. And it needs to pay adequate attention to the institutions of land tenure that are in place within the rural economy.

**Investment in human capital assets for the poor**

A fourth important policy option for a developing state is to increase social spending on programs that enhance human resources of the poor: education, job retraining, health care, public health measures, and nutritional status. A related way of enhancing the productivity of the poor is to improve the quality of the infrastructure assets to which they have access: clean water, roads, market facilities, irrigation systems, electricity, and telephone service. The chief asset controlled by the poor is unskilled labor. Policies 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. This avenue represents a major role for the developing state: substantial state resources
need to flow into rural education and health programs—with the result of improving both the current welfare and the future productivity of the poor.

Finally, in this context we need to consider as well direct state expenditures on welfare-enhancing programs such as food subsidies for the poor. The immediate goals of such programs are varied: to enhance the food security of the poor, to improve nutritional status across large population groups, or to reduce the likelihood of food-crisis unrest. Two points emerge as particularly salient in the context of poverty alleviation, however: first, food subsidy programs are costly but economically feasible (contrary to the “getting the prices right” orthodoxy), and second, they can have substantial effects on the welfare and nutrition of the poor. The budgetary costs are high but not prohibitive, and problems of targeting are difficult but not insuperable. These considerations suggest that a poverty-alleviating state will give careful consideration to food subsidies as a policy instrument for improving the welfare and productivity of the poor. At the same time the problems of economic analysis and policy design are highly complex in this area, since the macroeconomic effects of food subsidy programs are both substantial and difficult to anticipate.

Each of these forms of public support involves the expenditure of state resources on public and private assets available to the poor: education, health care, public health programs, roads, market facilities, and food subsidies. 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 rural 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. Dreze and Sen (1989) provide a vigorous defense of public policy spending directed to the alleviation of hunger and poverty.)

Public amenities

Another 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.)

Agrarian reform

What is agrarian reform? It is a process through which property relations and political powers are redistributed in such a way as to favor the interests of the rural poor. Ronald Herring puts the point this way:

For an extensive discussion of the role and variety of food subsidy programs see Pinstrup-Anderson, ed. (1988).
Agrarian reforms worthy of the name transform rural society through alterations in the property structure and production relations, redistributing power and privilege. (Herring 1983:11)

The political obstacles to agrarian reform are obvious, both in theory and in history. For as we have already argued, agrarian reform is directly contrary to the economic interests of the politically powerful. Thus agrarian reform appears to presuppose a dramatic increase in the political power and influence of the rural poor. And secondly, the problem of institutional design—the creation of property arrangements through which efficient, modern agriculture may proceed while serving the ends of equity and welfare—is a knotty one. In the next section, therefore, I turn to a brief consideration of some of the possible features of an agrarian system that is efficient, equitable, and oriented towards the welfare of the least-well-off.

Rural development through socialist agriculture

Is it possible to design a process of socialist rural development that (i) is largely just on the criteria above; (ii) that is likely to be successful; and (iii) that works within the constraints of political power and individual motivation and consent? In this section I will discuss the problem of designing cooperative institutions as an alternative to the institutions of private property and capitalist farming.

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.3

My discussion is guided by three constraints. First, cooperative institutions need to be technically efficient; they ought to work at least as well as private enterprises at planning, investing, allocating resources, and the like. Within a capitalist farming system, each farmer aims at producing a profit within a market-defined environment of choice. Thus investment decisions are made by private owners (influenced by state policy); labor discipline and organization is administered by supervisors employed by the capitalist farmer; and incomes are distributed by market forces. This system has some admirable features leading to efficient allocation of resources (along with the grave distributive defects noted above). So cooperative institutions need to be designed in such a way as to efficiently satisfy these economic functions.

Second, cooperative institutions should embody a system of incentives that effectively elicit voluntary cooperation by individual producers. The goal of agrarian reform is to advance the welfare and security of rural people through cooperative and democratic institutions; so it is critical that institutions be designed in such a way as to elicit the willing participation of rural people as they are. These incentives are various: the complex of cooperative institutions should successfully improve the material wellbeing of participants, and they should be sufficiently stable as to lead participants to the confidence that these institutions will persist over the foreseeable future. If these conditions are not satisfied, then we should expect defection to private activity, low-

3 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.
quality contributions, and low levels of commitment to the cooperative enterprise; and these flaws may stimulate more coercive efforts by the central authorities.

And finally, such institutions ought to embody the idea of “producers’ democracy”, according to which the economic and political decision-making process is responsive to the interests and preferences of the producers. An important goal of agrarian reform is to replace the economic and political power of the rural property-holding elite with the power of the dispossessed. And the institutions that emerge ought to provide a concrete experience of democratic self-administration for rural society.

Some of the tasks for cooperative institutions in rural society include these:

- Organization of the production process at the enterprise level:
  - allocating local resources efficiently—money, tools and equipment, land and water resources, and labor time.
  - securing sufficiently high levels of labor and management contribution through appropriate incentives, material and political.
- Planning:
  - collecting resources for investment;
  - making prudent investment decisions;
- Central authorities:
  - avoiding privatization of the economic and institutional process—e.g. misappropriation of resources and power by cadres;
  - coordinating marketing arrangements.

The obstacles to a rational and equitable process of agrarian reform are several. First, there is the problem of pre-reform distribution of political powers. Existing elites have both the interest and the opportunity to defeat and sabotage fundamental reform. Second, the problem of designing effective and fair institutions is non-trivial, and may be expected to require an extended time of experimentation and error. Finally, even with well-designed institutions there will unavoidably be a period of transition which will pose potentially disruptive problems. There are substantial problems of transition; if property arrangements are to be significantly altered, various players will have counterproductive incentives during the transition. For example, if oxen are to be confiscated in the next period, then the owner of the ox has no incentive to keep the ox alive; he may consume it, drive it to death, or in other ways attempt to make use of its value before confiscation. More innocently, as new institutions come into existence it is necessary to rally support from various segments of rural society for them, and this requires raising public confidence in their efficiency, fairness, and stability.

The earliest demand voiced by the rural poor is for fundamental land reform—a “land to the tillers” program. The goal of such a program is to level out land ownership by confiscating the holdings of large landowners and distributing them to the land-poor and landless. The result of such a program in most environments is a system of peasant proprietorship of small plots worked with family labor. Fundamental land reform addresses several of the chief aims of agrarian reform: in particular, it addresses the problem of rural inequality and it substantially reduces or destroys the political power and influence of the rural elite.

A program of fundamental land reform by itself is insufficient, however, because it fails to address problems of efficiency. Small holdings with inadequate access to credit
are not a feasible basis for modern high-yield agriculture; but without sustained development in agriculture, it will be impossible to raise either average welfare or the welfare of the least-well-off stratum. Moreover, a peasantry that has achieved the patchwork of smallholdings implied by this system will politically oppose further transformations of the agrarian system.

This observation suggests that we need to consider other institutional reforms that do not simply amount to a return to classical peasant production, but which reflect the goals of equity and democratic control of society’s assets. This brings us to the question of cooperative institutions and socialist rural development. Is it possible to devise institutions through which investment decisions can be made and investment funds collected; through which collective goods (e.g., irrigation projects) can be planned and implemented; and through which larger-scale technologies can be acquired and efficiently used by producers?

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.

Assessment

The argument to this point may be summarized in these terms. The fundamental determinant of the distribution of income within an economy is the set of property relations through which production occurs. Property relations in the less developed world are typically highly stratified, with a small class owning the majority of wealth (chiefly land). Ownership of wealth confers both high income and substantial political power; so large wealth holders are able to absorb innovations and to influence the political process of planning in a way advantageous to their interests. In most developing economies there is significant stratification of landholding, with consequent stratification of income. In an agrarian economy, land ownership is the primary source of income. So
without land reform, it is difficult to see how the lower strata of rural society will be able to improve upon their distributive share of income generated by the rural economy. From this we may draw something like an inference: development that proceeds through existing economic and political institutions will tend to reproduce and perhaps intensify inequalities between classes. This analysis suggests that if we are interested in a process of development that reduces the structure of inequalities, it must be grounded in a set of institutional reforms that redistribute property rights and political powers. In a word, development strategies that aim at reversing inequalities must embody a program of agrarian reform.
Domestic politics of development

In this section I turn to a discussion of the obstacles and opportunities that stand in the way of poverty-first economic development policy, focusing on domestic politics within the LDC. It is noted that economic development plans and policies produce winners and losers. In a poverty-first policy the winners are the poor, whereas the losers are the non-poor, including economic elites. However, economic elites generally have substantial political influence, whereas the poor characteristically have little. Reverse-stratified programs are thus politically difficult to implement. I then consider whether the development of more extensive democracy in the third-world, with political empowerment of the poor, is a feasible means through which poverty-first development policies might be introduced.

What obstacles stand in the way of “poverty first” development?

Arguments above make it credible 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 so 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. The benefits of a poverty-first 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. And these arguments are even stronger when we turn our attention to the feasibility of entitlement reform and agrarian reform. The political obstacles to agrarian reform are obvious, both in theory and in history. For as we have already argued, agrarian reform is directly contrary to the economic interests of the politically powerful. Thus agrarian reform appears to presuppose a dramatic increase in the political power and influence of the rural poor; and in fact successful largescale land reforms have only occurred in politically exceptional circumstances (post-war Taiwan and Korea, post-revolution China). The outcome of a process of rural reform through existing political arrangements will be sharply tilted towards the economic interests of the rural elite. So long as this elite retains decisive political power, the goals of land reform are difficult to achieve.
Thus Ronald Herring writes, “Land to the tiller is a direct attack on private property and seems to presuppose an organized and militant peasantry, a revolutionary situation, or some extraordinary concentration of power, perhaps from outside the indigenous political system (as in Japan and Taiwan)” (Herring, 1983: 50). This line of reasoning suggests that a successful policy of land reform requires very exceptional circumstances; in any nation in which the dominant political and economic elite is the landowning class, land reform looks very improbable.1

**Local power and the politics of development**

In addition to analysis of the property relations defining economic activity and interests it is also necessary to provide an analysis of political power at the local and national level. Given that different strategies affect local interests differently, and given that the strategy chosen will result from a complex political process involving various affected parties, it is crucially important to know what players will be most able to influence the goals and implementation of the development plan.2

Thus it is necessary to locate the process of rural development within the broader context of class politics and political power in the LDC. As one particularly salient example, consider the political prospects for a program of land reform within a national politics dominated by the rural elite. Land reform runs contrary to the most fundamental interests of the rural elite, and this elite generally has substantial or even decisive political power. Land reform can only be the outcome of a political process—either through the exercise of state power or through revolutionary action on the part of land-poor peasants. If it is the former, however, the interests of the individuals, coalitions, and organizations involved will play a determining role in the way in which institutional changes are adopted, and the various players have greatly unequal powers.3 In this context it is worth recalling the situation of land reform in the Philippines today: a popularly elected president who is also a major land owner has put forward a moderate proposal for limited land reform, and expects it to be adopted and implemented by a

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1 Somewhat different analysis is needed for a large and complex nation such as India. In this case there is a much broader range of political powers and interests at work, with a substantial urban sector whose interests may sometimes join with those of the rural poor against the rural elite.

2 In what is otherwise a stout denial of the claim that the Green Revolution has exacerbated inequalities, Hayami and Ruttan write, “It is a common observation that, in a society characterized by extreme bias in economic and political resources, it is difficult to bring about institutional reforms that are biased against those who possess substantial economic and political resources. A disproportional share of institutional credit and subsidized inputs will, in such situations, be directed into the hands of the larger farmers. . . . It is extremely difficult to implement institutional changes that are neutral or biased toward the poor in a society characterized by extreme inequality in economic resources and political power” (Hayami and Ruttan 1985:360).

3 “Although land reforms are universally argued for in terms of social justice and economic efficiency, the political reality in South Asian societies is that such reforms are promulgated by ruling elites largely composed of, or structurally or electorally dependent on, agrarian elites” (Herring 1983:3).
legislature dominated by a landholding elite. Predictably, the proposal seems likely to die young.

It would appear likely, therefore, that the outcome of a process of rural reform through existing political arrangements will be sharply tilted towards the economic interests of the rural elite. So long as this elite retains decisive political power, the goals of land reform are difficult to achieve. Thus Ronald Herring writes, “Land to the tiller is a direct attack on private property and seems to presuppose an organized and militant peasantry, a revolutionary situation, or some extraordinary concentration of power, perhaps from outside the indigenous political system (as in Japan and Taiwan)” (Herring 1983:50). This line of reasoning suggests that a successful policy of land reform requires very exceptional circumstances; in any nation in which the dominant political and economic elite is the landowning class, land reform looks very improbable.4

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owner put forward a moderate proposal for limited land reform, and expected it to be adopted and implemented by a legislature dominated by a landholding elite. Predictably, the proposal had little success.

A second illustrative case involves the Indonesian military government’s exploitation of the Indonesian economy in the 1960s. In order to retain the loyalty of army personnel the New Order government tolerated a variety of “unconventional” means of financing, including particularly the state oil corporation, Pertamina (Crouch, chapter 11). Revenues from Pertamina were shrouded in secrecy during the 1960s, with the clear implication that they were captured by military personnel. “The funds made available by Pertamina enhanced the power of the army leaders, who were able to distribute rewards according to political requirements” (Crouch, 277). Likewise, Indonesia’s rice logistics agency (BULOG) was controlled by army officers and had substantial control of resources. “Although Bulog’s performance in procuring and distributing rice left much to be desired, it was very successful in providing opportunities to raise funds for the army as well as individual officers” (Crouch, 280). Crouch summarizes his analysis in these terms: “The economic policies introduced by the government in 1966 and afterward brought great benefits to the commercial enterprises with which army officers were associated” (Crouch, 299). In each of these cases we find instances in which critically important institutions within the Indonesian economy have been captured by elites (the army, in this case), and resources used in ways that primarily benefit those elites rather than the bulk of society.

What sorts of agricultural policies resulted from New Order economic policies? Village studies of rural change in Java indicate 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 created administrative forms capable of penetrating local society—replacing both traditional village arrangements and the interest-group organizations of the early 1960s (Husken and White, 1989 :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, 1989, : 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 much World Bank assessment. And this picture suggests, in turn, that Indonesia’s rural policies are tilted in favor of the rural elites with whom the government hopes to ally itself.

**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,7 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

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7 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).
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.

More democracy?

Can broader political participation improve the situation of the poor? 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.

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. Arguments in the previous section reflect the truism that governments dominated by economic elites may be relied upon to adopt policies that favor those elites. So what prospects are there for the emergence of poverty-first economic strategies? Two general possibilities are most salient. First, a successful revolution based on a competent peasant-based revolutionary party can result in pro-poor strategies (for example, China). But successful revolutions are rare, and revolutionary governments that succeed in sustaining their underclass orientation are even more uncommon. The second possibility is more promising, given the rapid changes in world

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8 “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).

9 “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).
politics in the late 1980s: the extension of democracy into the governing institutions of LDC governments. This 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.

The promise of democracy from a poverty-centered approach follows from a very simple argument. The poor are numerous. As parties compete for electoral support they have an interest in adopting policies that favor the interests of the poor. Therefore we should expect a tendency for state policies to begin to accommodate the economic interests of the poor, and to begin to redress the anti-poor tilt that is characteristic of traditional politics. There is a realistic core to this optimistic argument, but it is oversimple in this formulation. More extensive democracy can be a central means of furthering poverty-first economic development. But it is also clear, both empirically and theoretically, that broad-based electoral democracy does not unavoidably result in conferring political influence on the poor.

First, it is a familiar fact in the democracies of the developed world that economic elites manage to retain disproportionate influence within a democratic electoral system. Elites have privileged access to the instruments of political influence—education, literacy, campaign finance. Elites are able to oppose political strategies through the threat of capital strike. And elites are compact groups, so that their collective action problems are more easily handled than those of more numerous groups. These considerations suggest that elites are well-positioned to defend their economic interests within an electoral competition—with the result that they will be able to preserve the benefits of pre-existing anti-poor biases in economic policies.

Second, to the extent that non-elite groups emerge as politically significant it is possible, perhaps likely, that the groups that stand to gain the most political influence through democratization are not the poor, but the near-poor: urban workers and consumers, better-off farmers, and the like. And the interests of these groups are not identical with those of the poor. Consider one example of a process that is almost ubiquitous in the developing world: the political influence of civil servants, urban workers, and urban consumers. These groups have an interest in securing food price policies that guarantee lower food costs; they have an interest in development strategies that enhance urban amenities (transportation, sanitation); and they have an interest in wage policies that favor them. Further, these groups are well-positioned to back up their demands with effective political action: mobilization around political parties, personal and political relationships with government officials, and the threat of urban unrest. So it is common to find that LDC policies reflect an urban bias: food price policies, provision of infrastructure, and wage policies that favor urban workers and civil servants. These politically-created benefits have the effect of improving the material welfare of these groups—but at the expense of the rural poor. The result of these policies is to depress the market-determined incomes of farmers, to reduce the level and quality of amenities flowing to the rural sector, and to further exacerbate the wage differentials between rural

10 See Miliband 1969, Miliband 1977, Miliband 1982, and Cohen and Rogers 1983 for developed analysis of these points.
and urban sectors. A consequence of this line of analysis, then, is to raise the possibility that more democracy may in fact reduce the amount of attention the poor (and particularly the rural poor) receive within the politics of development policy.11

Consider one final question-mark on the role of democracy within development. Electoral democracies are reasonably effective in mobilizing groups in defense of their economic interests, and the results bear the mark of this process: it is difficult to implement policies within an electoral democracy that impose economic hardship on politically effective groups. But development (and economic reform more generally) unavoidably involves hardship for various social groups. So the question arises: Do effective political demands within the context of an electoral democracy paralyze development? The answer to this question depends a great deal on institutional variables below the current level of discussion: the political competence of existing parties, the ideology and commitments of the governing party, the quality and effectiveness of leadership, the level of confidence the electorate has in a regime’s intentions and competence, the character and goals of existing sub-party organizations, and the details of parliamentary institutions.12 The strongest conclusion that can be drawn on the basis of the recent experience of Poland, for example, is that it is possible to implement an aggressive program of reform through democratic means, but that the political pressures build substantially as the reform program begins to impose hardships on the populace. Moreover, there are instances elsewhere in Eastern Europe (Hungary, for example), in which governing parties have not succeeded in putting together strong electoral support for a unified program of reform; in these cases, gridlock appears to be a very possible outcome.

These arguments are not intended to discredit the significance of democratic institutions in furthering a poverty-first economic strategy. Indeed, it is unlikely that such a strategy will emerge except through an effective, politically competent demand for such a strategy by the rural poor, supported by an effective and administratively competent party strongly committed to its interests. But democratization is not the only ingredient of a successful poverty-first policy, and arguments in preceding paragraphs are designed merely to show that it is quite possible for democratic electoral mechanisms to lead to outcomes that neglect the poor or are positively biased against them.

Atul Kohli’s *The State and Poverty in India* (1987) provides a basis for understanding the political conditions in which democratization is likely to result in poverty alleviation. On the basis of a comparative study of three Indian states (West Bengal, Karnataka, and Uttar Pradesh), Kohli 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 critical variable is the type of regime

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11 See Michael Lipton’s *Why Poor People Stay Poor* (1976) for extensive analysis of some of these mechanisms.

12 These issues have been most actively discussed in the past few years in the context of the reform processes currently underway in Eastern Europe: Poland, Hungary, and Czechoslovakia. See Przeworski (1990), Kornai (1990), Cohen (1989), and Nove (1983).
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.

This line of thought suggests, then, that effective state policies aimed at poverty alleviation are most likely to come into place within a context of effective electoral democracy, in the presence of an administratively competent party of the poor.
Agents of development

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.

International politics of development

This chapter turns to the international politics of development. Development takes place within an international environment. The international economy sets firm constraints on economic development within the LDC through prices and world demand for LDC products. International financial agencies—banks and multilateral and bilateral lenders—provide scarce access to credit, with consequent leverage on LDC development policy. And advisory and donor agencies, again multilateral and bilateral, exert a fair amount of influence on the direction and character of LDC development policy. Arguments above were offered to show that it is desirable that LDC development policy should be biased toward the poor. This chapter discusses some of the ways that international institutions might be employed to encourage this bias on the part of LDC governments. It also discusses the security implications of continuing rural poverty for the industrialized nations of the North.
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.
Conclusions on the future of poverty reform

How do these various considerations relate to our central concerns for food issues in this group? I intend to underline three basic points here. First, I hold (along with many of the people whose expert views we have heard through the past several years) that the world food crisis is basically an income problem, not an agricultural technology problem. Poor people do not have sufficient access to food; and poor people are poor because of the structure of property ownership and employment opportunities that are embodied in their societies. There is a fairly plausible view that agriculture produces food; so if the less-developed world is hungry, a solution is to increase the productivity of third-world agricultural systems. However, the arguments offered here suggest that the diagnosis is inaccurate and the remedy ineffective. It is fully possible to increase agricultural productivity without substantially affecting the occurrence and intensity of poverty (low-income population) in less-developed countries. Depending on the particulars of the local property system, the benefits of modernization may well flow almost exclusively to those segments of society that are already well-fed. By emphasizing the centrality of the institutions that determine income distribution, then, our attention is led to a consideration of the institutional arrangements through which agricultural modernization takes place; primarily the property relations that are so central in the distribution both of income and of political influence.

Second, I have emphasized the extreme difficulties that face the task of introducing agrarian reform into a society already highly stratified along the lines of land ownership. It would appear that the most promising strategy is one of attempting to increase the political militancy and power of the rural poor; to the extent that they can make their demands for reform politically influential, agrarian reform becomes more plausible.

Finally, I have suggested that there are models of rural development that do not work through private property and traditional political elites, and that have some promise as remedies to inequality and poverty in the countryside. Fundamental land reform, production cooperatives, democratic economic institutions, and sophisticated market socialism appear to represent a viable alternative route to modernized agriculture and economic development.

Strategies

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.
References


