Part I. Poverty in developing countries

In spite of over forty years of respectable growth in the economies of the less-developed world, 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 paper 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. I will begin with a somewhat more 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. This point becomes centrally important 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 will then turn to a consideration of some of the strategies of development through which poverty-first development might occur. And I will close with a briefer discussion of the political obstacles that stand in the way of poverty-first development.
The poverty-first dictum

Before proceeding further it is necessary to attempt to formulate the poverty-first dictum more carefully.¹ I 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 true in the common circumstance where a strong consequence of growth is 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

¹ More extensive discussion of the normative basis of this argument is contained in my essay "Normative Constraints on Economic Development Theory” (Little, 1991).
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

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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.
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 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 between 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
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.

**Income and distribution**

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 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.

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.

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

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4 “The average value of infant mortality rate in Tamil Nadu—which in itself is quite high—conceals a great deal of variation across different social classes with the socially disadvantaged sections having an above average value of IMR” (Nagaraj 1986, p.33).
of income flowing to quintiles and upper deciles; however, this data is only available for a minority of reporting countries. 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. 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 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). 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\(^5\) 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.\(^6\)

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\(^6\) Purchasing-power parity is a measure of income that takes into account differences in prices in different economies.
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 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.\(^7\)

Rural poverty: causes

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. 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.\(^8\)

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\(^7\) 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.

\(^8\) 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
The centrality of institutions

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. Thus Hayami and Ruttan write:

The potential gains from technical change set in motion both private and bureaucratic efforts to capture the gains from technical change in the form of institutional rents rather than allowing the market to partition the gains among factor owners and consumers. The possibilities for bias in institutional innovations are greatest in societies with highly unequal distribution of economic and political resources. (Hayami and Ruttan 1985 p. 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) 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 p. 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 p. 352)

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 (Barker, Herdt, and Rose 1985 p. 157). Barker comments that the decisive factor determining of assets (Bardhan 1988); while Sen's approach emphasizes the diverse opportunities for exchange that a given individual possesses (Sen 1981).
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, Herdt, and Rose 1985 p. 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.

*How do the rural poor earn their incomes?*

Turn now 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 1954 and 1972 (Rudolph and Rudolph 1987, p. 336). The well-being of the landless class 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, p. 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 Ramanchandran
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 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.

**Resource-poor areas**

The system of entitlements within a given regional economy is one important dimension of poverty. But another important dimension is cross-regional. 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 1977b); (Skinner 1977a). 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 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.

9 Walther Aschmoneit has constructed a Quality of Life index based on the Chinese 1982 census that bears out this pattern (Delman et al 1990).
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.)

Part II. Alternative 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, and expansion of state-funded amenities for the poor. These alternatives are then evaluated in terms of their performance on the criteria of success formulated above.

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 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.

Against this orthodox view, I assert that economic development that flows through existing private property relations has 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. (Consider the process of tax reform in this country: it is difficult to imagine a tax reform package working its way through Congress that effectively benefitted the bottom 40% of the population at the expense of the top 20%.)

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 would increase only if the demand for labor rose; 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.

**Conditions of adequacy for alternatives**

This book 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. 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 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.

**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 blocks 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.

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.

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.

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 of 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.

**Figure 4.** Three development strategies
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 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

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10 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.
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.

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.

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

Asset redistribution

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

Irma Adelman (Adelman and Robinson 1978) makes a strong argument for the need for redistribution of assets--before the period of rapid economic

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

12 Keith Griffin describes the requirements of a poverty-first strategy of development as involving the following elements: "(i) an initial redistribution of assets; (ii) creation of local institutions which permit people to participate in grass roots development; (iii) heavy investment in human capital; (iv) an employment intensive pattern of development, and (v) sustained rapid growth of per capita income" (1988:31).
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 and Kallab 1986) 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 (Chenery et al. 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—an 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.)

**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).

**Agricultural modernization**

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

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

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

**Public amenities**

A fourth important policy option affecting the condition of the poor is to attempt to substantially increase government spending on programs providing public goods that typically fail to reach the poor: clean water, roads, electricity, telephone service. Both these policies require the redirection of substantial state revenues toward the poor; in the first case, with the goal of improving the productivity of labor; and in the second, to improve the quality of life of the poor. But this in turn requires the expenditure of political power, which is likely to occur only in circumstances where the 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.)

**Socialist development**

There is, of course, a more radical alternative to poverty-first development; this is the example of China, and a sweeping program of socialist reform. The defects of centralized administration of a complex economy are now painfully obvious; but the possibility of alternative property systems, involving some state ownership, some cooperative ownership, and some private ownership, provide promising avenues of development which cannot be further developed in this context.¹³

**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.

¹³ 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.
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.

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

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 collective 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.14 It is therefore necessary to provide an analysis of

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14 "Although land reforms are universally argued for in terms of social justice and economic efficiency, the political reality in South Asian societies is that
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. In this context it is worth recalling the situation of land reform in the Philippines in the late 1980s: a popularly elected president who was also a major land 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.

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, p. 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.

These arguments suggest two important political conclusions: first, that poverty-first strategies require substantial use of state political resources to such reforms are promulgated by ruling elites largely composed of, or structurally or electorally dependent on, agrarian elites" (Herring 1983:3).

15 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).

16 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.
implement; and second, that this exercise of state power is most likely to occur in societies in which the poor have an effective political voice. (The exceptions to this point—Taiwan and Korea—are possible largely through the presence of a regime that is not encumbered by the political influence of landholding elites.) This in turn suggests that poverty-first strategies and third-world democratization movements need to flow hand in hand: regimes whose political base depends on support from the rural poor will be the most motivated to pursue a poverty-first program, and the most capable of implementing such a program; whereas the existence of such a program within a developing democracy provides a plausible basis for mobilizing further mass support for the poverty-first party.

Arguments provided above suggest that land redistribution (and entitlement reform more generally) 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 (Kohli 1987).

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. (Consider, for example, Kohli's penetrating analysis of the effectiveness of the Communist Party in West Bengal in pursuing a poverty-first development strategy; Kohli 1987.) 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.
Elites, domestic politics, urban bias

What are the constituencies for economic development policy? Elites, farmers, city dwellers, ...

Earlier arguments show extensive scope for poverty alleviation through state intervention; how can developing states be brought to choose such policies?

How can redistributive reforms be enacted?

more democracy?

Can broader political participation improve the situation of the poor?
The debate over authoritarianism and efficiency.

Do effective political demands paralyze development?

But 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.
References


