
The Politics of Redistribution with Growth

The 'target group' approach

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The main aim of **Redistribution with Growth** (RwG) is to offer "analytical tools" which will help to explain how it is that the poorest third of the populations of the Third World have received "little or no benefit" from the growth of their countries' economies in the last 10 to 15 years; and on the basis of this explanation, to indicate new kinds of policies which could reduce their poverty in the future. Both these aims are decisively affected by the report's political assumptions.

These assumptions may be summarized as follows. First, it is assumed that the Third World countries in question will continue to be predominantly capitalist societies, in which the distribution of income is primarily determined by the distribution of ownership of productive capital:

"... the income of any household is derived from a variety of assets: land, privately owned capital, access to public capital goods, and human capital embodying various degrees of skills" (p. 43).

(Although "access to public capital goods" is included in this list, it soon becomes evident that this is not thought of as likely to be an important determinant of household income.)

Second, the report assumes that political power in these societies will continue to be based primarily on the private ownership of capital. This comes out most clearly in chapter 3 which discusses the conditions under which the sort of policies envisaged by the report might be practicable:

"... in espousing the general principle of redistributing the benefits of growth, an essentially political judgment was made, which is thematic to the volume as a whole. This is that intervention which alters the distribution of the **increment** to the overall capital stock and income will arouse less hostility from the rich than transfers which bite into their existing assets and incomes" (p. 56).

Third, there is a related but distinct assumption that social revolution **ought** to be avoided. As an example of this we may take another passage from chapter 2, where it is argued that although redistribution of land is essential in rural areas, this is the only major form of asset redistribution which is really necessary or desirable.

"Beyond this essential minimum, a vigorous

policy of investment reallocation in a rapidly growing economy may well be a more effective way of increasing the productive capacity of the poor than redistribution from the existing system of assets, which is likely to have a high cost in social and political disruption" (p. 49).

Or consider this passage from chapter 3, in which it is argued that land redistribution is not only essential for rural income redistribution, but may actually reinforce the existing structure of political power:

"... there is the general thesis that once the peasantry's immediate demands for land are met, it will become a conservative force, a bulwark of the (new) status quo. Provided the process is controlled, therefore, land reform... can do much to alleviate the lot of the poor without tearing apart the fabric of society" (p. 61).

In other words, a high value is attached to preserving the existing social and political arrangements, the existing 'fabric of society'.

In short, the report is a highly political document and both its analysis and its recommendations must be read in the light of this fact.

The determinants of 'poverty'

According to the model put forward in RwG the income of the 'poverty groups' to be found in the Third World may be thought of as being determined by their lack of assets, i.e. land, privately owned capital, access to public capital, and human capital (skills). The report's theory of income determination departs, it is claimed, from that of both classical economics and Marxism, and neo-classical economics, in stressing that in the Third World most of those who are really poor are simply unable to have access to capital with which to work, either as wage labourers or as independent, self-employed producers owning or controlling the necessary modicum of the means of production. Consequently the report focuses primarily on various policies of investment which would bring together the means of production and the poor either by bringing the poor into an expanded labour force as employees of labour-intensive small firms, or by enabling them to become productive as small farmers or artisans of some sort.

But the report does not include in its theory of the determination of the income of 'poverty groups' the structural or political forces which in turn determine the existing distribution of assets.

For instance, it does not include the structures of political, legal and religious control which underwrite the appropriation of surplus from, say, small farmers, and not only prevent them from accumulating capital but, in many areas, force them to disinvest progressively until their initial stock of capital is largely exhausted. In the same way it considers as a determinant of the income of the poor the wages earned both in large-scale, 'modern' firms, and in small local firms, without considering the systems of anti-union legislation and political control which have so often helped to keep wages at a level below that required to maintain a family. A somewhat wider view appears in chapter 8, where the income-distribution effects of investment by multinational corporations is briefly considered, but by and large the global effects of the foreign ownership of capital are not matched by any very clear strategic proposals.

What all this means is that a rather narrowly conceived model of income determination defines a fairly narrowly restricted area of strategic action. This is not to say that the pursuit of the policies sketched within the restricted area would not **tend** to redistribute income in favour of the poor. But (i) so many of the major determinants of income distribution are left out that one must feel grave doubts that the policies proposed would, even if pursued, in themselves prove sufficient to make significant impact; and (ii) many of these same omitted determinants of income will also operate to prevent even the restricted policies envisaged in *RwG* from being adopted in the first place.

Because of the presupposition that poverty must be alleviated without disturbing the political power of private capital, it follows that the job must be primarily conceived of as something done **for** 'the poor', by (or with the consent of) 'the rich' (acting from enlightened self-interest, or fear).

This is summed up by the term 'target groups' which runs throughout the whole report.

The term 'group' as it is used here has nothing in common with the concept of group as it is normally used in sociology or political science. A 'target group' is not a body of people acting consciously together; on the contrary, it denotes merely a **category** of people on whose incomes a given redistributive measure should have a similar effect, through operating on a common cause of their low income level (e.g. all landless rural labourers, all unskilled unemployed in the towns). With this concept, therefore, we are far removed from any conception of change in which the activities and the consciousness of 'the poor' themselves are really expected to play a leading

part. It follows naturally from this that the authors explicitly reject the concept of **class** as relevant to the explanation or the abolition of poverty. They point out that those people who are **poorest** in Third World countries fall into various different classes, some members of which are less poor, and which in any case do not always form the necessary alliances to make a successful bid for political power. From this they seem to conclude that it follows that the poor can only be helped by being thought of in terms of a number of 'target groups' (or as I think it might be better to call them, 'object categories').

This conclusion, however, does not seem to me to follow. Because the poor belong to different classes, and because these classes have often not succeeded in developing effective alliances, or indeed effective political consciousness and political organisation, it does not follow that the poor are **more** likely to be helped by being reconceptualized as the possible recipients of redistribution at the hands of those who are currently dominating and oppressing them. Without in any way under-rating the difficulties confronting the workers' and peasants' class struggle in the Third World, one may still be inclined to think that it offers a great deal more likelihood of relieving poverty than anything else, and even that there is no serious alternative.

The point at issue here is well illustrated by a discussion in chapter 3 of the report on how 'the poor' may be 'mobilized' to support a redistributive programme of the kind it advocates. The impression this conveys of 'the poor' is of an apathetic and suspicious mass, deeply divided by notions of tribe, caste, religion and so on, who must be mobilized from above to give their support to redistributive programmes, and to help implement them. It is even proposed that intervention from above might take the form of official sponsorship of some sort of 'trade union' of the poor. Now this seems to me absurd, if not positively reactionary. I am not saying that there are no passive, alienated, politically fragmented and manipulated peasant and worker masses. But we need to remind ourselves that there have also been powerful, and in some cases large-scale and enduring examples of the mobilization of the impoverished masses. In a few cases, this has led to successes and major redistributive changes—notably in China, north Vietnam, and Cuba. In far more cases in the Third World so far, it has led to repressions and defeats. It needs to be pointed out that those who have tried to mobilize the poor have often been killed or jailed. The report talks about 'mobilizing the poor' while apparently forgetting that in Indonesia several hundred thousand Com-

unist Party supporters were murdered for taking part in such a mobilization.

In India the Telengan peasant movement, in the Philippines the Huk movement, in south Vietnam the Viet Cong and other opposition organizations have been suppressed with varying degrees of success. In southern Africa the liberation movements have been suppressed in the Republic, and in the Portuguese colonies have been opposed by the Portuguese army with equal ruthlessness with NATO support; Mondlane and Cabral were murdered. In Brazil, systematic murder is apparently now used as a normal political weapon against urban or rural revolutionaries, or those suspected of associating with them. All this is not meant to paint a lurid picture, but only to correct what seems to be a strangely unreal impression of the so-called poor of the Third World still awaiting the call to action on their own behalf. The fact remains that in Africa, Latin America and South-East Asia most governments closely control political activity and harass or suppress 'radical' parties, where political organization is not banned altogether. A question which the authors of *RwG* must answer, I think, is this: in how many of the 'considerable range of societies for which the (*RwG*) strategy is at least plausible' is it possible today to organize a radical socialist party? And where it is not, what can be meant by mobilizing the poor?

Pessimism and indeterminacy

A striking feature of the report's analysis of the possibilities of political action of the kind it proposes is that it is pessimistic about the actual number of countries in which a redistributive programme is at all likely to be adopted, about the number in which, if adopted, it would be pursued with any vigour, and finally, about the chances of even a vigorous effort succeeding. (I think this is a fair comment on the conclusions of the chapter, which are a fair summary of the conclusions reached in the text). Secondly, it is rather inconclusive where it is not pessimistic. For instance, if land is redistributed to the rural poor the process of redistribution may make them and other strata of the working class more revolutionary, but on the other hand, once the rural poor have got land they may become conservative. Education may benefit the poor, but may be more likely to benefit capitalists. The rich elite may adopt redistributive programmes to avert revolution, or to increase their own future income, or to win internal battles with other rich groups; or they may be more afraid of the poor and consolidate their alliance with other rich groups and even with foreign capital and foreign governments to resist any significant redistributive change.

It could be argued that inconclusiveness is unavoidable in a chapter which deals with political strategy, without doing so in a particular historical and geographical setting. There can by definition be no such thing as a strategy, let alone suitable tactics, for all situations. This is true, but it raises the question of the nature of the enterprise undertaken in chapter 3; and in fact, it seems to me that both the pessimism and the inconclusiveness spring from a dilemma in which the whole conception of *RwG* is caught. In essence, this is that in a capitalist society the distribution of political power reflects, and also underwrites, the distribution of economic power. The distribution is not static; but in the absence of a theory which will show how the distribution of both can be altered progressively in favour of those who are poor or weak, any general package of measures for redistributing economic power alone (a package hitherto not adopted) seems either obviously unrealistic, leading to pessimism, or is at best an unknown and unknowable quantity, leading to inconclusiveness.

The dilemma of the approach of *RwG* is illustrated most strikingly by two highly contrasting passages. One deals with education. According to chapter 3, giving education to the poor is likely to be a feasible redistributive policy, partly because the rich are less likely to notice the sacrifice it costs them than they are with other redistributive measures, and partly because they may see it as helping to make their own dominance legitimate, while in fact not threatening it (p. 62). The trouble with this policy however, is that (as the authors recognise) without a change in the reward structure, and given the discrimination within the school system in favour of rich children, it is not necessarily very redistributive. On the other hand, land reform is seen as not only directly redistributive, but also as essential if other redistributive policies adopted in rural areas are not to benefit the rural rich as much as or more than the rural poor. This measure however, is nothing if not radical. In one place (p. 135) it is even envisaged as a measure which "breaks the power of large farmers and the rural elite". The problem here is the opposite one: if in a given situation a programme of land reform which will break the power of the rural rich has not so far been adopted, what does *RwG* envisage will put it on the political agenda? Without a general theory of social change no answer can be given to this question.

In the last analysis, the dilemma in which the report's discussion of political action is caught is really that of the report as a whole: i.e., the recipe of a reformist redistribution of wealth and income within a predominantly capitalist system is

inept in the situation which now prevails throughout much of the Third World, and has been largely superseded by the political polarization which has already occurred there. However, even if one does not accept this view, the problem remains that RwG lacks a theory which would relate economic and political forces to each other. It explicitly rejects Marxist theory, in which the nature of the economy and the distribution of income are related dynamically to the nature of politics and distribution of political power, but does not substitute any alternative theory.¹ To put the matter more concretely, there is a recommendation in chapter 8 on 'International Dimensions' that aid should be made more conditional on governments adopting redistributive or 'poverty-focused' policies; but other than this, no **general** reason is advanced for thinking that regimes which have not already adopted the orientation of RwG will be more likely to do so in future.

The politics of the 'index of welfare'

In chapter 2 of the report an index of economic performance is put forward which, unlike the conventional measure of GNP, would be weighted in favour of increments in the income of the poor. The report points out that the methodology involved in this is 'politically neutral', since the weights used can be chosen "to fit the preferences of a given society" (p. xvi). Just how the preferences of a 'given society' might be determined is not discussed. What is interesting, however, is the way the political assumptions of the report affect its own discussion and illustration of the use of such an index, converting it from an apparently 'neutral' analytic tool to an element in the legitimization of a political programme.

As an example we may take a passage from chapter 2, where the report is discussing the fact that its model of income determination involves distinguishing small-scale from larger-scale capitalists:

"Small scale employers tend to use production techniques that can more readily employ the less-educated labour from the poverty groups. Furthermore, income from their capital also goes largely to the middle-income group and should be given more weight in social policy than the higher incomes of the large employers" (p. 46).

The second of these propositions deserves further consideration. It seems to say that small-scale capitalists' incomes should be given more weight in social policy than large scale capitalists'

incomes, apparently because this income goes to the 'middle income group'. How has the report arrived at the idea that it should be an object of social policy to increase their incomes? The object of redistribution is clearly stated at the beginning of the report to be the reduction of poverty, and the report does not argue that small capitalists are poor, at least in their national contexts. So why should their incomes be increased as part of a policy aimed at alleviating poverty?

One can only speculate that, for the authors of RwG, alleviating poverty within the framework of a capitalist economy is seen to require a general policy of fostering small-scale labour-intensive enterprises. Although the effects of such a policy are expected to benefit the poor, they will also make a section of the rich richer. While the category of small-scale capitalists may include many businessmen and farmers who are only moderately prosperous, it naturally also includes many who are rich by any standards, and it is hard to conceive of ways in which a policy designed to foster the former group would not also favour the latter. However, these implications are less apparent when the policy in question is described in formal and general terms, in terms of income groups, target groups, and with reference to the formal properties of the proposed analytic model. And what this particular example illustrates is the way the arbitrary character of the 'index of performance' which forms part of that model quickly tends to be endowed with absolute value.

In the discussion of the index (pp. 40-41) it is pointed out that one system of weighting would be to assign weight almost exclusively to growth of the incomes of the lowest income groups. If this were done, it would be the same as a decision to give virtually no weight in social policy to the incomes of the middle income group, let alone to small-scale capitalists. But in fact the 'poverty weighted' index illustrated in RwG (p. 42) assigns positive weights to the growth of incomes of **all** income groups, and 30 per cent of the total weight to the middle income groups. In other words, the index illustrated in RwG (which quickly comes to be labelled an index of 'welfare') is consistent with the political programme of backing the small capitalist.

RwG offers no explicit justification for its political standpoint. There is, however, an implicit justification which recurs throughout its pages, to the effect that its strategy is simply designed to do something about the Third World's poor given a 'recognition' of what is **likely** to be the situation in most Third World countries in the foreseeable future. Thus it accepts that "large scale transfers of income are **politically unlikely** in developing

¹ For a lucid formal discussion of the problem which RwG has thus imposed on itself, see G. Arrighi's Introduction to *The Political Economy of Rhodesia*. Mouton, Paris and The Hague, 1967.

countries” (p. 39) and that “political resistance to policies of asset distribution makes this approach unlikely to succeed on any large scale in most countries” (p. 49), and so on. The approach of RwG might then be represented as simply a realistic and humane response to the improbability that radical changes will bring about radical improvements in the lot of the poor.

There are several reasons why this position seems to me untenable, particularly in a document concerned with policy and prepared largely within and published for the World Bank. First, no statistical meaning can be attached to these apparent statements of probability; one can equally well argue that the stability and permanence of many regimes in the Third World today are, in the medium run at least, threatened by many incalculable factors arising in the course of the political struggles which are going on there. Second, the Bank is an agency of governments the most important of which throw their considerable influence against such radical changes in the interests of preserving private capital. The ‘likelihood’ of radical changes in the Third World is clearly inseparable from the policies of these governments; the ‘likelihood’ of success for the UP in Chile, to take the most recent example, was notoriously not independent of the policies of the US government, US multinational companies, and the loans policy of the Bank. In view of this, and of the Bank’s leading role in the formulation of policies towards the Third World by its member governments generally, the report’s ostensible ‘judgment’ that radical social changes are ‘unlikely’ in the Third World assumes a good deal of the character of a programme, rather than a prognosis. And to the extent that the perspective

of ‘redistribution with growth’ is widely accepted, a general programme directed against radical change will have been accepted in the guise of a new ‘technical’ approach to ‘development’.

Finally, we should also consider briefly a more general question: why is the report so exclusively concerned with **poverty**? Poverty is certainly important, but a concern with poverty virtually to the exclusion of the social structures which give rise to it is unacceptable. The condition of the masses in the Third World is not purely a matter of material want, but also of subordination, oppression, exploitation and disregard, which are at least as important, but about these RwG is wholly silent. It is as if the identification of ‘development’ with ‘growth’ having been finally exploded, we were now being invited to identify development with ‘growth plus improvement in the incomes of the poor’; and in so doing, to continue to disregard the growing body of opinion throughout the Third World which holds a quite different conception of what ‘development’ would really imply for the mass of the people. And in this context, the question should also be asked, why has the World Bank become so exclusively preoccupied with poverty **now** as evidenced by this study and also by official statements of Bank policy. According to the report, although the fact of poverty has been obvious from the first, it has only recently become clear that economic growth by itself may not alleviate poverty within a reasonable time. While this is no doubt true, one cannot help feeling that this is a somewhat academic way of putting the matter; and that it is the political crises in one underdeveloped country after another which have produced the new preoccupation with poverty.