

EDITORIAL

Income Distribution and the Class Struggle

Income distribution is a confusing term. What scope is it to be given? Is it to be treated in a purely economic sense, bringing in social and political factors only when they are found to be useful for or obstacles to changing the income differentials in an economy? Is the argument for changing the distribution of income to be grounded in essentially instrumental reasoning - changing the structure of demand so as to reduce balance of payments burdens, creating an internal market for national industry, reducing incentives to invest in capital intensive projects which yield little employment and enhance political instability - or is it to find its basis in arguments about the virtues of equality as such?

Historical experience and a number of unclarified assumptions raise some doubts the validity of the 'efficiency' arguments in favour of income re-distribution - arguments which, it is true, are used by writers who value equality in itself but hide this value under instrumental reasoning because they feel that it may convince others who do not share their values. I have come to believe that the difficulty of redistributing income in a definitive fashion arises, in the long term and apart from the enormous initial political obstacles, from the combined exigencies of equality and accumulation. This is borne out by the Cuban experience and indirectly, by the present Chilean experience. I am not at all convinced that there are sufficient resources to redistribute in many poor countries so that the standard of living of the lower classes will rise fairly steadily at the same time as accumulation remains constant and the doubts are greater still if accumulation is to increase. One must go into the arithmetic of distribution of resources between consumption and investment after the process of redistribution. As a corollary to this point, income redistribution should be seen in the context of the nature of development itself; it may well be that the pursuit of equality, even setting aside external political effects such as blockades or informal credit denial - but not setting aside the limits imposed

by the structure of the world economy - makes it impossible for a government to aspire to anything more spectacular than feeding, clothing, housing and educating its population respectably, whereas a policy of rapid growth and industrialization is achievable only without redistribution, and without achieving even the respectable standard of living which the egalitarian path would achieve. One way out of this contradiction might be found either in egalitarian regional groupings, which shield industries from the competition of industrial powers; also, some individual countries, such as Brazil, may be big enough and well enough endowed with resources to pursue an autarchic path of development, but even China's size guarantees no easy solution. Chinese history since 1948 shows a leadership grappling with these problems and appearing to have found no definitive answer, oscillating between industrial and agricultural emphasis in their policies.

We must learn to be hard-headed, if not wary, and we can learn this from the political process of redistribution by left wing governments such as the first years of the Cuban Revolution or the present situation in Chile. In both cases one sees quite clearly the extraordinary difficulties which pile up during the initial stages, and how secondary effects (such as capitalists and landlords going on strike, balance of payments difficulties arising from a cessation of incoming foreign investment and food imports to satisfy growing demand from those experiencing wage rises in the lowest income groups) force the government to take certain crucial decisions which then have substantial long-term consequences. The process of structural change itself, if it goes deep, may involve heavy costs in terms of useless plant, arising from changes in the structure of demand, and reorientation of imports due to formal or informal sanctions. Unavoidable, though perhaps undesirable, short-term decisions have substantial long-term effects, whether they reverse, halt or radicalize a process.

It is not enough simply to proclaim 'income redistribution:' the arithmetic of the process must be carefully worked out so that the limitations of such a policy, and the constraints it places on long-term trends in incomes and on accumulation are made quite clear.

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Differentials in income reproduce themselves in spheres of social activity other than shopping: education, access to administrative and political institutions and so on. The models

we use, do not as yet include these elements in more than a marginal way, and lay insufficient emphasis on the importance of the social and economic relationships between income groups. Yet the dynamics of income distribution lie precisely in these relationships, in relationships of domination and exploitation, and indeed of bargaining. From such an assumption it follows that changes in income distribution arise when the relative bargaining strength of classes or groups changes, through the rise of a trade union movement, for example, or through important changes in the economic structure such as a sudden and definitive fall in the world price of a commodity.

Thus, when we speak of changes in the distribution of income, we must also speak of class conflict and of the organization of those whom we consider to be deprived in society.

The role of trade unions raises particularly complicated problems of both analysis and values in this context. It has recently become fashionable to speak of unions as the representatives of a privileged minority, both within the working class and in society as a whole. Yet the meaning and significance of such statements varies a great deal. In the first place we must distinguish between degrees of privilege: in some societies (Colombian society, for example) the unions get on very well with management, and represent but a tiny fraction of the industrial labour force; yet they also represent that fraction which works in the most advanced sector, that fraction which has a coincidence of interest with management in maintaining the leading technological role of that sector and excluding other workers from it. In other situations unionized workers in general may be relatively better paid, but they are not such a small minority, and they are not so evidently set apart from the unorganized industrial working class. Clearly, arguments about reducing the power of the unions in the interests of job-creation are of varying relevance in these two situations.

We must ask further who is to benefit from a reduction of the power of the trade unions. Where the class structure of society is not undergoing substantial change, it is likely that the only people to gain will be the capitalists; they will profit by the reduced bargaining power of their workers, but will most probably not reduce investments in labour-saving plant, for even if this might enlarge their already substantial profits (and I think here of Latin America in particular), it would bring problems of human management which they would prefer to avoid: "machines", they will say, "are easier to control than men". Those who claim that the reduction of the bargaining power of existing trade unions,

however privileged, will lead to a reduction in unemployment in the absence of other structural changes are either defending the interests of the privileged, or making mistaken assumptions. This is particularly relevant in the context of Dudley Seers' article in this issue, for the interests of governments involved in distributing 'aid' would in some situations be well served by a strategy which, on the pretext of reducing unemployment, both maintained the existing level of technologically advanced imports, and reduced the power of the trade unions.

However, when profound structural change is the order of the day, the picture changes somewhat. If the unemployed, the "marginals", do acquire increased bargaining power, at the expense both of a capitalist class and of a highly privileged labour elite, if the question is not only one of reducing the power of existing trade unions, but also one of transforming them or creating new organizations of the poorest strata of society, then there might be some guarantee that the total number of jobs would increase and that the structure of imports would be drastically changed. The Chinese strategy, with all its vacillations and despite our ignorance, seems to be closer to the second of these situations - yet what hope would a government such as that of the People's Republic have of receiving aid, if indeed it was wanted, and if aid was relevant to the pursuit of its objectives?

Egalitarianism was, of course, present in some form or another in the study of underdevelopment, even before the notion of "closing the gap between rich and poor" became the common coinage of UN resolutions and papal encyclicals. But now that it has become so intrinsic a part of the ideology of domestic development we must guard against two dangers of mystification. We must remember that the revolution is not the end, but the beginning of a road, and that once embarked upon a process of redistribution of income and power, a political leadership is faced by severe constraints and by problems to which the solutions are far from self-evident: Fidel Castro may spend a lot of time calling for revolution, but he spends an equal amount of time pointing out how he has learnt, painfully, that real problems start once the revolutionary leadership has taken power. At the same time we must guard against dangers of mystification from the right, from those who find in an ideology of equality a useful weapon with which to defend their interests and their privileges. I hope that this issue of the *Bulletin* makes a small contribution to the creation of an atmosphere of both hard-headedness and commitment in the study of underdevelopment.