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PERSPECTIVES ON POVERTY POLICY

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The books reviewed in this essay are: *Rural Poverty in Asia; Priority Issues and Policy Options* edited by M. G. Quibria, under Asian Development Bank auspices; *Agriculture, Growth and the Redistribution of Income; Policy Analysis with a General Equilibrium Model of India* by N. S. S. Narayana, K. S. Parikh and T. N. Srinivasan; and *Dealing with Poverty; self-employment for poor rural women* by Usha Jumani. Each adopts a different methodology and contributes a widely different perspective and it is instructive to see to what extent the individual authors believe the modern idea that "growth can offer an appropriate solution to poverty."

Historically, religious culture, experience and social structures combined to determine a certain inevitability about poverty. Nearly every major religion says, "The poor are always with you." The nature of poverty, its causes and symptoms, tend to be different—at least in their specifics—as between rich and poor countries, but the consequences, inadequate social functioning in respective societal contexts, are similar and, for people in low income countries, more traumatic and chronic. Sadly, none of the books under review draws on any comparative experience learned by the success of economic and fiscal policy, including transfer programs, in the developed countries. These richer countries, however, have not had to deal with rural poverty on the same scale.

As the latest 1996 World Bank *Atlas* reveals, there are 31 countries where the annual income per head is \$370 or less. For Cambodia, Myanmar, Eritrea, and a handful of other poor developing countries there are no GNP per capita figures, but they clearly fall into the same low income group. If they are added, the total for these countries represents approximately 30 percent of the world population, or some 1,660 million people. Given the highly asymmetric nature of the income distribution (estimated modal incomes—according to wide-ranging survey evidence—fall significantly below respective arithmetic mean incomes), and a not unreasonable assumption that 65 percent of the population fall below the average income, then well over one billion people appear to survive on less than \$1 per head per day. Furthermore, because income distributions are so unequal, there are undoubtedly many more living under this same level even in richer countries. However, for many, in terms of equivalent purchasing power, even \$1 per day would lie beyond the realms of unimaginable riches.

Economists, as the modern world's new soothsayers, challenge the old tenet that the poor must always remain poor, which the traditional priesthood elevated to the status of an article of faith. Although many religions have argued that personal materialism gets in the way of spiritual awareness, economists contend that growth, accompanied by determined policies to transfer benefits to those less well-off, can gradually remove the scourge of poverty. It is nonetheless evident that the problem of basic poverty amelioration remains unresolved and that in several countries it is "chronic." In 1994, of the 25 lowest income countries in the world according to the World Bank *Atlas*, 15 could be found in Africa. The story is little different from a decade, or even two decades, ago. The poor countries in Asia then are also still mostly poor now. The question, today, is not whether governments should deal with poverty but, fundamentally, *how* to deal with it.

The practical and philosophical differences between the humanitarian and utilitarian approaches to the resolution of this problem have become blurred, but there remains a tension between welfare focused policy ("palliatives") and strategies of poverty alleviation ("cures"). Extreme (absolute) poverty can be addressed although, even with external assistance, governments frequently fail to deal with the problem because the political will and determination to implement the required programs are just not there. At the international official level, aid enthusiasm is struggling hard to combat repeated disappointments and overcome aid "fatigue." Rather than tackle substantive issues and root causes, International Agencies and NGOs sometimes choose to adopt "make-do" coping policies, similar to those traditionally pursued by compassionate charities such as the Sisters of Mercy, Buddhist pagodas and achars, or the Salvation Army (e.g. emergency relief operations like immunization programs, soup kitchens, provisions of resettlement tent towns and the like).

To retain public support, many institutions find it necessary to show the "human face" and deal only with the recognizable symptoms of poverty. Such humanitarian actions address clear manifestations of societal dysfunction but rarely come to grips with the real personal and communal detachment of poor people from the mainstream of life. The essential diagnosis that would enable policymakers to attack the fundamental causes of poverty is not pursued. The core problem—the inextricable inter-connection of economic privilege and class that underlies the structure of society—remains. It is reinforced by an established network of institutional relationships and the subtle exploitation of power in all its various guises. These factors tend to exclude, control and prevent open access to "rights" and the wider use of assets that could improve "well-being." In the past, all economics could offer was the profound stigmatization of "parish" handouts and state protection under insidious poor laws or the temporary private relief afforded by the pawn shop. Both engendered a deeper dependency and merely transformed poverty into pauperism.

Though "poverty" figures prominently in these three volumes, it is primarily the more general aspect of income distribution and the need to identify appropriate policies to address macro and sector imbalances that concerns the authors. An interesting reflection of the changing emphasis of global concern is that, excluding the notes, references, and appendices to each respective issues paper, twice as much coverage is given in the Quibria volume to "women and rural poverty" and "environment and rural poverty" than is accorded to the more traditional rural concerns of "land tenure" (and explicitly, land reform) and "rural credit." Does this change in emphasis signal a step forward in understanding the causes of poverty? Significantly, of course, all of these topics are strongly inter-related, although none of the papers in this collection of studies dwells on any of the more obvious correlates and cross-themes. (Indeed, it is hard to find in the Quibria volume cross references to each other's work even though all contributors met to discuss the book.)

Not so long ago, poverty was regarded as just recompense for sloth and idleness—the antithetical justification for work. Many decision makers still believe the answer lies in rounding up the poor and indolent, putting them to more honest toil in the fields and rewarding each with "half a loaf of bread and a pint of porter" for their labor. However, when there are no crops to harvest, no roads to build, or public money around to clean the streets, the system clearly fails. Until governments are able to provide genuine income earning opportunities that establish a sustainable demand for labor and do not simply create employment for its own sake, casual observers can be forgiven for being sceptical.

The poverty issue remains clouded by political rhetoric and a continued muddle between ideological, sociological and economic thinking. Since some of this thinking regards poverty as an irrevocable and irreversible status of life, divinely endowed to test the human will and challenge an individual's strength of faith, conservative prejudice continues to permeate established institutional structures. Such "rules of the game" shape society and determine popular modern day approaches to the poor. Evidence of recommended coping strategies can be found in all three of these books (even though the respective writers may not concur with their efficacy) and are remarkably similar to those encountered in today's inner cities and urban ghettoes of modern America. Many, clearly, do not work. Dislocated from the mainstream of economic activity and imprisoned by a poverty aggravated by a demoralizing cultural conditioning and unintentional social engineering, the urban under-class have only become deeper entrenched in their disadvantaged circumstances. Welfare certainly needs reform, but not at the expense of those who are already poor. The developed countries do not set an appropriate example in this context.

The World Bank has a strategy for poverty alleviation that has changed little since its original thesis was expounded in the first World Bank Development Report (of Ernest Stern, Hollis Chenery, Montek Ahluwahlia and others) in 1978. Resting on the reassuring notion that developing country governments have only to rely on the rising tide of economic activity to lift poor citizens above poverty and out of the associated slough of despondency into which their whole life could descend, the Bank has actively promoted growth as a panacea ever since. The thesis is appealing but, perhaps naively, it also counts on the prosperity being shared, "trickling down" to those most in need. It also requires an efficient and effective direct tax system. The real evidence—not just that manufactured by a system of official statistics that often fails to reach down to those who have been socially and economically disenfranchised—suggests that in many countries the poor may be again losing ground. Economic growth emerges as a necessary, but not sufficient, condition for the removal of poverty, since growth has to be accompanied by the provision of well designed transfer policies and clearly targeted social safety nets for those in distress or unable to benefit from the additional income earning possibilities.

More generally, poverty arises from the deprivation of all productive assets and the lack of access by the poor to the economic opportunities which will help them escape its trap. Poverty is manifested in inadequate housing and clothing, malnutrition, poor health and unsatisfactory and unsanitary living conditions. It is also reflected in inadequate and incomplete social functioning of large core groups of people, often in the same location. In low income countries, poverty is a greater problem simply because there are proportionately more poor people. These groups, especially when tied to rural conditions, do not readily move in and out of poverty. People working temporarily a few months a year can hardly be counted as even transitionally "moving out of poverty" when, for that period, they will receive only a derisory level of remuneration.

Poor households, generally, cannot participate fully in their economy and society. Since, as most of the authors directly or indirectly point out, most of the poor in Asia live in the rural areas where few assets exist, a singular reason for this lack of engagement lies in the absence of ownership of productive capital and regular shortfalls of the income necessary to purchase the minimum basic human needs for survival. Inadequate access to any state provision of social benefits and services that might enable them to progress out of their current condition reinforces poverty, but a large part of the explanation of poverty inevitably lies in the low real "net worth" of poor households dependent on only their own unskilled labor. Furthermore, through migration and changing land ownership, many may have lost their traditional sources of income and sustenance and access to communal support.

The relationship between growth and poverty and the importance of the underlying income distribution to the dynamics of this relationship is important when identifying suitable and effective poverty alleviation strategies. Poverty is affected by both a change in average income, and also by shifts in the overall distribution of income. The process of growth has an impact on distribution, quite independent of government actions—an issue taken up by the second of these volumes in this collection. While poverty evidently exists in the richest countries, undeniably, in the long term, the continuous periods of economic growth and increasing income per capita enjoyed by the developed countries have made a significant contribution to the eradication of extreme poverty. There is, thus, no inevitability about poverty if appropriate distributional policies are applied to growth enhancing strategies. Improvements may take time, however, because the initial economic and social conditions in which poor people find themselves remain critical to the speed with which real progress can be achieved. If the will exists, carefully conceived government policies, can make an important contribution to a reduction in poverty.

Narayana, Parikh and Srinivasan, however, describe some of the areas where such, presumably well-intentioned policies have noticeably failed and perhaps even increased inequality. The argument for growth is that higher incomes permit higher expenditures, and the poor benefit directly—in terms of increased employment opportunities—from the sustained expansion in the capacity of the population to produce goods and services. This expansion is also supposed to provide the means by which governments are able to redistribute, through appropriate taxation, part of the "economic surplus" in the form of social goods and services to be allocated in ways to benefit the poorer sections of the community.

In many developing countries, economic and social conditions are more complex, inter-connected, fragmented and compartmentalized. Many countries enter into the international economy from a position of relative weakness with large, low productivity rural sectors heavily dependent on traditional crops. Their opportunities for growth are more constrained and the freedom of policy maneuver more restricted. In the absence of policy intervention, the effect of economic growth on poverty depends on the existing income inequality in a society and the uneven distribution of the ownership of productive assets—natural resources, man-made capital and labor—which tends to be a direct reflection of the existing power structure and the prevailing caste system.

Economic theory contends that faster rates of growth will be achieved by raising investment levels and increasing the amount of capital in a country. In the short run, given prevailing product and factor markets, the aggregate rate of return on capital will increase. Since the underlying distribution of capital is more uneven than that of labor (of variable quality), the rewards to capital owners—the richer members of society—will increase. Initially, the income distribution as a whole will thus become more unequal. That increasing income inequality may be associated with growth is disturbing, but hardly surprising, and may not be associated with a further entrenchment of poverty. At least initially, real disparities in levels of living are likely to widen because, as growth rates improve, the rate of return on capital increases and the per capita incomes of asset owners rise. Relative poverty will increase even if absolute poverty does not.

A widening income gap could be handled by implementing appropriate taxation and income transfer policies to effect a better "net" distribution. Unfortunately, there is an evident reluctance in the new economic philosophy to address the poverty issue by taxing direct incomes and capital gains, including levying duties on exports of natural wealth. Instead, perhaps in part because of institutional and administrative ineptitude, there is a distinct preference to impose regressive consumption taxes by raising revenues on total purchases of goods and services. Budget considerations also urge the removal, at the same time, of many consumer subsidies. Since many subsidies help to improve the quality of human capital and support the well-being of poorer sections of society, the impact on the poor of such fiscal strategies is negative. Economic growth centered policies of poverty alleviation cannot work effectively unless they observe Adam Smith's first basic principle of taxation; that of "taxation according to ability to pay," and its associated condition of "equity."

In the longer term, however, additional productive capital should expand the opportunities for the employment of labor. Equally, it will create an associated demand—through an enhanced skills/technology requirement—for increasingly qualified human capital. If people are poor because (being untrained and unskilled) their wages are low (and threatened by continued erosion), the substantive solution is not only to raise the level of economic growth but also to improve the quality of human capital. Then, the rate of return to labor will grow, especially as it becomes relatively scarce compared with capital.

What complicates this process is the often simultaneous shift in factor endowments from the low income rural sector (where income is reasonably evenly distributed) to the higher income, more unequally distributed urban—industrial—

sector. Inevitably, until the higher incomes in the modern economy get translated into increased demands for food and other goods produced by the rural economy and into higher demands for local services, the pattern of inequality widens. Migration from the villages to the towns, particularly of able bodied working age males, only exacerbates the underlying problem—and the problem is often made worse by the preservation of misaligned exchange rates that underpin the adverse rural–urban terms of trade. The significance of this aspect of the poverty problem depends mainly on the size of the rural population and its age and sex structure. In the long run, provided growth can be sustained and provided labor (through better education and training) can adapt to the new demands for factor resources, total poverty will slowly decline—even if inequality increases. Indeed, there should come a point, at least in theory, when the rates of return to capital will fall relative to those for labor as the amount of capital accumulates and the effective labor supply declines. Shortages then emerge in the quantity of skilled labor needed to operate the additional capital.

Employing new evidence from recent studies, some researchers have thrown doubt on whether this accepted pattern of change, as depicted in the early stages of growth by the Kuznets hypothesis (the inverted-U curve), actually does take place. World Bank findings from recent *Living Standards* household survey data contain little or no evidence to support the proposition that income distributions generally deteriorate in the initial stages of economic growth. Given the weaknesses of the data and their coverage, however, and the tenuous links to poverty conditioned by structural changes in the income distribution, it seems fair to conclude that the jury is still out on this issue. Much depends on what re-distributional policies governments pursue. Primary education, rural health clinics, or removing artificial institutional barriers to the poor's access to public goods and services; exchange rate realignment; trade and tax policy, interest rates and inflation; and, specifically, the overall public sector deficit and how it is financed all affect the poor. Overvalued exchange rates, the availability of cheap money and low interest rates to substantial owners of productive assets, plus tariff exemptions, tax concessions and import substitution incentives (accompanied by indirect taxes on agricultural produce, particularly exports) all aggravate inequalities. They adversely affect those who are primarily owners of their own human capital. In particular, such macro policies impact hardest on the lower income rural-agricultural community.

Since Asia is home to most of the world's rural poor, the appearance of these books is timely. For a comprehensive overview of the problem of rural poverty, readers should turn to the volume edited by M. G. Quibria. This is a collection of seven essays addressing "momentous" issues drawn together in an extensive introduction by the editor and T. N. Srinivasan. This forepiece also devotes considerable attention to the special problems of the featured economies and promises a second volume describing country experiences.

Srinivasan's opening piece on the conceptual measurement questions and policy issues contains few surprises concerning which indicators to select to assess poverty. On the technical side, this area has been extensively covered by Fields (1980, 1989 and 1994), and Ravallion (1993) as well as, more obviously, from the conceptual and theoretical perspective by Sen (1976) and Atkinson (1989).

When the author moves to policy review, his observations assume a more controversial nature. Not surprisingly—given his joint authorship of the second of the books reviewed here—Srinivasan stresses the importance of the economy-wide effects of poverty alleviation policies and the appropriateness of analytical tools such as intertemporal applied general equilibrium (AGE) models to evaluate the effects of alternative policy interventions. The modeling approach is clearly important in reviewing the impact of macro policies—such as foreign exchange control schemes, trade protection, etc.—compared with direct interventions of poverty. He attacks Cornia, Jolly and Stewart (1987) for their superficial analysis of the effects of adjustment policy on a globally deteriorating poverty condition and rejects their criticism, consequently, of the "lost decade" of the 1980s. In this attack, he is supported by growing evidence that the gloomy prognosis of rising poverty and malnutrition in the 1980s was wrong. Srinivasan's emphasis on evaluating the distributional incidence of public expenditures on health and education and the need for appropriate targeting is particularly important, and not just for determining whether food subsidies directed to improving the nutritional status of school children end up as income subsidies for the whole family. The need to distinguish between *transient* and *chronic* poverty because their causes often differ (and hence, also, the policies required to address them) is a significant point and well argued.

In a related macroeconomic context, Behrman draws a conceptual distinction between short-run *stabilization* policies designed to restore economies rapidly to some notional equilibrium growth trajectory, and *adjustment* strategies intended to shift the growth path itself. Attention is focused on the tensions and conflicts that can potentially exist between short run policy objectives and long run goals and their effects on the rural poor. The poor depend heavily on their own human capital. They are held hostage to prevailing prices not only with respect to the goods and services they produce and sell, but also those they use. Their poverty is strongly influenced by the competitive structure of the markets into which they are inexorably bound. Behrman argues for a strengthening of rural households capabilities through better education and targeted programs to enhance their capacity to cope with adjustment. At the same time, he suggests that the removal of macro-economic distortions in general—by improving the prices of most agricultural products—can only help the rural poor. The author concludes by raising several critical questions—including the sensitive one of how to avoid the capture of government by rent seeking officials—he sees as essential to the satisfactory design and successful implementation of stabilization and adjustment programs.

Evenson's innovative and thought provoking contribution moves the "institutional" agenda a step forward from the inter-related issues of population, social change, technology and related productivity development to a consideration of the possible impact of the resulting distortions on rural poverty. The author finds little empirical support for the thesis that institutional modernization—by exposing poor households to risks inherent in specialization while at the same time disrupting traditional mechanisms for coping with such risks—leads to further impoverishment. As transaction costs fall, farms become less self-sufficient, the households concerned become more engaged in off-farm work and many workers move to areas where they can see, potentially, opportunities to earn a higher rate of return for their efforts. Using different models, the author concludes that policies to improve technology, augment investment in irrigation and expand cultivable land, if simultaneously aimed at reducing the rate of growth of population, will tend to benefit the poorest groups. He suggests the ensuing productivity gains will tend to spread and help raise agricultural wages in neighboring areas. The presentation provides considerable scope for further research.

In the light of the increasing number of landless laborers productivity changes bring about, policies of land and tenancy reform designed to redistribute land ownership, secure tenure, and reduce the rents and crop shares paid to landlords assume considerable significance. Otsuka assesses the effectiveness of these policies, and minimum wage legislation, particularly as it affects agricultural workers, in alleviating poverty. He concludes, from somewhat mixed experience in the Asia region, that more attention must be paid to the forces that determine the agrarian structure. In the project countries overall, the dominant form of land tenure (70 percent) is owner-cultivation. Since this refers mostly to very small farm areas, the scope for further sub-division is clearly constrained. He points out the proportion of landless laborers in the rural work-force rises as high as 30 percent only in India. Unfortunately, many landless laborers are the unwitting victims of "progressive" land reform, being evicted when larger landowners—required by legislation to sublet their properties—have withdrawn existing tenancy titles and allocated shares to their family members and other relatives. The evidence suggests that inefficient and "unconvincing" land reform legislation has actually aided and abetted rural poverty in the Philippines, India and Sri Lanka. Otsuka also concludes that the commonly held belief that share tenancy is inefficient and permanent labor contracting is a more efficient substitute is not necessarily true, nor the real outcome of reform in land regulations. He argues for a relaxation of tenancy regulations and the provision of inexpensive credit and supporting extension services to encourage the use of more flexible contractual arrangements involving landless tenants.

The possible use of credit as an instrument of public (i.e. commercial) policy to alleviate poverty is explored by Siamwalla. He suggests that gaps in the credit market which currently constrain access of poor households wishing to obtain the means to improve their output and productivity and escape the clutches of poverty, call for more direct government intervention. The alternative means resorting to unequal informal arrangements between patron and client, and private money-lender and borrower. Invariably this involves higher interest costs and a loss of both independence and sovereignty, thereby making the poor rural household constrained and inefficient. Siamwalla also believes that the benefits conferred by a public credit policy—particularly in the absence of new technology and relevant public investment—may be very different to the primary effect intended. By distinguishing between poor groups with few assets living in resource rich areas and those with assets such as land who live in resource poor areas, Siamwalla argues that targeting credit specifically at the poor—rather than where the poor live—is likely to be more effective in reducing rural poverty. The author prefers to see policies designed to help the poor cope with income risks directly. He seeks to minimize these risks rather than insuring them through credit provision. The latter course might only submerge poor farmers deeper in poverty.

In her piece on *Women and Rural Poverty*, Kalpana Bardhan points out that although women are engaged to a lesser extent than the men of their households in income-earning employment, they participate in the labor force to a greater extent than their non-poor counterparts in rural areas. They expend considerable time and personal energy in income-conserving and cost-reducing activities and pursue risk aversion strategies to protect the intrinsic vulnerability of their households. The author identifies the cultural and gender features (i.e. pregnancy and child-bearing) that adversely influence the demand and supply of female labor. She also describes how these disabilities are accentuated by the discriminatory access of poor rural women to public infrastructure amenities such as safe water supply and communal services like health centers. Such discrimination reinforces the links between poverty, child mortality, ill-health and low education. Women from poor landless households suffer, particularly in "off-seasons" when little work is available and then only at lower wages. Without assets or kinship links, some may even face starvation.

By contrast, those women who have access to physical assets (land, livestock, tools, etc.) can often survive in self-employment, and those with education (i.e. human capital endowments) can find some paid employment. There are benefits also in large families, not just from the scale of economies that can be achieved in supplying basic necessities to the whole household, but also through the extent of support the mother receives from other members in sharing family responsibilities and household chores; the communal safety net is, in a sense, internalized. Bardhan recommends policies relevant to different forms of asset ownership—physical capital (land, livestock, etc.); human capital (skills, etc.); and access to communal mutual help schemes—to increase the efficiency of asset use and reduce the adverse effects of not having these advantages. Increasing off-season wage employment in productive public works, youth training programs, and granting access to credit are some of the ways suggested to support people with few assets. These are all fairly standard solutions; the basic questions remains, "Who is going to do all this?" How to mobilize the appropriate political constituencies to generate the necessary resources to accomplish these desired objectives is a complex task.

In noting the obvious environmental degradation of the air, soil and water sources around poor settlements, Stein Hansen questions whether social scientists and policy makers have jumped too hastily to mistaken conclusions about the links between poverty and the environment. From a longer term perspective, unsatisfactory living conditions reflect the growing pressure of population on limited and insecure property rights with a resulting undesirable land use. Hansen distinguishes between *scale*, *misallocation* and *maldistribution* dimensions to the linkages between economic activity and the environment. Scale relates to the relative regenerative and adaptive capacities of the environment; misallocation to market failure and public intervention; and maldistribution to the relationship between rights and ownership and available resources, including the public infrastructure. The distinction is necessary, he argues, because the policy ramifications are quite different. Nevertheless, poor rural communities have been found to exploit surrounding natural resources in sustainable ways until exposed to an unexpected exogenous increase in external pressures unaccompanied by any upward economic, social or technological shift. Hansen denounces as a myth the alleged impact of the rural wood fuel energy crisis on deforestation. He finds little evidence to support the interconnection at the village level, though he admits commercial urban wood fuel demand has a disproportionate effect on deforestation. More importantly, the author believes the removal of institutional barriers preventing farmers from engaging in good environmental practices have beneficial effects in containing degradation. Again, the removal of price distortions, development of better functioning markets, improved access to assets (including education), and fairer laws would all have a desirable impact on halting the process of environmental deterioration. They would also raise general economic efficiency.

In *Agriculture, Growth and the Redistribution of Income*, Naryana Parikh and Srinivasan provide an interesting review of alternative policy scenarios using an applied general equilibrium (AGE) model of India. In defining an overall objective function, the authors refer to the original Directive Principles of State Policy of the Indian Constitution, which require the state to secure "a social order in which justice, social, economic and political shall inform all the institutions of national life." These principles imply the pursuit of policies to minimize, *inter alia*, inequalities in income and opportunities. They were intended to ensure that the ownership of wealth and means of production were not concentrated in too few hands to the detriment of the common good. They clearly assume also, a fundamental role for the state in the economic sphere.

In adopting an AGE to evaluate macro and agricultural policies, the authors are concerned both to design strategies in the context of multiple objectives and to assess the various interactions and feedbacks of a specific course of action. In particular, given situations where there are no agreed trade-offs, their goal is mutual consistency among the set of feasible policies under consideration. Arguing that in India the degree of interdependence is strong and pervasive, they construct a rigorous but deliberately non-complex analytical model of a mixed open economy encompassing private and public sector participation. In India, millions of individual consumers and producers react to markets (prices) as well as to government policies and regulations in ways which, when taken together, are not immediately obvious. This makes it all the more necessary for proper policy analysis to have a model that not only distinguishes the variety of potential policy instruments available but also integrates the behavioral responses of the different economic agents. Despite the usual intricacies of this approach, the authors clearly describe the various components of their model and underlying functional forms in a way which even those unacquainted with econometrics will easily understand. As they themselves say, they wanted to avoid adding to the model's architecture, "unnecessary decorative gargoyles that serve no vital structural purpose." They also make a thoroughly convincing argument of the need for this type of approach to review the impact of potential policy changes. Their analysis is set against a base reference scenario given by a 1980–2000 time path. A valuable useful concluding chapter draws out the lessons learnt—both of principle and practice—and interestingly compares these with other previous studies.

Policy changes impact on economic and related social structures and lead to changes in prices and income of different classes. The evaluation of various redistributive policy scenarios critically depends on the overall income and substitution effects and on the inherent income distribution of the society which, in terms of factor shares, is not explicitly modeled in the system. Despite this limitation, the authors argue that such a simplification is of no significant consequence, on the legitimate grounds that it is justified by empirical evidence. In India, there appears to be a remarkable stability of factor shares in the rural labor market and non-agricultural production. (It should be recognized, however, that the model assumes away non-tradables which form an important part of the Indian economy, particularly in the rural sector.)

Chapters five through ten deal with such issues as official food grain distribution policy, open or protective trade policy and external assistance, the impact of rural works programs on the poor, movements in internal terms of trade between agriculture and the non-agricultural sector, fertilizer subsidies and investment in irrigation, and are certainly thought provoking. Each chapter usefully ends with a separate conclusion e.g. subsidizing fertilizer does not seem to be an attractive policy for India, mainly because it lowers total output. Subsidizing the food consumption of the poor (i.e. specifically urban workers) is also ineffective because it does not necessarily result in them eating more grain (but it may provide a secure safety net). On the other hand, irrigation not only increases the growth of agricultural output but also overall growth; furthermore, the distributional impact distinctly favors greater equality. Rural works, providing they create productive assets, also enhance employment opportunities for unskilled labor while rewarding poor workers, not least with the food they need. Rural roads ought similarly to provide farmers with more efficient access to markets and contribute directly to poverty alleviation. Such activities are desirable, especially if they can be financed by additional taxation (or aid), but the distortions evident in past programs which often led to the diversion of resources will need to be controlled. Perhaps most controversially, however, and against the evidence in Quibria *et al.*, the authors conclude that agricultural trade and price liberalization makes the poor worse off while finding also a "self-reliance" strategy broadly neutral.

The authors' preference for using an AGE model, in the absence of detailed micro data on poor households, arises initially from the desire to analyze how economic policy reforms impact different sectors and affect the Indian economy at large. The strength of this approach lies in its ability to construct counterfactual scenarios and to review the overall implications of alternative policies that have, as their primary intention, the alleviation of the unsatisfactory living conditions suffered by the poor. The weakness inherent in AGEs is the incorporation of the very structures and assumptions of behavior that the proposed policy reforms are designed to address. Complex inter-actions reflecting strategic responses to expectations that are not market driven in a "purist" economic sense do not get picked up by such models. In India, by the authors' own admission, relative "bargaining" stances and games-play undoubtedly remain significant issues. But, as a model of how an AGE should be used and of its potential usefulness, few would do better than to study this example. The authors confess they discovered no magical solutions that can generate higher growth without major policy changes. These would undoubtedly involve significant increases in the amount of investible resources, plus more effective allocations to the poorer sections of the community. Such critical choices require some tough political decisions.

At the other extreme of detailed micro investigation, Usha Jumani, in *Dealing with Poverty*, brings the issue of poverty alleviation down to the grass roots level. Her book explores the importance of the dominant client-patron rather than employee–employer relationships in a traditional society where the only "labor" is some collective work on behalf of the community. Since the majority of people in any developing country are poor, self-employed and mostly rural the author explores, by means of an informal survey, the social and economic dynamics of self employment of the rural poor. This examines the constrained access to natural resources and other opportunities of lower caste rural women. The results are based on 30 case study observations of 15 major economic activities conducted in selected rural areas of one district in one state in India (Gujerat). As such, like the study reviewed above (where, to a recognizable extent, the results depend on the assumptions and peculiarities of the particular model identified), the conclusions must be tempered by an understanding of the specific context to which they relate. While arguably the richest state in India, Gujerat is widely recognized as a state in which neanderthal attitudes toward women are widespread. The author carefully documents her research methodology and describes the open, informal "free-flowing" participatory approach adopted for collecting information on a continuous process. Such so-called "action research" has no predetermined hypotheses to test nor theory to evaluate. This is because it is concerned with problem solving and continually evolving processes in which appropriate interventions to improve the lives of rural self-employed women can be made. Before advocating any solutions, therefore, the concern is to understand fully the system to which the women belong and the systems of work in which they are engaged. The problem with such an approach, however, is that it is sometimes difficult to distinguish between impartial analysis, survey findings, and personal interpretations from a position of possible prejudice.

The method may be arguably more useful in understanding how relationships between, on the one hand, official program planners and implementors and, on the other, the alleged beneficiaries of their development effects, work out in practice. For villagers to become genuine partners and participants in development, the author argues that hierarchical structures, power relationships and the control of assets and natural resources must be reordered. There is little that is controversial or new in this but, again, such actions require tough political decisions. Few governments, let alone those in developing countries where conditions of poverty are pervasive and public resources limited, will bother; even fewer will have the courage to take the actions required.

There is much that is interesting in this study, particularly in the micro detail of the surveys of labor activity like construction work (including brick-making and "digging mud"); reed and bamboo work; cotton ball shelling; leather, weaving, sewing and pottery manufacture, as well as all the customary agricultural pursuits. In its conceptualization, however, there are some evident weaknesses. The evolution of employer–employee relationships as the powerful forces of commercialization take over subsistence activity is seen adversely in a single short-term dimension in which those concerned lose control of their own means of production. However, this should not be viewed in isolation, detached from the consequent significant increase in the total production of goods and services accruing from the exploitation of the potential economies of scale and gains from the division of labor that normally occur in such a process. The golden age of rural idyll remains, for the most part, a reactionary myth. The explanation contained in the graphical models of the reality of the Indian working population is flawed, unfortunately, by some careless presentation and editing. The key figures 1.1 and 1.2 on page 19 appear to have been transposed, making it difficult to follow the logic and importance of the basic conceptual argument and its specific relevance to women (as opposed, say, to the whole low income section of the working population). This is followed by a discussion of the informal sector that is less than rigorous and which fits uncomfortably in a study where it should provide an appropriate context and perspective from which to examine the true economic significance of such unregulated activities in supporting day-to-day survival.

Summing Up

Each of the three studies contains implications for policy. Rural poverty remains the most important development challenge in most Asian developing countries. The so-called "East Asian Miracle" has tended to disguise the fact that Asia as a whole still harbors the bulk of the World's poor—more than 800 million according to the latest counts, with around 80 percent living in the rural areas. Very significant growth here, clearly, has left many poor households untouched. The search for appropriate remedies should figure highly, therefore, on any government's agenda.

The studies draw attention to the more direct "interventionist" role of government in the poverty alleviation process. There is a need for better targeting of official services, especially in the areas of basic education and credit support, and through helping self-employed people market their products. The creation and maintenance by the government of a suitable "enabling" environment is crucial. Unfortunately, in formulating poverty reduction strategies, there is also a real danger that—as a consequence of emerging political and institutional tensions in the international arena associated with internal budgetary as well as strategic pressures for "fiscal integrity"—the involvement of government will be increasingly constrained and the priorities of public policy will become obfuscated and less relevant to the needs of the poor. Governments, nevertheless, should remember their primary obligation to retain public accountability and responsibility to the large mass of unknown people who are mostly poor. The urgency to implement institutional and economic reforms to improve the material well-being of the poor remains as pressing as ever.

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