

Cambridge University Press

978-0-521-29852-0 - Poverty, Inequality, and Development

Gary S. Fields

Frontmatter

[More information](#)

POVERTY, INEQUALITY, AND DEVELOPMENT

Cambridge University Press

978-0-521-29852-0 - Poverty, Inequality, and Development

Gary S. Fields

Frontmatter

[More information](#)

POVERTY, INEQUALITY, AND DEVELOPMENT

Gary S. Fields

Cornell University

CAMBRIDGE UNIVERSITY PRESS

Cambridge

London New York New Rochelle

Melbourne Sydney

Cambridge University Press
978-0-521-29852-0 - Poverty, Inequality, and Development
Gary S. Fields
Frontmatter
[More information](#)

CAMBRIDGE UNIVERSITY PRESS
Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore, São Paulo

Cambridge University Press
The Edinburgh Building, Cambridge CB2 8RU, UK

Published in the United States of America by Cambridge University Press, New York

www.cambridge.org
Information on this title: www.cambridge.org/9780521225724

© Cambridge University Press 1980

This publication is in copyright. Subject to statutory exception and to the provisions of relevant collective licensing agreements, no reproduction of any part may take place without the written permission of the copyright holder.

First published 1980
Re-issued in this digitally printed version 2008

A catalogue record for this publication is available from the British Library

Library of Congress Cataloguing in Publication data

Fields, Gary S
Poverty, inequality, and development.
Bibliography: p.
Includes index.

1. Economic development.
2. Income distribution.
3. Equality. I. Title.
HD82.F456 330.9 79–21017

ISBN 978-0-521-22572-4 hardback
ISBN 978-0-521-29852-0 paperback

Chapter 3 is reprinted from the author's article titled "A Welfare Economic Analysis of Growth and Distribution in the Dual Economy," originally published in the August 1979 *Quarterly Journal of Economics*. Copyright © 1979 by the President and Fellows of Harvard College. Reprinted by permission of John Wiley & Sons, Inc.

The last section of Chapter 4 originally appeared as "Decomposing LDC Inequality," published in the 1979 *Oxford Economic Papers*.

Cambridge University Press

978-0-521-29852-0 - Poverty, Inequality, and Development

Gary S. Fields

Frontmatter

[More information](#)

For Vivian

Cambridge University Press

978-0-521-29852-0 - Poverty, Inequality, and Development

Gary S. Fields

Frontmatter

[More information](#)

Contents

Preface	ix
1 Introduction: a new approach to poverty, inequality, and development	1
2 Approaches to income distribution and development	13
Concepts of income distribution	14
Measuring income distribution changes: an illustrative example	18
Distribution and development: four classes of measures	21
Comparing the classes of measures	29
Conclusion	32
3 Growth and distribution: a welfare economic analysis	33
Basic welfare judgments on distribution and development	33
A general welfare approach for assessing dualistic development	36
Welfare economic analysis of dualistic development: the general case	40
Welfare economic analysis of dualistic development: special cases	46
Empirical significance	56
Conclusion	58
4 Inequality and development	59
Inequality at different stages of development: cross-sectional evidence	59
Relative inequality trends in less-developed countries	77

viii		<i>Contents</i>
	Decomposing LDC inequality	98
	Conclusion	122
5	Absolute income, absolute poverty, and development	125
	Absolute incomes and earnings functions	125
	On labor market segmentation	129
	Absolute poverty: definitions, numbers, and profiles	137
	Economic growth, absolute income, and absolute poverty	162
	Conclusion	178
6	Development progress and growth strategies: case studies	181
	Costa Rica	185
	Sri Lanka	195
	India	204
	Brazil	210
	The Philippines	218
	Taiwan	228
7	Development progress and growth strategies: conclusions	239
	Notes	245
	Bibliography	258
	Index	273

Cambridge University Press

978-0-521-29852-0 - Poverty, Inequality, and Development

Gary S. Fields

Frontmatter

[More information](#)

Preface

Until very recently, the agreed-upon goal of economic development was thought to be aggregate economic growth. Now it is recognized that GNP measures are incomplete. To assess a country's economic performance and its progress toward economic development, we must supplement if not supplant the growth rate of GNP by other, more micro-economic measures.

How are we to do that? At least two research strategies suggest themselves. One approach, which the profession followed in the 1970s, is to emphasize growth but to weigh the growth performance by the distributional record. Another approach, more novel than the first, is to emphasize changing poverty and inequality as the principal indicators of development. Rather than asking whether the type of distributional pattern in a country promotes or hinders growth, the alternative approach asks instead if the rate and type of growth promote or hinder distributional goals. This book utilizes the second of these approaches.

In 1973, I began a series of studies that led ultimately to this book. I started with a belief in the usefulness of a micro-economic approach to the study of economic development. After several years of research, that conviction is renewed and reinforced.

The microeconomic framework I have adopted has far-reaching implications for the field of economic development. It requires that development economists look at labor markets, earnings structures, the distribution of productive activities and opportunities, and other less aggregative phenomena. It calls for new models and new analytical approaches to explain why countries fared as they did in their development efforts. It highlights the need for new data-

Cambridge University Press

978-0-521-29852-0 - Poverty, Inequality, and Development

Gary S. Fields

Frontmatter

[More information](#)

micro as well as macro—to trace countries' growth histories. And it calls for new planning procedures for future development. These concerns will dominate the attention of the development community in the 1980s. This book informs planners, scholars, and students of some of the lessons of the 1970s.

A long-term project like this would have been impossible without the support of many research organizations, donor agencies, and individuals. For congenial and stimulating research environments, I thank the Economic Growth Center at Yale University, the Center for the Study of Economic Development at the University of the Andes (Centro de Estudios sobre Desarrollo Económico, Universidad de Los Andes) in Bogotá, and the Departments of Labor Economics (School of Industrial and Labor Relations) and Economics (College of Arts and Sciences) at Cornell University. Financial assistance came from the World Bank, which financed my early work on development and distribution in Colombia; the U.S. Department of Health, Education and Welfare, which provided a grant to the Council on Latin American Studies at Yale to support my teaching of a graduate course on income distribution and economic development in Latin America; the Concilium on International and Area Studies at Yale, which supplied a research assistant at a critical stage of the work; the U.S. Agency for International Development, which commissioned several papers on poverty, inequality, and development, parts of which constitute some sections of this book; and the host institutions themselves, which expended many of their core funds on my behalf. Research assistants who have helped with some of the more tedious tasks include Farrukh Iqbal, Helena Jaramillo Ribe, Douglas Marcouiller, Fred McKinney, and Se-Il Park. A sequence of secretaries did the typing; I acknowledge the professionalism and good cheer of Diane Rocklen, Lois Van de Velde, and Nancy Notar.

My debts to professional colleagues are several. Special thanks are due to Gustav Ranis and John Fei for their steady encouragement in the early stages of the research; without their help, this book would probably never have come into being. I thank them, along with Martin Baily, John Eriksson,

Cambridge University Press

978-0-521-29852-0 - Poverty, Inequality, and Development

Gary S. Fields

Frontmatter

[More information](#)*Preface*

xi

Robert Evenson, James McCabe, and T. Paul Schultz, for many interesting discussions and helpful comments on various chapters. In addition, Olivia Mitchell and Sherman Robinson should be singled out as the only friends brave enough to wade through the entire manuscript; their comments were many and instructive.

The chapters of this book have evolved from lectures in my graduate courses on economic development. In fact, the impetus for the book originated from students' suggestions that the lessons from the course might profitably be shared with a larger audience. Several classes of graduate students served as guinea pigs for earlier formulations; in so doing, they gave me many ideas and helped sharpen the exposition at various junctures. I have always believed in the symbiotic relationship between graduate teaching and scholarly research; the synergistic effects have been particularly positive in the preparation of this book.

Finally, my greatest thanks go to my wife, Vivian. She has broadened my horizons to include other lands and other peoples, deepened my concerns for the less fortunate, and reminded me of the human dimensions of poverty, inequality, and development when I have wavered. For those contributions, and for her loving backing of my professional pursuits, I am pleased to dedicate this book to her.

G.S.F.