Ph.D. Thesis:

Economic Growth and Inequality: The Colombian Experience

1930 - 1990

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Poverty makes a mockery of what

human life should be.

Bertrand Russell

Abstract

The thesis is concerned with the relationship between economic growth, defined by GNP per capita, and inequality. The latter is discussed with reference to income distribution and poverty.

Firstly, the theoretical background to the debate is outlined. While considering a wide array of positions, it focuses particularly on the influential thesis of Simon Kuznets (1955), which posits a relationship between a country's economic growth and its income distribution profile. Kuznets' thesis is discussed at length and compared to other interpretations of the relationship.

The Colombian experience is then brought in, as a case study with which to test Kuznets' proposition. Published research and other available data, covering the period up to 1978, is then reviewed, before the latest available data - official statistics and other sources, supplemented by interviews carried out by the author - covering the 1978-1990 period, is presented and discussed in detail. A comparison of the inequality profile in the period up to 1978 with that between 1978-1990 is then presented.

Following this, some possible determinants - both economic and sociological - of the income distribution and poverty trends between 1978 and 1990 are discussed. These include those related to the economy, the government, education, the drug-trade, and the 'culture of violence'. Conclusions are arrived at as to the influence of each.

An overall conclusion is then drawn, which attempts to highlight the links between the Kuznets thesis and the Colombian experience. The problems of a thesis such as Kuznets', arrived at with cross-sectional data, are discussed, as are those associated with using a case study approach to 'test' an hypothesis.

Finally, the thesis includes two appendices, the first discussing the data used to assess the income distribution and poverty profiles in the period 1978-1990, the second outlining the advantages and disadvantages of the various measures of inequality employed in the study.

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Chapter 1 The Theoretical Debate

1) Introduction

This study takes another look at a debate as old, probably, as any in social science: the question of the interrelationships between three variables: economic growth, income distribution and poverty. Specifically, it looks at Colombia as a case study. In this way it is hoped that untangling the webs woven by each variable in a single country will give us a greater understanding of the strengths and weaknesses of sociological and economic theory - which come together in "economic sociology" - in this area.

Economic sociology, like political sociology, is one of those boundary areas within social science, dealt with by specialists from both economics and sociology. Its basic approach is to include a genuinely social perspective in analyses of the economy, eschewing the artificial division of labour between economics and sociology. The 1950's saw the first attempts at such fusion, with researchers like Gary Becker and Anthony Downs contending that political and sociological topics could be analysed with economic models (see Swedberg 1987; 1990a; 1990b; and Stinchcombe 1990, for a discussion of these arguments). In the same decade, Parsons and Smelser (1956) suggested that "the degree of separation between [economics and sociology] arbitrarily conceals a degree of intrinsic intimacy between them." (p xvii). They concluded, in similar vein to this study, that:

> Concrete economic processes are always conditioned by non-economic factors which are most clearly apparent in the parametric characteristics of the non-economic sub-systems of the society. (p307).

More recently, Granovetter (1992a) has noted that scholars such as Becker and Downs "showed that one should not assume that topics are inherently 'economic' (as in: Why does something cost as much as it does?) while others are 'social' (as in: Why do people vote as they do?)." (p2). Rather, the 'economic' and the 'social' should be synthesized: "closer attention to social structure would provide a more satisfactory account of how economic patterns arise." (Granovetter 1992b, p 256).

Broadly, the theoretical debate surrounding this study is about what happens to societies as they grow. We are interested here in the influences economic development, defined by GNP per capita levels, or the lack of it, has upon inequality and vice versa. This debate began some years ago with discussions and papers on the income distribution profiles of England, the United States, Prussia, Saxony, Denmark and Germany from the 18th century through the early 20th century. These income distribution profiles were then superimposed upon each country's level of economic development - size of GNP and speed of growth mainly -

and conclusions drawn as to the relations between the two. Specifically, interest focused on whether the level of a country's economic development was associated with, or related to, its income distribution profile: did concentration increase or decrease with economic development?

More recently, the debate has turned to the developing world - Asia and Latin America mainly - for its raw material. The starker inequalities and often wildly fluctuating economic growth rates in these countries are what probably attract the researcher, who goes in hope of finding definite trends. More specifically, during the last three decades much faith has been lost in the redistribution-with-growth thesis associated with W.A. Lewis's (1954) model, especially among those concerned with Latin America. The feeling has been that economic growth is strongly biased toward income concentration and minimal rates of improvement in the quality of life of the lowest 60 percent. After surveying trends in the 1960's and 1970's, many commentators - especially those working in the international agencies - were unable to see clear prospects of a significant and lasting reduction in the inequalities existing between the base and the rest of the pyramid (the Robert McNamara speech in Nairobi in 1973 - in McNamara, 1981 - is probably the most famous exposition of such a view). This has led to a concern to redefine the whole purpose of development, with many rejecting the idea of 'growth first, distributional justice later'. In such a climate, it seems appropriate to take stock and look closely at theory and empirical research on the subject. Thus the main purpose of this chapter is to outline a hugely influential hypothesis on the relation between economic growth/development and income distribution -

the Kuznets hypothesis - and then to discuss the responses it has provoked.

2) Inequality and Economic Development - Initial Interest and the Ideas of Simon Kuznets

Two thousand five hundred years ago Confucius thought that inequality was to be lamented more than scarcity. Around the same time, in Periclean Athens, the notion of human equality was evident. More recently, the ideal of inequality came to mean, for many, economic inequality. George Bernard Shaw remarked, in 1913, that: "When I speak of the Case for Equality I mean human equality; and that, of course, can only mean one thing: it means equality of income". Tawney (1931) called for the equalising of opportunities, especially educational opportunities, for all, in order to correct income and wealth disparities. Sir Isaiah Berlin (1961) spoke of the need to make the case for inequality rather than equality:

> If I have a cake and there are ten persons among whom I wish to divide it, then if I give exactly one tenth to each, this will not, at any rate automatically, call for justification; whereas if I depart from this principle

of equal division I am expected to produce a special reason. (p131).

A little later John Rawls (1971) gave us his principle of (distributive) social justice, in which society should give priority to improving the position of the least advantaged person. No inequality is just, he alleges, unless it may be reasonably expected to benefit the poorest. This theme has been flirted with since by moralists and social scientists alike. The common refrain is that the aim of a society should be to increase the income of the poor faster than that of the rich. The economists' concept of 'marginal utility' is equally often invoked as akin to "supporting evidence" on this. It states that an extra unit of income is of more 'utility' (usefulness) to the less well-off than it is to high income groups, as for the latter an extra unit of income, though it might be welcomed, is not such a pressing need.

Among sociologists and economists, the issue of the contribution of economic growth to the welfare of a country's inhabitants has a long history, too. Down the years many have seen it as a type of social scorecard; the resolution of claims by competing groups for the economy's output. The appropriation of income has also been seen as one of the main targets for political action and struggle. Money per se is often included in this: "money is the object of intense competition in every society where it is found".(1). Ricardo comments in a letter to Malthus: "Political economy, you think, is an enquiry into the nature and causes of wealth - I think it should be called an enquiry into the laws which determine the division of the produce of industries amongst the classes who concur in its formation". This statement, along with the generalisations of the classical and Marxian schools about long term trends in the distribution of the national product and the thesis of increasing misery, together with the concern for low income groups who may not be sharing in the country's economic growth, ushered in the social problem of income distribution.

Weber touched upon it, without calling it by name, in his discussions of 'market situations', which were tied up with one's material standard of existence.(2). And Durkheim wrote of "an unjust advantage" existing should one class in society be obliged to take any price for its services while another could "abstain from such action thanks to resources at his disposal".(3). Marx's theory of capitalist development posits a forever worsening income distribution profile. This is no surprise, considering his view that the goal of capitalism is to produce profit and not to minister to the needs of the majority of the population. Specifically, he alleges that a considerable segment of the working class under capitalism is condemned to exist in a state of physical poverty (the 'pauperisation'/'immiseration' thesis). Capitalism is further characterised by increasing relative disparities between the earnings of the working class and the income of the capitalist class. Wages do not rise much above their subsistence value due to the existence of the relative surplus population. (4).

The above writers, though, produced no theory of income distribution nor indeed of how it might interplay with economic growth. This changed in the first half of the 1950's. W.A. Lewis (1954) developed a model of capitalist economic development under labour surplus conditions. Inequality is reduced, Lewis contends, via an (unending) upward differentiation of the labour force into skilled workers, supervisors, and lower and middle professional classes. This occurs predominantly within the enclave economy, but at the same time acute shortages of unskilled labour are created which are filled by those from the traditional sector.

Lewis's work was followed in 1955 by a Presidential Address to the American Economic Association from Simon Kuznets on his research into the subject, which, along with other studies of his, has since become seminal. Later, in the 1960's and 1970's, more sociological accounts of social change and inequality were published, including those by Lipset (1963; 1966; 1978), Lenski (1966; see below) and Sombart (1976). These were concerned with social change, social structure and inequality in a comparative perspective. Lipset, for example, discussed the relationship between income inequality and increased mechanisation:

> It should be evident that those who foresee or advocate no growth, who oppose technological expansion either because they do not believe available resources will sustain it or because they feel that a more-mechanised system will be a dirtier society in a variety of meanings of that term, must anticipate a future in which the possibilities for progress toward greater inequality will also decline. (1978 p94).

In an earlier work he discussed the links between democracy and inequality, concluding that, in poorer countries at least: "The upper strata not only resist democracy themselves; their often arrogant political behaviour serves to intensify extremist reactions on the part of the lower classes." (Lipset 1963 p52).

Kuznets' research, in that it analyses the relationship between economic growth per se and inequality, represents a special case within such general theorizing about inequality: apart from being the first series of studies to look at the relationship over time and across countries, Kuznets' work was innovative in its attempt to embrace both economic and social phenomena.

Kuznets begins by asking the two central questions in the debate. Firstly: "Does inequality in the distribution of income increase or decrease in the course of a country's economic growth?" Secondly: "What factors determine the secular level and trends of income inequalities?".

He goes on to suggest the thesis that the trend (in the United States, England and Germany) has been towards greater equality. This reduction in inequality was accompanied by significant rises in real per capita income in each of the three countries. However, in the early stages of industrialisation the increasing weight of the urban population meant an increasing share for this more unequal of the two component distributions (i.e. the urban and rural distributions). Also at this early stage - broadly, between 1870 and 1920 - the rural-urban difference in per capita income tended to widen because per capita productivity in urban pursuits increased more rapidly than in agriculture. Therefore, inequality in the total income distribution increased. At the same time, the cumulative effect of inequality in savings increased the proportion of income-yielding assets among the upper-income groups.

Inequality then narrowed in these now developed countries, according to Kuznets, in the last four decades before the 1950's. The shares of the lower income groups increased also. But such changes probably only occurred within the urban income distribution profile, as in the agricultural sector the introduction of a higher level of technology most likely increased rural inequality. For example, in the United States more advanced technology permitted larger scale units which would have "sharpened the contrast between the large and successful business farmers and the subsistence share-croppers of the south." (Kuznets 1955 p7). The overall distribution of income, though, improved with the reallocation of the majority of the labour force (through migration to the cities) into the high productivity sector (the urban areas). Thus, Kuznets' interim conclusion was that:

> Much is to be said for the notion that once the early turbulent phases of industrialisation and urbanisation had passed, a variety of forces converged to bolster the economic position of the lower income groups within the urban population. (Kuznets 1955 p17.).

The "variety of forces" seems to refer to the appearance of an increasing proportion of (more efficient) urban 'natives' and to the introduction of protective and supportive government legislation in the three countries.

Why then, in Kuznets' schema, does the narrowing of inequality come in the later stages of industrial growth and not in its earlier stages? In the earlier stages, the 'swarming' of population incident upon a rapid decline in death rates and the maintenance, or even rise, of birth rates, is unfavourable to the relative economic position of lower income groups. Added to this are the various factors which maintain or increase the shares of the top income groups: gains arising out of new industries and from an unusually rapid rate of the creation of new fortunes connected with the faster pace of early industrial growth. In the later stages, apart from the 'natives' and government legislation ideas already mentioned, Kuznets emphasises the role of "factors counteracting the cumulative effect of concentration of savings upon upper-income shares".(1955, p8). These include the general "view of society" (Kuznets 1955 p8) - expressed through legal and political decisions - that the maintenance of wide income inequalities on a long-term basis is not to be tolerated.

Secondly, there is the demographic effect. This is that over time, because of differential rates of increase between the rich and the poor, the top x percent in x year would account for a significantly smaller percentage of the population in, say, fifty years time (immigation, important notably in the United States, would excacerbate this trend). This means that the top 5 or 10 percent of the population in 1920, for example, would not hold only those it held in 1870; because birth control and family planning spread first to the rich, a fraction must have originated in the lower-to-middle income brackets of 1870. Thirdly, the essence of the adage 'from shirt-sleeves to shirt-sleeves in three generations' acts as a break on the concentration of savings among upper-income groups in dynamic capitalist economies. This is due to the difficulty in societies undergoing rampant technological change, in which property assets that originate in older industries almost inevitably have a diminishing proportional weight in the total because of the more rapid growth of younger industries and of successfully shifting one's accumulating assets into the new and more profitable industries. If the new fields are not broken into and the new entrepreneurs are allowed to go it alone, then according to Kuznets "the long-range returns...[on the property-holdings of the present upper-income groups]...are likely to be significantly lower than those of the more recent entrants into the class of substantial asset holders" (Kuznets 1955 p10)

The fourth counteracting factor involves the earnings from services (professional and entrepreneurial) of the upper-income groups, which Kuznets suggests form an important part of the income differential of a top group. The scope for increases in these earnings, he feels, is less than that for the service incomes of lower-income groups. This is because, insofar as very high service incomes are due to individual excellence, there is less incentive for and possibility of keeping such incomes at continued high relative levels. And so the service incomes of the descendants of an initially high level unit are not likely to show as strong an upward trend as the incomes for the large body of population at lower-income levels. A further strand of this argument is that a substantial part of the rising trend in per capita income is due to inter-industry shift, i.e. a shift of workers from lower-income to higher-income industries. The possibilities of rise due to such inter-industry shifts in the service incomes of the initially high income groups are much more limited than for the population as a whole; clearly, as they are already in higher income occupations and industries, the range for them toward higher paid occupations is more narrowly circumscribed.

The four factors outlined above are, for Kuznets, all characteristics of a dynamic and growing economy. It is essentially this which checks the rise in the upper-income group's share and thereby reduces income inequality. Thus he concludes:

> One can say, in general, that the basic factor militating against the rise in upper-income shares that would be produced by the cumulative effects of concentration of savings, is the dynamism of a growing and free economic society (Kuznets 1955 p11).

Kuznets, then, is positing a long swing in the inequality characterizing what he would call the 'secular income structure'. Or, to put it in more familiar terms, he is hypothesising an inverted U-shaped income distribution curve. This is, in turn, related to other long swings in the growth process, notably the rate of growth of population and the rate of urbanisation. Dates are put to the long swings for England, the United States and Germany. They are all completed, with their individual variations, during the period 1780 through to the beginning of the first world war.

So much for the now 'developed' countries. Of the 'underdeveloped' countries, Kuznets suggests that, for the period after the Second World War, income distribution is somewhat more unequal than in the developed countries. This wider inequality is associated with the lower level of per capita income in these countries. In particular, though, it is associated with the absence of the dynamic forces associated with rapid growth which are so important in Kuznets' scheme of things for the developed countries, as we have seen. Kuznets concludes on this that the pattern of the size distribution of income characterising underdeveloped countries around the 1950's/1960's is not too different from that observed in the developed countries of the time in the 1920's/1930's or at the beginning of the century, i.e. before the trend toward narrower inequality mentioned above.

However, in an article written in 1963, looking at data for eleven underdeveloped countries, Kuznets points to two major differences between the developed and underdeveloped societies at the points in time when their size distribution of income profiles were similar:

> ...per capita incomes in the underdeveloped countries today are much lower than they were in the presently developed countries in the early twentieth and even in the nineteenth centuries; and the welfare implications of the same relative inequality are likely to be much sharper in the underdeveloped countries (Kuznets 1963 p68).

The above summary of Kuznets' ideas has tried to reflect his broad thesis of a turn in the income inequality profile at a point in time on the economic growth curve. The data he used to arrive at such a thesis was scanty to say the least and he himself admitted it was inadequate.(5). We agree with Kuznets, though, when he tells us that his excuse "for building an elaborate structure on such a shaky foundation" is that "speculation is an effective way of presenting a broad view of the field and....so long as it is recognised as a collection of hunches calling for further investigation, rather than a set of fully tested conclusions, little harm and much good may result". (quoted in Chenery et al 1974, p6). So the best position seems to be to take his hypothesis and test it with data collected for doing specifically that.

3) Responses to Kuznets (i)

Kuznets' writings on economic growth and income distribution, especially the 1955 article, have generated a vast literature on the subject. Critiques of his work have taken various forms. Some have sought to challenge specific points within the hypothesis, for example the 'shirt-sleeves to shirt-sleeves in three generations' argument (p10 above), which many feel to be inappropriate in the developing countries of today or of a few decades ago, considering the realities of the world's capital markets and the possibilities of investing in broad portfolios of equity shares, both of which mean that losing fortunes is now much more difficult. Others have questioned Kuznets' income statistics, suggesting that the study of material equality and inequality must look beyond income to encompass, for example, mechanisms used in many societies to transfer income and wealth between generations of families, which often serve to hide the true extent of inequalities. (6)

This chapter, though, will focus on Kuznets' substantive hypothesis of whether the level of economic development is related to levels of inequality. (7). Indeed, this is the approach taken by most researchers, who have sought, in the main, to test the U hypothesis by means of comparing cross-country data from countries around the globe. This is something they have been forced into as very few countries have income distribution data covering a long period of time. First, though, it seems appropriate to review the studies which have attempted, in the spirit of Kuznets, to follow the time-series approach he used.

Soltow's (1968) study on Great Britain covers a very long period, from 1436 to 1963. He finds some reduction of inequality between 1436 and 1688 and then no change between 1688 and 1801. There is some evidence that in 1867 and 1880 the inequality was somewhat less than in 1801 but other evidence indicates no change during that period. The next period, up to 1911 and 1913, provides a similar picture with basically no change but with a possibility of a slight reduction in income inequality. After 1913 up to 1962-3 there is a sharp reduction in inequality, as is also documented in other studies. Soltow's conclusions are noteworthy in indicating a long period when there was a more or less similar degree of inequality, interrupted perhaps by one or two spells of moderate reduction, but with no indication of an increase in increase in inequality. Soltow (1965) has also looked at the long-term experience of Norway, for which indicators of income distribution over the second longest period exist. Using data for the period 1840-1960, he comes to similar conclusions about the trends in inequality as those for Great Britain.

Other countries are not blessed with data covering such long periods. For the United States, for example, Irving B. Kravis (1962) presented data for the distribution of family and personal income before tax for the period 1929-58. Kravis's data, which he breaks down into quintiles and Gini coefficients, shows a considerable reduction of inequality between 1929 and 1944, followed by a stable situation from then until 1958. Later data seem to confirm the post-war stability of income distribution in the United States, such as that from the U.S. Bureau of the Census.

In the developing countries, India has drawn the attention of many researchers measuring income distribution, one reason being because of the data regularly collected through the National Sample Surveys. Observations by various writers (8) for the 1950's through to the early 1970's do not seem to indicate any increasing inequality in the distribution - though a case could probably be made for the reduction of inequality, particularly if we agree with Ahmed's (1971) data covering the period 1956-57 through 1964-5. And a seminar on Income Distribution in New Delhi in 1971 posited a reduction in inequality for the whole of the 1960's using consumption expenditure data at current prices. Further generalisations about income distribution changes in India are unfortunately not available, which is a serious deficiency considering the size of the country.

Of the other developing countries there are, at best, income distribution estimates for a single year or for very short periods of time, making generalisations difficult. Weisskoff (1970) found information on short-term movements in income distribution for Argentina, Mexico and Puerto Rico and later (Weisskoff and Figueroa 1976) expanded his net to include other Latin American countries. He suggests, from looking at data for the 1950's and 1960's, that a twisting of the distribution of income has occurred, away from the bottommost 60 percent and topmost 5 percent toward a greater share for the middle 81-95 percentiles, concluding that "so-called development implies a loss of relative shares to the bottom 60 percent." (1976 p87).

The thesis that post-war growth has been associated with a general worsening of the distribution of income in most developing countries, borne out by Weisskoff and Figueroa (1976), was forcibly challenged in 1979 by Fei, Ranis and Kuo. They state that:

> It is possible for economic growth to be compatible with an improved distribution of income during every phase of the transition from colonialism to modern growth.....an equitable level of FID (Family Income Distribution) can come about mainly through the kind economic growth which is generated. (p310).

This counter to the general aura of trade-off pessimism was the upshot of the authors' work on income distribution in Taiwan from the 1950's through to the 1970's. They show that Taiwan's family distribution of income in the 1950's was not very different from the unfavourable levels most LDC's seem to be prey to in the early years of their transition effort. During the next two decades in Taiwan, income distribution "substantially improved" (p310). The authors thus conclude that at least one developing country had its cake and ate it too. (9).

It now seems, though, that Fei, Ranis and Kuo played down the unique structural factors associated with the Taiwanese 'growth-with-equity' experience, which makes it difficult to generalize from their findings. Taiwan, like Korea, was able to impose fundamental and far reaching land reforms in the years after the Second World War. During the war it had been occupied by the Japanese, who owned a substantial proportion of the arable land. After the war, "this land was available for redistribution to landless rural workers without the political problems that generally attend such a redistribution". (Morley, 1982, p268). In addition, during the late 1940's and 1950's the Taiwanese government embarked upon ambitious programmes of, amongst other things, rent control and primary education.

Secondly, as Deyo (1989) has shown, the relatively equal income distribution profile in Taiwan - as well as in South Korea, Hong Kong and Singapore - came about due to the expansion of light industry employment, which tends to emphasize low-skill, low-wage work, and in this way to result in the formation of a "hyperproletariat" of marginal workers, such as immigrants and young women. Deyo calls this "an industrialisation strategy centred on the exploitation of low-cost labour in the production of manufactured exports for world markets." (p4). Its upshot is a relatively equal income distribution profile, but one in which family incomes tend to be at the low end of the wage scale. Fei, Ranis and Kuo failed to recognise that this question of the welfare of the working population and their families is an essential part of an inequality profile. As such, their analysis remains incomplete.

From a slightly different perspective to that of Fei, Ranis and Kuo, but also with the aim of countering the trade-off pessimists, Morley (1982) produced a controversial work on the sacrifice element of economic development. The latter he sees as something which should raise living standards and eliminate poverty - but that to reach it involves a significant sacrifice by the present generations for their children. Thus, he contends that:

> Rising inequality is the short-run cost that the society pays for the long-run improvement in the well-being of the poor. (p15).

Morley claims to show, by looking at the Brazilian experience post-1960 (10), that, following a period of rapid and apparently inequitable growth (see the so-called 'miracle years' of 1960-73 in Brazil), wages will rise rapidly for farm labour, skill differentials will begin to narrow and the benefits of growth will finally begin to trickle down to the poor. Morley also notes the conclusions of a social mobility study on Brazil in 1979 (11), which show a very large degree of upward mobility both between and within generations, including in the periods covered by what have become known as the 'breakneck growth' period (1947-62) and the 'miracle years' (1960-73). This is noteworthy, as neither cross-sectional nor time-series data, the most commonly used methods of measuring income trends among different groups, are able to pick up trends in social mobility or look at the same 'population' at two points in time.

Morley's polemical thesis, which boils down to the fact that the poor may have to do without some basic necessities while the country is being organised for economic development, raises the wider political question of whether democracy can be reconciled with such 'development'. (12). Of course, as Morley himself would recognise, no society follows this 'heartless, cold-blooded' strategy to the letter; most do not permit income to be completely determined by the market and take measures to reduce starvation and opulence.

Writing not long after Morley, Williamson (1985) picks up the self-same theme and notes that there have been the two camps of the 'optimists' and the 'pessimists' since the debate between the critics and defenders of capitalist economic development began one-hundred-and-fifty-years ago during the British reform debates of the 1830's. (13). He poses the question of whether the British inequality curve from 1760 to the First World War - which he gives a similar shape to the one drawn by Kuznets in 1955, though disagreeing with his explanations - would have been any different in the absence of industrialisation and/or whether the poor would have been any better off. No direct answer is given to this; but the improvements in the quality of urban life post-1790 which Williamson documents suggests he is sympathetic to the implication behind the question: British capitalism did deliver basic goods to her poor and it did improve the living standards of the working-class as a whole. The 'dark satanic mills', Williamson contends, have had a bad press. Their palls of coal smoke implied cheap fuel, which set off a chain reaction of low industrial costs, competitive British exports and rapid urban job creation. Further, "cheap fuel made for warmer houses, better cooked food and greater cleanliness, all of which had their salubrious effect." (p26).

In a study of the Sao Paulo industrial working class between 1930-75, John Wells (1983) came to similar conclusions. He found that there had been an improvement in the standard of living of the typical manual working class household in Sao Paulo City during the forty years between the mid-1930's and the mid-1970's, when Brazil was experiencing rapid agricultural and industrial transformations and the economy was growing rapidly. Whereas in the 1930's the typical working class household appears to have enjoyed a standard of living which was little higher than the basic physiological minimum, the typical household does appear to have raised itself above that level by the mid-1970's. Wells found working class diets to be improving, with a larger proportion of food expenditure devoted to superior foodstuffs (reflected by increasing intakes of rice, milk, chicken and eggs). It seems reasonable to assume that Wells' sample, drawn from the "typical manual working class household in Sao Paulo City" (p323, Part 2), would have included the lowest/poorest 60 percent of the population.

How, then, are we to explain the finding of no absolute impoverishment and indeed of absolute improvement in the incomes of the poorest groups?. Or put another way: what affects the living standards of non property-owning groups in poor capitalist countries, especially in those experiencing rapid transformations in their agricultural and industrial sectors? Such questions are similar to those asked by the early observers and theorists - Rowntree (1901), Engels (1892), Marx (in 'Capital') - in the debate on the condition of the working class in England, which began in the mid-nineteenth century.

Living standards will tend - it is often alleged - to decline under the following conditions: i) with the influence of population growth and surplus labour, especially in the cities, in restraining the bargaining power of those in work; ii) weak labour demand, connected with the use of advanced country production techniques, coupled with supply-side factors (like population growth); iii) and/or obstacles inhibiting the formation of an independent trade union movement, restricting workers' bargaining power. These points remind one of something Marx might have said, that during an early, rapacious period of expansion, industrial capitalism, faced with an unlimited supply of unskilled workers from the industrial sector, may be prepared to squander its labour power by paying less than the biological minimum. Indeed, why should employers in such conditions do anything else? Well, often they do act contrary to theory, as the standard of living of many members of the industrial workforce in economies with an excess supply of labour attests. In all developing countries, the casual observer would note that the standard of living of many members of the industrial workforce lies considerably above the physiological minimum. To understand why this is the case is to get to the nub of one of the central issues in the growth/poverty/income distribution debate.

Many explain the phenomenon in terms of persistent excess demands for certain skills, as a result of rapid structural change. Others suggest the standard of living will be determined by the value of the necessities required to produce, develop, maintain and perpetuate labouring power, which introduces an historical as well as a biological element into the determination of real wages. Still others, including Marx, would suggest there are two main reasons why wages rise above the biological or subsistence minimum: i) capital, in its own interest, is forced to improve the conditions of the working class, for otherwise extreme rapaciousness will lead to a degenerate and stunted labour force; ii) the development of a somewhat more skilled labour force requires a higher wage to cover the costs of training and encourage habituation.(14). Such is the materialist explanation for the emergence of a relative labour aristocracy in semi-industrialised economies. Wells, though, mixes material and political elements in his explanation, which is more persuasive. Of the political element, he writes:

> In many Latin American countries beneficial wage and employment legislation arose in response to the need felt by the embryonic industrial bourgeoisie to extend the social basis of support for its industrialisation project and, in some cases, in order to pre-empt growing militancy among the industrial working class; since the benefits of such legislation were not universally enjoyed it may also have served as a useful political weapon to foster divisions within the urban working classes. (p149, Part 1).

Wells' material element is essentially that sectors of manufacturing especially oriented to the production of wage goods would require at least some growth in the per capita incomes of consumers in their principal market. As such, "changes in relative prices favouring the real incomes of the mass of manual workers are necessary for macro-economic equilibrium." (p326, Part 2). Without the growth of mass purchasing power, even in societies where labour's position is especially weak, the embryonic capitalist economy could not make the transition to full maturity. That is, if demand is insufficient the economy will run into the sand. Under this scenario the poorer groups do not have to wait for the trickle-down route to greater equality; thoughts of enlightened self-interest and investment pay-offs help to bring it sooner. Income concentration is thus lessened by providing the working classes with some of the fruits of the increasing output. The rationale of the dominant class no doubt being that a smaller proportion of an ever increasing pie makes more sense than holding rigidly onto a larger proportion of a never increasing pie.

4) Responses to Kuznets (ii)

Before turning to a review of the (more extensive) literature which uses cross-section data to test Kuznets' hypothesis, we should first note the (sometimes fierce) objections to such an approach. These centre around the criticism of 'timelessness', i.e. that using cross-country data to test the hypothesis is to compare countries which are at different points in time in the development process and to ignore the cultural and historical baggage of each. Writers have thus been driven to dismissals of the method, believing reliance on the data it produces to be "wholly inadequate" (Ahluwalia 1976) or meaningless (Saith 1983). The same writers are forced to swallow their pride and use the method anyway! This is because, if we do not have time-series data for individual countries covering a sufficient time period, then the best has to be made of cross-country data, as the only kind available. It can at least identify 'associated relationships' which can best be treated as stylised facts to be observed but still in need of explanation by an appropriate theory. Put more succinctly, we have no choice but to treat cross-section data as helpful in indirectly confirming the Kuznets (or indeed any other) hypothesis.

Gunner Myrdal, in 1957, argued that at very low levels of development upward spirals of economic activity in expanding sectors induced downward spirals in stagnant sectors, leading to marked regional differences in income inequalities. Paul Baran (1957) suggested that extreme inequality at the lowest levels of development occurs because the benefits of dualistic growth of a narrow sector exploiting abundant natural resources accrue to ruling coalitions of expatriate businessmen and indigenous property owners.

Kravis (1960) joined the debate soon after Kuznets. He concluded, calculating quintile shares and Gini ratios for ten developed and developing countries for the early 1950's, that the degree of inequality tends to be positively correlated with the level of per capita income but that the correlation is not consistent. Further, he confirmed Kuznets' statement that the share of the lowest income groups tends to be higher in the poor countries than in the developed countries and that therefore the explanation for the greater inequality in developing countries was to be sought in the greater dispersion in the upper part of the income distribution scale. Oshima (1962), though, disagreed. He thought Kravis's conclusions as to the greater inequality in underdeveloped countries than in developed ones simplistic. Rather, he suggested four stages of economic development through which countries pass, during which the income distribution curve follows a Kuznetsian U pattern.

Lenski (1966) went further, tracing out the contours of a U-curve as countries move from hunting and gathering societies through to industrial socities. As they move, first, into the 'simple horticultural' societal type, then to the 'advanced horticultural' and 'agrarian' types, the degree of social inequality - level of income concentration - increases steadily. It only decreases with the onset of the 'industrial' societal type. The increase in per capita income with the change from the 'agrarian' to the 'industrial' type is dramatic. Pure agrarian societies had a per capita income of no more than $100 per year (1949 dollars) - compared to a per capita income in many developing industrial societies which is up to twenty times greater.

Lenski develops something of a grand theory to explain this, suggesting that it is the size of a country's surplus that affects the nature of its distributive system. Specifically, that the degree of technological advance (the latter creating the surplus) will determine the degree of income concentration. In the simple and primitve societies, lacking any surplus to be fought over, goods and services tend to be distributed on the basis of need. With the appearance of the surplus this changes, igniting a struggle for the increased resources. That it be a 'struggle' is inevitable under Lenski's assumptions that man, though a social being, is motivated by self-interest and a desire to maximise his own satisfactions. Further, most of the objects of his (insatiable) strivings are in short supply - money, wealth, status, prestige. Unequal outcomes, too, are inevitable, under the assumptions that "men are unequally endowed by nature with the attributes necessary to carry on these struggles" (p32) and that "with technological advance, an increasing proportion of the goods and services available to a society will be distributed on the basis of [unequally distributed] power" (p46). The appearance of the surplus cannot explain everything; Lenski points to 'secondary variations' to explain differences in inequality between societies at the same level of technological development. These include 'the military participation ratio' - the proportion of the adult male population utilised in military operations. Where most adult males are utilised for such purposes, the degree of inequality tends to be less than in those in which military needs are supplied by a small force of military specialists.

There is a major problem with Lenski's scheme of things: his model would predict ever-increasing inequalities the larger a country's surplus, considering how the assumptions of self interest/partisan group interest and the short supply of those things men most desire, would give rise to conflicts and struggles aimed at the control of the surplus. As we have seen above, however, he finds evidence to corroborate Kuznets' U-curve, which posits a reversal of the trend of increasing inequalities with the appearance of a surplus. Specifically, in agrarian societies the top 1% or 2% of the population usually received not less than half of the total income of the nation, a proportion which declined substantially in the industrial societies. To account for this, Lenski, not unlike Wells (1983; discussed above) brings in factors specific to the industrial societies themselves. These include: i) the elite granting economic concessions to the lower classes in order to dampen industrial tension. If the concessions are not too large and the rate of the economy's growth is great enough, relative losses can be accompanied by substantial absolute gains. This is possible because, unlike the struggle for political power - a zero-sum "game" in which one party's gains are another's losses - the struggle for resources is a positive-sum "game", due to the constantly rising level of productivity; ii) the different labour requirements of the industrial societies. In the past, mainly (plentiful) unskilled labour was needed. In industrial societies, due to the demand for (not so plentiful) labour with various technical skills, employers cannot drive wages down to their subsistence level as they could before. In sum, factors specific to industrial societies serve to check the long-term trend towards the ever-increasing inequalities which Lenski's theory predicts.

Paukert (1973) reviewed the existing statistical data for a large number of countries and examined Kuznets' hypothesis. Unfortunately, Paukert's work is not historical - as was Kuznets' work - but rather synchronic, since it compares the contemporary situation of countries with very different structures and income concentrations. His findings, though, are important. They confirm Kuznets' hypothesis by showing a tendency for a higher income concentration in the countries with lower levels of development (measured, as ever, by the per capita product) or, in other words, an inverse relationship between the two. This changes when the levels of development are raised, with the result that the coefficients of inequality are reduced.

This change is not gradual but occurs when a certain threshold in the degree of development is passed. This 'turning point', where distribution begins to improve, occurs, according to Paukert, in countries with a development level of around 500 dollars per capita, a level lower than the average per capita income in Latin America at the time Paukert was writing (1973). Paukert's work has attracted much criticism, principally that the correlation between level of income and coefficients of inequality, though detectable, is rather vague and neither linear nor inexorable. Furthermore, it appears that once a less skewed income distribution is achieved, this is no guarantee of its permanence and there is no inevitable home-run, a point upheld by some researchers since. (15). Just as there is no guarantee, either, that economic 'development' will continue once underway in a country; in Argentina, Ghana, Uganda and Zambia growth has decelerated gradually over the past century.

Ahluwalia's oft-cited 1976 article takes a sample of 60 countries - 40 developing countries, 14 developed and 6 socialist - and uses a multivariate regression analysis to estimate cross-country relationships between the income shares of different percentile groups and selected variables reflecting aspects of the development process which are likely to influence income inequality. He finds a substantial measure of support for the hypothesis that there is a U-shaped pattern in the secular behaviour of inequality. Specifically, the income shares of all percentile groups, except the top 20 percent, first decline and then increase as per capita GNP rises. Income shares of the top 20 percent display a correspondingly opposite pattern.

Here, though, the problem of timelessness may be distorting the conclusions, as indeed Ahluwalia recognises. For example, the U-shape revealed from his cross-country data may be generated solely by the fact that the 'middle-income' range is dominated by countries with particular characteristics which generate high inequality. If this were so, the U-shape would have little relavance to the long-term prospects facing the low income countries of today, unless these countries shared the same characteristics. Thus, it is often said that the U-shape reflects no more than the concentration in the middle income range of Latin American countries, which display greater inequality because of particular historical and structural characteristics not applicable to others. After testing for this 'Latin-American effect', however, Ahluwalia finds no change in his U-shaped conclusion. Though he does conclude, correctly, that GNP per capita, while a useful summary measure of the level of development (16), "tells us nothing about the specific mechanisms through which development affects the degree of inequality."(p313). Not only this; how to measure development and what proxies to use for it are themselves contentious issues. They surfaced again just recently, with the debate between Tsakloglou (1990) and Branco and Williamson (1988) (17), and were the subject of extensive debate at the latest United Nations conference on poverty and inequality. (18).

Ahluwalia's "specific mechanisms" must include intersectoral shifts, the expansion of the educational and skill characteristics of the population, and a reduction in the rate of growth of population ('demographic transition'). The inclusion of these explanatory variables in Ahluwalia's regression equations substantially improves the goodness of fit compared to when development is measured solely in terms of per capita GNP. This means that the U-shaped hypothesis is confirmed and that to some extent the improvement in income distribution observed in the later stages of development is explained by the three mechanisms already mentioned.

Ahluwalia was also part of a landmark World Bank study in 1974, headed by H.Chenery. It began by noting the high increase in per capita incomes in the Third World since around 1960 and that such growth was very unequally distributed among countries. Growth policies, therefore, had succeeded beyond expectations. Whether aggregate growth was enough to improve on highly skewed income distributions was another matter.

Chenery points out in the introduction to the study that there are a number of developing countries in which tha poor have shared equitably, specifically Israel, Yugoslavia, Korea, Costa Rica and Tanzania. In those countries where they have not been so lucky the major disability facing the poorest groups is their lack of physical and human capital. And considering that 80 percent or more of what the study calls the 'low-end poverty group' are in employment of some kind, then the policy focus shifts from quantity to quality of employment.

The Chenery/World Bank study is of interest as it points up the general criticism of Kuznets' thesis that he ignored the fact that the process of development may lead not just to increasing relative inequality but also to the absolute impoverishment of the lower income groups. That is, a high, or higher, per capita income does not ensure that there is no absolute poverty problem. This is shown in the study by the example that Ecuador and Sri Lanka had, in 1969, approximately one-third of their populations below the U.S.$50 per capita (1969 dollars) poverty line, but per capita income in Ecuador was three times as high.

Writing around the same time, Adelman and Morris (1973) also pick up the theme of the absolute impoverishment of low-income groups. They conclude their analysis of cross-sectional data for 43 countries by suggesting that the incomes of the poorest groups - the lowest 40% - had declined in real terms. They point out that Kuznets and others, as they only really discussed the relative income position of the poor, ignored movements in absolute levels. They thus failed to recognise absolute poverty as an extreme situation of inequality and as such a special case within the broader concept of income distribution. Equally, they tended to over stress level of national income or rate of economic growth as determinants of income distribution patterns, ignoring the role of economic structure in the early and middle stages of economic development. By this they mean the existence of expatriate enclaves before the take-off stage of development, a highly concentrated ownership profile of modern enterprises, the development of capital intensive industrial technology, migration to cities of unemployed rural workers, and the lack of social mobility. These, Adelman and Morris contend, tended to swell the numbers of urban impoverished and to decrease the income share of the poorest segments of the urban population. This then led them to their now famous assertion that, in most countries of the Third World, the poor would have been better off if there had been no development at all! This thesis has come in for some fierce criticism, with other samples apparently highlighting a decline in the shares of the poorer quintiles over time but insufficiently so to offset the recorded growth in the real mean incomes of the poor. (19).

As for the distribution of income, Adelman and Morris find "an almost perfectly shaped U-shaped relationship" (1973 p196) after plotting the means of groups of countries with successively higher levels of industrialisation against the income shares of the poorest 60 percent. They then tested 31 factors to look for determinants of the relationship. Economic development, measured by the level of per capita GNP or GDP, did not emerge as one of the six main determinants. Such a finding contradicts the generally accepted theory of income distribution changing significantly in the course of economic development. A view the authors are content with: "our analysis supports the Marxian view that economic structure, not level of income or rate of economic growth, is the basic determinant of patterns of income distribution." (1973 p186).

Unfortunately, there have been a number of doubts regarding the method of study chosen by the authors as well as the accuracy of their statistical disaggregations.(20). Some support for their findings, though, comes from Fields' (1981) study of poverty in six developing nations. His findings suggest that often the level of a country's income can predict the numbers in poverty but equally often it cannot. Some countries have alleviated poverty substantially, he notes, despite little economic growth. He concludes - not dissimilarly to Adelman and Morris - that the "character of growth" (p313) is more important.

Fields suggests two further points; firstly, that income variations according to attributes of individuals are of primary importance, and secondly, that the relationship between the level of national income and the degree of relative income inequality is weak. Regarding the latter, he finds the exceptions to any general pattern to be nearly as numerous as the supporting cases - something numerous studies have noted. Weisskoff and Figueroa (1976), for example, break down the Latin American countries for the period 1950-1970 into those with higher levels of inequality and those with lower levels and find no consistent or remotely linear relationship with level of national income. Some years later (1983), Felix was more forthright; Latin America had not generated Kuznets curves despite some impressive growth records. This he puts down to the excessive preference of the Latin American middle and upper classes for imported goods, which gives little incentive for governments to consider opening up the home market through an income redistribution push. Precisely this point was made in 1970 by an International Labour Organisation (ILO) mission to Colombia, which prompted it to suggest that the best way to raise the level of investment, considering the prevailing consumption pattern, and thereby accelerate growth and produce something like a Kuznets curve, was through taxation. The Latin American experience, though, has not manifested itself in other LDC's, which leads Felix to conclude that any explanation of inequality levels must focus on country-specific structures. (21).

Two studies appearing shortly after Felix come to quite different conclusions, both supporting the Kuznets hypothesis: Gupta and Singh (1984); and what has become an influential article by Campano and Salvatore (1988), not least because of the large sample of countries - 142 in all - they use. By comparing Gini coefficients for countries at different levels of development, defined by income per-capita, Campano and Salvatore find strong support for the U-shaped hypothesis. From the thirty-six countries in Table 1, below, we see that, at around 1970, Ethiopia, Bangladesh and Burma, for example, have similar Gini's, at approximately 0.40, to those of Belgium, Austria and the United States. Countries at intermediate levels of develpoment have higher Gini's, at between 0.50 and 0.61.

Table 1 Gini Coefficients For Different Countries

Country	Date	Income Per-Capita	Gini
Ethiopia	1970	107	0.401
Malawi	1967	115	0.372
Burma	1970	137	0.414
Bangladesh	1974	148	0.383
India	1976	215	0.429
Pakistan	1971	258	0.326
Kenya	1977	405	0.439
Sudan	1968	520	0.398
Thailand	1975	585	0.490
Phillipines	1975	613	0.454
Zambia	1968	615	0.448
Malaysia	1970	893	0.502
Jamaica	1958	918	0.561
Colombia	1970	937	0.537
Botswana	1982	964	0.503
Peru	1972	1019	0.569
Turkey	1973	1026	0.505
Brazil	1972	1358	0.606
Iraq	1976	1426	0.611
Gabon	1968	1807	0.601
Hong Kong	1976	3903	0.431
Singapore	1978	3978	0.408
Spain	1981	5633	0.325
Italy	1977	6291	0.368
Japan	1972	7103	0.307
Australia	1968	8135	0.314
Austria	1976	9087	0.402
France	1970	9105	0.414
England	1982	9567	0.354
Belgium	1977	10964	0.397
Canada	1981	11053	0.370
United States	1978	11408	0.392
Holland	1981	11844	0.312
Denmark	1981	12850	0.328
Norway	1982	14225	0.348
Sweden	1981	14887	0.351

Source: Campano and Salvatore (1988). These thirty-six countries were selected by the author from Campano and Salvatore's original sample of 142 countries, in order to illustrate the general trend.

The authors' support for the hypothesis, though, carries the proviso that "the bottom 20 percent of the population do not experience an automatic improvement of their income shares as the U-shaped hypothesis might lead one to expect." (Campano and Salvatore 1988 p278). The poorest segments of the population appear to be bypassed by the development process and thus the "spread effect" and the "trickling-down effect" seem not to reach the poorest people as a nation develops.

If such a conclusion were to be upheld, it would challenge some of the more highly regarded contributions to the debate. Not least those of Ahluwalia, who found, as we have seen, confirmation for the Kuznets curves for all of the top 20 percent, middle 40 percent, bottom 60 percent, bottom 40 percent, and bottom 20 percent of the population. Likewise those of Saith (1983), who conducted an onslaught into Ahluwalia's research. He suggested that the research was heavily affected by "a few outliers" (p378) in the sample - including the presence of the socialist countries with explicit policies to strongly affect the distribution of income - and that if these were excluded "the U-curve fades into insignificance" (p378). Campano and Salvatore's objection is that Saith was concentrating on only one of Ahluwalia's equations (the income share of the bottom 20 percent) and that the rest of Ahluwalia's equations remain robust. To therefore throw out the entire U-shaped hypothesis on the strength of a small problem in the sample is, they contend, inappropriate. Indeed, the figures in Table 2, below, suggest they are correct: they support the U-shaped hypothesis by showing more income inequality in low-income countries - and more still in lower-middle income countries - than in high-income countries.

Table 2

Distribution of Household Income in Countries of Different Income (GNP Per Capita) Levels.

Group	Low-Income Countries	Lower-Middle Income Countries	Upper-Middle Income Countries	Industrial Market Economies
Quintile 1	5.71	4.70	3.95	6.60
Quintile 2	9.46	8.67	8.55	11.96
Quintile 3	13.66	13.62	13.44	17.00
Quintile 4	20.10	20.63	21.33	23.63
Quintile 5	51.07	52.38	52.74	40.77
Top 10%	36.41	36.90	35.85	25.20
Quintiles 1 & 2	15.17	13.37	12.50	18.56
Quintiles 3 & 4	33.76	34.25	34.76	40.63

Source: Tabulated by the author from data presented for individual countries in 'World Development Report', World Bank, editions 1984 through to 1990.

-'Low-Income Countries' includes Bangladesh, Nepal, India, Tanzania, Sri Lanka Kenya and Sierra Leone.

-'Lower-Middle-Income Countries' includes Sudan, Indonesia, Thailand, the Philippines, Costa Rica, Colombia and Turkey.

-'Upper-Middle Income countries' includes Malaysia, south Korea Panama, Chile, Brazil, Mexico, Argentina Venezuela, Israel, Hong kong and Trinidad and Tobago.

-'Industrial Market Economies' includes Iceland, Spain, Italy New Zealand, the United Kingdom, Austria, Japan, Belgium, Finland, the Netherlands, Australuia, Canada, France, Germany, Denmark, the United States, Sweden, Norway and Switzerland.

Note: this table is meant only as a guide to the general trends in income distribution among countries at different income levels: different methods of data collection as well as differences in data quality across countries prevent a more precise 'weighting' of percentage shares. Furthermore, the estimates for the different countries do not refer to the same year, rather to the latest available estimate. For some countries, particularly those in the 'low-income' and 'lower-middle-income' categories, there are no available estimates.

5) Concluding Thoughts

Controversy still reigns over whether Kuznets had found something or not, over what he ignored, and more recently over his assumptions as to what constitutes economic development. The question remains: what of the "tough-minded, non-welfare" (Wiles p98) capitalist theory of the trickle-down, or U-curve?

One can find evidence both to support the curve and to refute it. It would probably be fair to say, though, that the general weight of opinion lies in support of it. The majority of both the time-series and cross-sectional data reviewed above affirm the existence of a U-curve. The figures collated by Soltow (1965 and 1968), by Ahluwalia (1976) and by Campano and Salvatore (1988) seem sufficient to be able to say this. This is not to say the hypothesis can predict everything; the final downswing part of the curve, as we have noted, is not always smooth.

Considering the vast literature over the last thirty years in response to the guantlet thrown down by Kuznets, we now have to ask ourselves what we know and when we decide that we know it. Confronted with such an ultimatum, we can say, on the strength of the discussion in this chapter, that the only way to reconcile some of the contradictory conclusions we have found - for example, the differences between the time-series analysis of Wells and Fei, Kuo and Ranis on the one hand and the cross-sectional analysis of Adelman and Morris on the other - is to suggest that researchers go to individual countries and perform time-series studies, for this is where they will really find out what it is that influences income distribution and poverty profiles. The absolute impoverishment thesis of Adelman and Morris was arrived at using a method wholly unsuited to noticing movements in income through time, such as those mapped by Wells. The specific-country circumstances of Taiwan, Korea, and Brazil noted by Morley (1982, ch. 11) - even though he himself, by refusing to draw back from his 'no exceptions' theory, ignores their implications - are important here, because they also could not have been picked up by the insensitive cross-section method of analysis.

By looking at individual countries we can better decide if economic development is enough to explain movements in income distribution and poverty, and whether the association between per capita income and inequality coefficients can be upgraded to a causal relationship. And anyway, finding more and more associated relationships would not take us very much further in the quest for understanding the causal mechanisms behind apparently decreasing income concentrations on the back of increases in GNP per capita levels. And so this report will continue with a case study analysis with a view to unearthing some of these causal mechanisms.

Notes

(1) the quotation is from G.E. Lenski 'Power and Privilege - A Theory of Social Stratification' (1966). Money is seen by Lenski as one of man's primary goals, fought over selfishly in all but the most minor arenas of daily life where little is at stake.

(2) see Weber's 'Economy and Society' (mainly volume 2) (1968) for his detailed discussion on this.

(3) this point is made, and further developed, by Durkheim in 'The Division of Labour in Society' (1964), p384.

(4) Marx's discussion of the pauperisation thesis outlined here was taken from 'Capital' volume 1 (1970) and 'The Communist Manifesto' (1970). The thesis, though, has its weaknesses, notably: i) failure to predict the rise in living standards of the great majority of the working population in capitalist Western Europe and the USA through the last century; and ii) as noted by Giddens (1971): "According to Marx's own theory, profits show a tendency to decline; now if it happens that the rate of surplus value remains the same, rising productivity must produce an increase in real wages of labour." (p57).

(5) Kuznets made use of tax records and government expenditure accounts available for each of the countries, as well as the limited number of secondary works available at the time.

(6) this is the position of R.M. Titmuss in 'Income Distribution and Social Change' (1962). Other works have singled out tax fraud and evasion and the restrictive definition of income in many tax statutes. Still others have pointed out the disproportionate benefits received by the privileged classes from government actions, which they feel should be included in any income definition, though quite how is difficult to see. Included here would be wealthy owners of private property being the chief beneficiaries of the expenditures for defense and police services.

(7) it should be made clear that the question of the simple relationship between rate of economic growth and equity is what we are not discussing here. This is a separate issue and for reasons of clarity best avoided. Many writers, though, do not understand this and get themselves tangled up trying to relate it to the Kuznets' curve. A sustained period of output growth is of interest to us here insofar as it might indicate that a country has reached a level of development which could mean it approaches the final downswing of Kuznets' inverted U-curve and so begins to show a less concentrated income distribution profile.

(8) these include P.D.Ojha and V.V. Bhatt 'Pattern of Income Distribution in an Undeveloped Economy: A Case Study of India', American Economic Review (Sept 1964); and K.R.Ranadive 'Distribution of Income: Trends Since Planning' (Paper presented to Seminar on Income Distribution, New Delhi, Feb 1971).

(9) they do not, though, give much attention to the specifics of the Taiwanese case, which undoubtedly have much to do with why its growth-

equity experience has not been replicated elsewhere. See, for example, W. Baer (Latin American Research Review, Volume xxi, no. 2, 1986) on the somewhat different paths followed by Mexico and Brazil, notably in their more capital-intensive investment strategies, which produced much more income concentration in both countries.

(10) Morley's thesis suffers throughout from the contradiction between his desperate desire to universalise Brazilian experience and his many references to the particular events and decisions which drove that experience. See Morley (1982), ch 11, for more on this.

(11) J. Pastore 'Inequality and Social Mobility in Brazil' (1982).

(12) the recently fashionable 'basic needs' approach to development, i.e. the Western model of redistribution-with-growth, may be inappropriate for the eliciting of sacrifices from the populace in developing countries, which may be necessary if the society is to build a better tomorrow. The 'revolution of expectations' that it tends to encourage may force governments to concentrate upon immediate, rather than long-range, goals of economic development. Military and/or totalitarian regimes may be more suited to the task of implementing policies to produce the necessary rapid economic growth. The post-1964 military government in Brazil has been accredited with just such a function.

For a full discussion on this, see chapter by the sociologist G. Sjoberg in 'Social Structure, Mobility and Development', N.J.Smelser and S.M.Lipset (eds.) 1966.

(13) see, e.g., E.J. Hobsbawm and R.M. Hartwell 'The Standard of Living During the Industrial Revolution: A Discussion', Economic History Review, 16 (Aug. 1963).

(14) This summary of the Marxian position relies heavily on R.E. Rowthorn 'Capitalism, Conflict and Inflation' (1980).

(15) J. Graciarena (article in Cepal Review, second half of 1986) warns of confusing short-term and more far reaching changes in income distribution, the former often caused by some aspect of the political game, the latter by "structural transformations and new correlations of social forces" (p235). And Papanek and Kyn (article in Journal of Development Economics, no 23, 1986) suggest the Kuznets curve is flattening out relatively fast in many countries in the 1980's. Whether this is permanent is not clear.

(16) it also has some technical problems. Principal among them is the use of official exchange rates to convert GNP measured in domestic currency to GNP measured in U.S.$. This introduces errors since exchange rates typically do not reflect purchasing power parity. The result will tend to be an understatement of GNP in developing countries compared to developed countries.

(17) the debate is over what indicator to use to measure economic development. Branco and Williamson (article in American Journal of Economics and Sociology, July 1988) suggest per capita energy consumption is an appropriate indicator, as it avoids the problem associated with using per capita GNP (see n.16 above). Tsakloglou (article in American Journal of Economics and Sociology, Jan 1990) rightly disagrees, noting that per capita energy consumption exaggerates differences between rich and poor countries more than either per capita GNP or GDP in 'Real Purchasing Power Dollars', his own preferred measure.

(18) the conference, in Quito, Ecuador, between 20-23 November, 1990,

was entitled 'Desarrollo sin Pobreza' (Development without Poverty). Amongst othert things, it explored the possibility of replacing GDP per capita as an indicator of development with 'The Index of Social Progress' (ISP). Those societies which devoted a higher percentage of resouces to providing assistance to low-income groups (education, health, housing) would be given a higher ISP (Source: Conference Summary, United Nations, Bogota, 1990. My translations).

(19) Ahluwalia (1976) and Papanek and Kyn (1986) take this view.

(20) regarding their statistical disaggregations, they often disaggregate incorrectly and so give an artificially high share of income to the lower deciles and an artificially low share to the higher deciles. The impression is thus created of less inequality than the primary data available to them indicate. (See Paukert (1973), for a technical explanation of this). However, the data they used for the poorest countries - including Chad, Burma, Niger, Sudan, Madagascer and Bolivia - was of such poor quality as to be unsuitable for any calculations.

(21) the 'institutional setting' of a country or its 'style of development' is undoubtedly significant. For recent confirmation of this, see A. Berry's account of changes in the Peruvian income distribution profile (article in Latin American Research Review, volume xxv, no 2, 1990).

Chapter 2 Inequality and Poverty in Colombia to the End of the 1970's.

1) Introduction and Methodological Approach

Colombia is, according to the World Bank's categorisation, a 'lower-middle-income' country, which means that it has a GNP per capita level of between around US$600 and around US$2000 (1988 figures). Specifically, its GNP per capita level approaches the middle of this range, at US$1180 (1988). This is (1988 World Bank figures) ten times higher than in some of the 'lower-income' countries, but much lower - between six and twenty-three times - than in the 'high-income', OECD-member countries. Tables 1 and 2 in Chapter 1 illustrate Colombia's lower-middle-income status.

Colombia is endowed with statistics on income distribution and poverty to an extent which is almost matchless in the developing world. For this reason, there are very few longitudinal studies on income inequalities in the developing world outside Colombia. Estimates exist from the 1930's through to the present day. Published work discusses the period up to 1978, the year of the World Bank-DANE Household Survey.(1). A fortuitous state of affairs for our purposes considering also that the growth rate of the Colombian economy was sustained and exceptional from the 1930's through to 1979. Availability of data coupled with the existence of what Kuznets thought of as economic growth - a sustained rise in per capita output - make Colombia an ideal choice as a laboratory. The aim of this chapter is to review the published work as a prelude to the main body of this report in the next two chapters, which will bring the discussion up-to-date with an analysis of the trends from 1978 through 1990, with the aid of official statistics and other data sources. This will help us later to draw out conclusions from the trends over a longer period of time.

The methodological approach of this report is aggregative, opportunistic and piecemeal. That is, data has been culled from a wide variety of sources: official statistics (published and unpublished); reports (published and unpublished) from ministries and agencies of the Colombian Government and from international organisations inside Colombia; in-depth interviews with various individuals; and participant observation and pilot interviews inside the largest 'poor neighbourhood' in Colombia.

This way the fullest possible picture can be painted of the trends in inequality and their determinants. Making use of just one data source would not be sufficient, because it would not reflect the richness and variety of data available. Government ministries, for example, invariably carry out their own internal surveys using unpublished official statistics. Gaining access to such surveys - and to their authors - is essential, in order to compare their findings with the raw (published or publicly available on diskette) official statistics. Further, carrying out pilot interviews with the poorest members of society is absolutely necessary as a way of confirming the 'accuracy' of the official statistics: the latter might not pick up informal resource transfers among the poor, whereas a more ethnographically-based approach has a better chance of doing so. Up to now, however, researchers have, to their cost, ignored this point, contenting themselves with an analysis of official statistics. Indeed, this is the first report on inequality trends which makes use of such a wide array of data sources.

The 'piecemeal' approach is thus about taking advantage of all data options, with the different data sources supplementing one another. A major difficulty with it is that it is very time consuming, as it involves a great deal of physical effort ('leg-work') tracking down all the different sources. For this report this involved visiting a large number of people, places and institutions (see Appendix 1 for the specific details) in Colombia. Consequently, travel, hotel and other costs can be high when following such a method. For example, it may take a few days to arrange a meeting with a government official, which implies an extended stay away from one's home or base. In Colombia this is a frequent problem, as arranging meetings by letter is very difficult: letters invariably do not arrive or are not dealt with if they do.

Secondly, it is by no means a perfect approach. Sometimes the different data sources are contradictory - in terms of coverage, dates, income units, and so on through a long list - and of questionable quality. They are, in spite of this, all that is available and for this reason have to be utilised to their best possible effect, and their limitations noted along the way - even if this means that trends in poverty and incomes can sometimes only be dimly discerned. "The excuse for building an elaborate structure on a shaky foundation is a deep interest in the subject and a wish to share it", concluded Kuznets in his 1955 article on 'Economic Growth and Income Inequality' (p.26). This report is written in a similar spirit: the moment must be caught with what we have.

2) Income Distribution

It has been suggested that, in Latin America generally, persistently high concentrations of income and wealth, together with a limited trickling down of material gains from output growth, have been the rule since the middle of the nineteenth century. Indeed, evidence from 'hacienda' records from the savannah area around Bogota in the late eighteenth century suggests that the purchasing power over food of rural workers was lower in 1962 than it was then! (2). It has been suggested (Reynolds, 1985) that Colombia reached the turning point - defined as the beginnings of a sustained rise in per capita output - around 1885, at the time of export-led growth dominated by the rise of coffee production in Antioquia, in the central part of the country. It is almost certain that per capita income was rising. Unfortunately, we cannot discuss the inequality profile during this time as no research exists on this period.

Indeed, Colombian income distribution and poverty trends were not studied at all until the second half of the twentieth century. And until the mid-1960's income distribution in Colombia was studied exclusively by foreign experts and technical missions. (3). The

Colombian government took little interest in either its levels or its determinants. Their change of heart, reflected in the appearance of various government-funded surveys on unemployment and income levels, had much to with the view taken by the foreign missions that income distribution was an important indicator of well-being in a country. Despite such official apathy, an income distribution estimate is possible for 1964, for both urban and rural areas, as a result of various surveys and censuses carried out in the country throughout the 1960's and collated by Berry and Urrutia (1976). It depicts a very concentrated distribution at the beginning of the 1930's, in comparison with other developing countries of the time; Colombia had a long way to go to reach the concentration levels approaching those of the developed countries. The country's economy had some catching-up to do too, considering the seriously backward nature of the structure of production in the 1920's and early 1930's; the share of the primary sector was much higher than the international pattern of the time and the shares of both industry and urban services much lower. The catch-ups necessary in both spheres were not necessarily going to jeopardize one another, at least according to our conclusions in chapter 1 as to the 'goodness of fit' of the Kuznets curve internationally. Indeed, perhaps the 'technology/industry gap' would give the economy room to fashion employment-creating opportunities to be able later to produce a Kuznets curve.

The degree of income concentration in the urban areas at this time was substantial. 1.5% of the labour force controlled about 15% of the total income, with the top two deciles controlling about 60% of the income. In contrast, the poorest 30% of the workforce earnt just 4.5% of all income. Berry and Urrutia note that at the time this distribution surprised many observers, considering the popular impression that Colombia did not have the great family fortunes that appeared to be common in neighbouring countries. The authors seemed to agree with this, seeing the "real problem" (p31) not as the absolute number of high incomes but the extremely low levels of living of the great majority of the population.

As for the rural areas, the degree of concentration at the top was more severe. The top 1.5% of the labour force earned 27% of the income, with the top two deciles taking 65% of the income. The bottom 30% of the rural labour force, though, earned about 8.5% of all income (4% more than their counterparts in the cities) due to the lack of overt unemployment. However, this difference could be because of differences in the way the figures were collected. In the rural distribution unpaid family workers were excluded whereas all the urban unemployed were assigned arbitrarily to the first two deciles. Thus the two distributions would probably have been essentially similar with this effect taken out. As to the absolute level of incomes in the two distributions, this tended to be lower in the rural areas than in the urban areas, both at the bottom and top levels.

Berry and Urrutia reach three conclusions from the above data: i) the distribution among rural dwellers plus agriculturalists living in the city (absentee landlords) is worse than the distribution among urban dwellers excluding agriculturalists living in the city; ii) at the same relative position in the income scale the urban dweller clearly has a higher nominal income and appears in general to be better off; iii) poverty and inequality in Colombia are a rural phenomenon.

These conclusions would seem to ignore any price differentials that might make living in rural areas less expensive than in the urban areas. Berry and Urrutia, though, found little data on rural prices. They did note that, because of the high degree of regional specialisation in Colombia of the type of food grown, some traded food is more expensive in local markets than in the cities, as food not grown locally is distributed with greater cost to the villages than to the major cities. The cost of a balanced diet in the countryside may not, on this evidence, have been less than in the cities. And in the countryside, although people spend much less on housing, it is of much lower quality than in the cities. For example, the size of the dwelling and the materials used are often inferior to those found in very poor urban neighbourhoods. Furthermore there are no services; if the man-hours dedicated to fetching water are priced, water services are much more expensive in the countryside. The same is true for health and education services. Beyond a basic level of education children have to be sent to the nearest town or city. From this and other evidence Berry and Urrutia conclude that

> It is therefore not at all clear that the typical basket of goods and services purchased by a poor family is less expensive in the rural than in the urban areas. (p35).

The same authors show that the global countrywide income distribution for 1964 gives the top 1.5% of the labour force 20% of all income (compare 15% for the urban distribution and 27% for the rural) which is less unequal than the rural distribution, but still "a substantial degree of concentration" (p37). The Gini coefficient (4) for this distribution was 0.57. The data used to arrive at the distribution refers to 'economically active persons'. Available data for the same year for urban family units gives a similar income distribution profile - so it appears that both the individual and family data reflect well the respective degrees of concentration. (5). The Gini coefficients for the city of Medellin in 1964 are 0.53 (families) and 0.52 (individuals). For the smaller city of Manizales the coefficients are 0.56 (families) and 0.57 (individuals).

Other studies done on the period 1964-70 in Colombia show similar distributions of income and therefore reinforce the validity of the Berry-Urrutia estimates. The small differences in the percentages found by each study could have been due to inadequate data or may have reflected underlying trends. A comparison of the different results is given in Table 3.

Table 3

Percentage of Income Received By Lowest Two-Thirds and Top 10%

Author	Year	Lowest two-thirds	Top 10%
Taylor	1961	28	42 (Individuals)
ECLA	1962	30	43 (Individuals)
Musgrave	1964	23	50 (Individuals)
McLure	1964	27	50 (Individuals)
Urrutia	1964	24	48 (Individuals)
McLure	1970	25	44 (Households)

Sources: i) C.E. McLure Jr. 'The Incidence of Colombian Taxes, 1970' (Houston 1973); ii) International Labour Organisation 'Towards Full Employment: A Programme for Colombia' (ILO, 1970, Geneva).

Turning to a discussion of how the overall distribution changed from the 1930's through the 1960's, Berry and Urrutia suggest, firstly, a worsening of the distribution from the early 1930's through the early 1950's. Both the overall personal and family distributions worsened.

There is, however, evidence of slower income growth for unskilled labour than for other groups, especially those in agriculture. Indeed for the period 1935-1950/4 labour income in agriculture grew less rapidly than per capita income in the sector. In the manufacturing sector from the mid-1940's to the early 1950's the distribution of labour income worsened also. Average blue-collar wages rose by about 25% while average white-collar wages were increasing by about 50%. The authors, by way of explanation here, state that "the fast growth of manufacturing during these years and the special focus on import substitution would be expected to contribute to such a trend." (p95). (6).

It seems, though, that such a relatively high white-collar wage trend for the period as a whole, and particularly after the Second World War, constitutes on its own a factor tending to worsen overall distribution. At the same time the primary distribution also worsened: the gross capital share rose, with the income of industrial capitalists increasing somewhat faster than wages.

The authors found no data for artisan workers for this period, but suggest that it seems unlikely that their earnings would have risen rapidly, as there is little reason to believe that physical productivity was doing so or that artisan workers were able to adjust to the modern factory growth in their industry.

As for government employees - admittedly an extremely heterogenous category - their wage determination involves a considerable non-market element (for example, the existence or not of budget surpluses). For this reason their remuneration may not parallel too closely general trends for those of comparable skill. However, a moving average for all government levels shows moderate rises over the decade 1945-55, compared with no increase before World War One, and more pronounced rises thereafter. The authors suggest this to be unsurprising considering that a "good number" (p99) of government employees need little preparation and have few skills. It therefore does not seem surprising that they should not have shared in the rapid increase in white-collar wages in the manufacturing sector.

The wages of construction workers were moving ahead of those of unskilled agricultural workers during this period. Typically, a wage (daily wages) differential in the order of 10-25% between a peon in Bogota and a peon in the agricultural region near Bogota was the norm in the 1935-50 period, which "clearly fits a worsening distribution pattern" (p103).

However, for the country as a whole, unskilled wage series for construction workers are unavailable before 1950. The post-1950 evidence is consistent with a rather close tie between construction and agricultural wages. Possibly regional differences were greater in earlier years, when geographic mobilty was more limited. In general, construction wages suffered a decline in the 1930-50 period as a whole. A pattern similar to that seen in the wages of commerce workers: a decrease between 1936-54 and a subsequent sharp increase until 1963-64. A factor here may have been the 'violencia' of the 1940's and 1950's which, it appears, accelerated the shift to the cities and thus played a role in holding down blue-collar salaries as well as pushing people into low-income urban jobs.(7).

To summarize, then, the information on wages for agricultural, blue-collar, manufacturing, construction and commerce workers all shows comparatively small or no increases from some point in the 1930's to some point in the 1950's. It appears that during this period there was an excess labour supply in a number of sectors with the correspondingly downward impact on wages. (8). If one looks at the income distribution profile by deciles for this period, the point is confirmed: the top two deciles increased their share of the pie with the bottom two deciles losing out.

For the period from the early 1950's through the mid-1960's there was an improvement in the distribution, at least in urban areas (the agricultural distribution continued to worsen).

Looking first at the non-agricultural sector, blue-collar real wages in the factory industrial sector rose dramatically after the early 1950's through to the mid-1960's, with an average annual increase of 4.6% - well above the overall urban sector average. Though, as the average income of these workers was above the urban mean at the beginning of the period and still further above it at the end, the trend did not contibute to an improvement in the income distribution. Meanwhile, wages in smaller factories and the income of artisan workers increased less quickly, although still faster than urban incomes as a whole. As they tended to be less than the median urban income at the beginning of the period, their growth did contribute to a decrease in inequality. The wages of white-collar workers in industry rose much more slowly than those of blue-collar workers, the opposite of the trend up to the early 1950's.

Further evidence of an improved urban distribution comes from the lower-income sectors - construction workers, workers in small-scale commerce, maids and street-sweepers in Bogota. It appears that the wages of all these low-income occupations increased more rapidly than average per capita income.

Little is known of the distribution of capital incomes for this period. The International Labour Organisation (1970) finds data that show an extremely unequal distribution of property, especially in agriculture (for 1960), as well as a heavily concentrated distribution of company shares. Of the former, the World Bank (1984) published land ownership data for 1971, according to which concentration appeared not to have diminished. Of the latter, they (the ILO) record that just 0.2% of shareholders (themselves a very small group) own 61% of all shares. Urrutia (1970) (9) concludes from an analysis of tax returns that the highest incomes represented a smaller share of national income in 1965 than in 1953 (10). This would also confirm the finding that income distribution improved after the ealy 1950's, following some deterioration in the previous decades. Indeed, Berry and Urrutia conclude that the urban distribution could only have worsened had there been a substantial worsening of the intra-occupational distribution, about which they found no data.

Agricultural wages for the period climbed slowly (approximately 1% on the average), which contrasts with the increase in average earnings for all those involved in agriculture (almost 2%). (11). The distribution of capital may have been worsening, reflected by the rapid advance of commercial agriculture in the late 1950's/early 1960's. In general, though, the overall worsening was probably less than in the previous period.

Combining the results for the agricultural and non-agricultural sectors for this period, thus getting the overall distribution, the authors conclude that inequality did diminish, in terms of the size distribution of income (12), and that the Gini fell from the range 0.60-0.63 to 0.57.

Putting Berry and Urrutia's two subperiods - mid 1930's to early 1950's and early 1950's to 1964 - together would give the following profile of winners and losers: some decrease in the share of the top decile, definite gains for the next two deciles, no change for the next two, some decrease for the bottom 50% and some decrease for the bottom 20%. The relative worsening of the latter two groups appears to have characterised only the first of the two subperiods. The only group whose share moved in the same way (up) in both subperiods was composed of deciles two and three. Such a result "confirms the casual impression of a certain degree of prosperity in the so-called middle-class, whose group in fact provided a limited but sufficient market for the import-substituting industries that developed after the war" (p116). The shift from agriculture to non-agriculture, as predicted by Kuznets, played a role in the apparent 1951-64 improvement (13).

These trends do not take into account the value of capital assets, an important omission if we assume that capital appreciation be treated as a form of income. (14). The authors found no data on how this is distributed among income groups but suggest that, as it is probably only large-scale capitalists who are in a position to take advantage of situations of rapid capital appreciation, any breakdown of the distribution of capital gains would show a worsening of the overall distribution.

The pattern found by Berry and Urrutia seems to be quite consistent, as they themselves recognise, with Kuznets' 'worsening, then improving' hypothesis on income distribution in the development process: "Assuming such an improvement really did occur, one might be tempted to assume optimistically that Colombia had turned the income distribution corner and could anticipate a continuation of the positive trend". (116). According to a World Bank sample survey of the distribution of income in 1974, this indeed seemed to be the case, finding less income concentration in both the urban and rural areas and nationally than Berry and Urrutia (see Selowsky 1979).

This conclusion was not upheld, though, by Berry and Soligo (1980) from the period from the mid-1960's through the mid-1970's, a period of fast economic growth (averaging 6.8% annually). They instead posit a deterioration in the distribution during this period. There was a sharp decline in the share of income going to unskilled labour between 1967-76. The wage differential between white and blue-collar workers widened as the share of white collar workers in the labour force increased. In the early 1970's there was a declining wage share coupled with a rising share of both physical capital and non-labour incomes. For the decade as a whole, wage data strongly suggest a worsening of the relative position of the low-wage groups, including agricultural, construction and personal service workers. These trends are attributed to the continuing condition of surplus low-skilled labour and to inappropriate government policies in many areas, notably taxation and public expenditure. They too, though, end on an optimistic note: "...improvement may occur in the next couple of decades, judging by certain trends now underway" (p44). These included slowing labour force growth, continued fast economic growth and more appropriate educational and family planning expeditures. Looking at their views on the'continued fast economic growth' variable, however, one suspects the authors were more hopeful than anything. They suggest that if continued growth does indeed prove to be the case, "Colombia might be viewed ex-post as a case where reasonable income inequality was only achieved through a process of growth, i.e. where the 'expand the pie first, then worry about redistribution' approach was the one that brought results" (p45). Indeed it "might"; Berry and Urrutia's conclusions for the period 1945 to the mid-1950's, of worsening income distribution under fast growth, would suggest that one be more cautious.

They were to be proved correct, though, if we are to agree with Urrutia (1985) in his important book on the subject. Taking the 1970's as a whole - up to 1978 - he suggests overall income distribution may have improved. That is, the real wages of the very poor - the landless agricultural labourers - increased rapidly in the decade, as did the wages of unskilled urban workers. This compares to a sluggish trend in real wages in the large manufacturing establishments and among white-collar workers. Berry and Soligo's conclusions are borne out by data showing little growth in the real income of the poor in the first part of the decade. This changes in the second half of the decade, after economic policy started to be consciously designed with distributional goals in mind. Other factors which helped to avoid a deterioration in income distribution, according to Urrutia, were the rapid growth of coffee production (15) and decreasing rates of population growth.

It is worthwhile dwelling further on Urrutia's study, considering its importance in the field and the extent to which it is discussed in other works.

From Urrutia's analysis of government-produced statistical data in the period 1964-78, we can distill the following conclusions. It appears that in the urban sector income distribution deteriorated between 1964 and 1972. The 7th to 9th deciles of the population - that is, the middle classes - and the 10th decile improved their positions at the expense of the lower six deciles. In the rural sector, too, income became more concentrated, with Gini coefficients of 0.58 for 1964 and 0.63 for 1972. (16). Nationally, though, due to a closing gap between rural and urban incomes, the distribution changed little - something which is reflected in similar Gini coefficients: 0.57 for 1964 and 0.58 for 1972.

Both the urban and rural income distributions 1964-71 are consistent with wage series data analysed by Urrutia. They show that the urban distribution of the 1960's had been one in which the middle-class experienced rapid gains in real earnings, reflected in the increasing share of total urban income received by the top four deciles of the urban distribution. The rural distribution shows an increase in agricultural wages, refecting a significant increase in the incomes of the lower deciles in absolute terms (17), if less rapidly than that of the wealthy landowners and rural entrepreneurs. This was due to the rapid rate of economic growth and a decline in labour surplus conditions in Colombia's rural areas where most poverty was concentrated in 1964. This, in turn, explains why the national income distribution did not deteriorate, despite growing inequality in both the rural and the urban areas.

Looking at changes in the income distribution between 1971 and 1978, Urrutia finds that income concentration decreased over this period also. The lowest four income deciles seem to have improved their participation in the national income. The participation of the upper 10% of the population, on the contrary, decreased. (18). The urban distribution improved in the second half of the decade with the improvement in real industrial wages. However, even though the household surveys point to an improvement in income distribution in the 1970's, Urrutia suggests their large underestimation of rural incomes casts doubt on their overall reliability. One should therefore focus attention solely on the results of the survey for urban areas.

The December 1978 DANE-World Bank Household Survey of Bogota and Cali (widely regarded as of very high quality) offers further evidence of an improvement in the urban income distribution during the decade. Its data are directly comparable with the DANE household survey of 1971. A comparison between the two, for Bogota, shows a considerable improvement in the income distribution: "Again, the first five deciles increase their participation and both the middle-class and the upper-class (tenth decile) register relative losses" (p90).

In summary, Urrutia's review of government statistical data (mainly household surveys and wage rates) points to an improvement in the income distribution between 1971 and 1978, compared to the 'little or no change' trend of 1964-71/2. The improvement owed itself principally to the improvement in the income of rural labourers and small farmers (the least protected members of the workforce), helping to diminish income dispersion. From the beginning of the 1970's rural-urban migration took the rate of increase of the rural labour force to around 1%, at a time when demand for agricultural goods was growing at over 4%. Also influential were various government policies in the 1970's - notably the 'opening up' of primary and secondary education which lowered the rate of return to education and thereby equalised earnings to some extent. In addition, both the tax system and the public expenditure profile served, from the 1950's, to ensure that the distribution did not worsen.(19). This would tally with Urrutia's point that "the middle-class did well in the 1960's and lost ground in the 1970's and...the poorest families improved their standards of living, particularly in the latter half of the 1970's". (p90).

Another important study, appearing soon after Urrutia, is that by Mohan (1986). Though the primary purpuse of the book is to map the spatial profiles of residence and employment in Colombia using census, household survey and labour force material, Mohan devotes some space to the distribution of income through the 1970's. Noting that as the 1970's witnessed a fall in fertility rates and a progressively smaller proportion of the population in rural areas, rates of rural-urban migration declined. This, together with the coffee boom and the "success" of the drug trade, meant that the incomes of unskilled rural workers rose - "and consequently those of their urban counterparts as well" (p64). Mohan's analysis of published data indeed highlights Urrutia's point that the earnings of the most unskilled categories of the urban labour force rose relatively fast between 1973-78. He attributes this to a "slowdown in urbanisation rates" in the 1970's which began to improve the overall distribution of incomes.

Discussing specifically the income distributions of Bogota and Cali, as part of the World Bank's City Study (20), the conclusion is also that the distribution of income in both cities, despite remaining high by world standards, may have improved between 1973 and 1978, whether ranked by household income or by household income per capita (21). The table below gives the figures used to arrive at this conclusion:

Table 4

Percentage Shares of Total Monthly Income

Category	Bogota 1973	Bogota 1975	Bogota 1977	Bogota 1978	Cali 1973	Cali 1977	Cali 1978
Households Ranked by Household Income							
Bottom 20%	3.3	3.8	4.0	4.0	3.4	4.5	4.1
Bottom 40%	9.8	11.0	11.6	11.9	10.4	13.0	12.4
Top 20%	62.5	56.9	56.3	55.5	60.0	53.1	54.1
Top 5%	30.2	24.9	23.8	25.1	31.7	23.9	25.0
Individuals Ranked by Household Income Per Capita							
Bottom 20%	3.3	3.9	4.2	4.0	3.4	4.5	4.2
Bottom 40%	9.9	11.5	12.0	11.5	10.5	13.0	12.4
Top 20%	62.6	57.4	56.0	58.0	60.5	54.4	55.5
Top 5%	30.8	24.0	24.5	29.0	31.4	24.5	27.3

Sources: 1973 Population Census; 1975 DANE Household Survey; 1977 DANE Household Survey EH15; 1978 World Bank-DANE Household Survey EH21.

The lower deciles appear to have obtained gains from economic growth that are at least proportionate to, if not somewhat higher than, those made by the rich. Apart from the 'tightening urban labour market' explanation, Mohan concurs with Urrutia in seeing the rise in the educational level of the labour force as leading to less inequality in the distribution of earned income. It is worth noting that this has been achieved despite the mixed record on educational subsidies in Colombia, documented by Selowsky (1979); the total subsidy is distributed evenly across income quintiles, with only the subsidy to primary education being progressive.

The finding of a movement towards less income concentration in the 1970's is, however, dampened by another of Mohan's findings. As part of the main body of his study, Mohan calculates what he terms 'the index of spatial income segregation' (ISIS), defined as "the percentage contribution of spatial zones to overall inequality in a city". For Bogota and Cali the ISIS is substantially lower for labour earnings than for household income per capita which, according to Mohan, suggests that some of the inequality is due to locational differences in the composition of households. A related finding Mohan considers "disquieting" is that ISIS appears to be increasing over time while inequality within sectors is declining. This suggests the richer and poorer sectors are becoming more homogeneous and the cities more spatially differentiated by income over time. This could mean different labour markets are operating in the cities. If so, Mohan argues, the deficiencies in environment faced by poor children would be reinforced by higher segregation and "have an adverse effect on the future distribution of earnings." (p78). (22).

3) Poverty.

Poverty is an emotive issue. Recently, attempts have been made to attribute the emergence and growth of both guerrilla groups and the 'Colombian political crisis' to increasing numbers in poverty in the country. (23). Often, such attempts are more politically than scientifically inspired. Here, though, we are not concerned with these debates, rather in mapping changes in poverty levels.

Poverty is included in most discussions of inequality because it is a special aspect of it, i.e. an extreme manifestation of inequality at one end. It is also closely related to the income distribution profile. A very skewed income distribution, with a high number of poor at the bottom, can either mean a poor country with insufficient resources to attend to the welfare of all its inhabitants, or a relatively rich country which has an unnecessary poverty problem due to the fact that the bulk of its resources/GDP are held by other groups. The purpose of this section is to review available literature on poverty profiles and levels up to 1978 in Colombia with a view to establishing the extent of poverty and whether such poverty is 'necessary' considering the country's level of economic development.

Before we can do this, we need to know what sections of the population we are referring to when we note that this or that proportion are in a state of poverty. That is, we need to know the characteristics of poverty and who the poor are. Identifying the poor - especially in the urban sector - is not an easy task as many myths have developed. For example, there is no evidence that recent arrivals from rural areas constitute the largest group of urban poor, nor that they are poorer than persons born in the city, nor that they face greater likelihood of being unemployed. (Source: Mohan, 1986). Equally, the common conception that many of the poor are in the informal sectors of the economy (as self-employed persons, employees of small enterprises, trade and service workers) is not wholly true. Two of the most complete breakdowns of which groups constitute the poor are given by Mohan (1980), and by Mohan and Hartline (1984), both referring to Bogota and both based on the DANE household surveys of 1975 (March) and 1977 (June). A summary of their findings appears below:

- the poor are those in the bottom 30% of individuals ranked according to household income per capita.
- among poor households, the largest ones are relatively less poor, a trend connected to the greater number of workers in larger households.
- children suffer disproportionately from poverty, as a result of the relatively flat earnings profile for less-educated, low-income workers.
- those without education are probably poor at any age.
- migrants are not noticeably poor when compared with nonmigrants. Rather, the majority of the poor are made up of those who have been in Bogota more than ten years. Thus, a more satisfactory hypothesis than 'migrants are the poor' would be 'migration has a depressing effect on urban wages'.
- the rate of unemployment is inversely related to income

level. Or 'the unemployed are more likely to be poor because they receive less income'.

- the unemployed fall disproportionately among the poor; working at all does much to alleviate poverty.
- the poor, especially the very poor, are less likely to participate in the labour force.
- of those in work, poverty is overrepresented among blue-collar occupations: manufacturing, construction (male) and trade workers. The same is true for those working in the retail, transportation and communications sectors, as well as those (male workers) in the personal and domestic service sector.
- the poor are overrepresented among workers who work long hours. Among males this is particularly true of sales, construction and transport workers. Among women the opposite is (generally) the case. Overall, poor male workers are not lacking for work or underemployed; many poor women are genuinely underemployed or unable to work longer hours.
- at all educational levels, unemployment among the poor is greater than among those who are not poor.

The conclusion that emerges from the above is that poverty will not be alleviated simply by expanding employment opportunities. Rather, training programmes may be needed for the least skilled and overworked men along with more employment opportunities and day care programmes for women. Among those with no work - the very poorest, or the 'super poor', as they have been called (Lipton, 1988) - it seems difficult to distinguish between those who are unemployed because they are poor and those who are poor because they are unemployed. Differences in the participation rates between the very poorest and the rest perhaps suggest the existence of discouraged workers or people incapacitated by sickness or injury. For these, employment generation is only partly the answer. Mohan (1986) suggests: "Many of the poor are probably unemployable and their poverty must be attacked directly" (p122).

Now that we have an idea of which groups constitute the poor, we can proceed to an examination of how many of them there are. The first attempt at bringing Colombian income distribution and poverty data together was in 1976. (Berry and Urrutia). Its authors began by noting the widespread view current at the time - which they agreed with - that the extremely unequal income distribution in Colombia was the source of the country's absolute poverty and that, because of this, absolute poverty was unnecessary, especially considering Colombia's high income per capita in comparison with many other developing countries. A state of affairs which, the authors contend, justified embarking upon the study of poverty and income distribution in Colombia.

They suggested that a redistribution of "only 7% or 8%" (pxiii, preface) of the national income would be adequate to double the income of the bottom quarter of the population. Unfortunately, the authors do not devote a serious discussion to the incidence of poverty and we are left to assume that the 'bottom quarter of the population' constitutes the poor. They can only say: "the statistics may not convey the hardship that [a] level of income dispersion implies for families at the bottom of the distribution in a poor country. Given the low mean incomes in rural and urban areas, large sectors of the population - those in the lower deciles of the distribution - lead lives dominated by hunger and death." (p149). Elsewhere in the book, though, they note that adequate figures on the income of several of the low-income subgroups were not available at the time. From their estimate that the bottom 25% of the labour force gained by 14 to 23 percent between 1934-36 and 1950-54, a period of apparently worsening distribution, we can surmise that relative poverty increased (during the same period their figures show that the bottom 50% of the labour force gained by between 24 - 29 percent). Such trends, though, shed no light on rates of, or movements in, absolute poverty.

Berry and Soligo (1980) make no mention of poverty either, despite mentioning 'the poor' often enough. It seems statistics were just not available at the time for them to do anything else. Therefore, like Berry and Urrutia, they had to content themselves with a review of trends in income distribution.

Something not true of subsequent studies, which benefited from a greater availability of government-produced figures on poverty and malnutrition levels. Altimir (1982) found over a third (38%) of urban households to be in a poverty situation in Colombia, unable to cover their basic needs. Among the population as a whole, the incidence of poverty was considerably higher (45%), due to the more widespead poverty in rural areas (54%). Altimir's figures refer to "around 1970" (p82), due to the fact that he uses estimates - from DANE and the World Bank mainly - from 1967 to 1975. He also produces figures for the incidence of destitution, i.e. where the purchasing power of a household is too low to cover even the cost of minimum food needs. The figures are: 14%

(urban areas), 23% (rural areas) and 18% (nationally). Between a third and a half of the urban poor are also destitute, according to Altimir's calculations. (24).

Altimir concludes his analysis by noting the relevance of the concept of the 'poverty gap'. This corrects indices of the incidence of poverty, which measure the percentage of the population that is poor without indicating the extent to which the incomes of the poor lie below the poverty line. In Colombia the income shortfall of the poor as a percentage of the total household income of the non-poor is 8.8% (around 1970). This compares to poorer countries, such as Peru and Honduras, which have a poverty gap closer to 20%. Colombia, according to Altimir, is thus one of those countries in which "the dimensions of the poverty problem appear manageable, at least as regards the magnitude of the economic resources involved [in eliminating poverty]" (p94).

Altimir's study is useful as far as it goes, but it gives us no idea of what happened over time. Urrutia (1985) begins to correct this, comparing some of the different surveys from the mid-1960's through to 1978. He suggests the 1970's witnessed a reduction in absolute poverty in Colombia.

In 1964 Colombia's poorest group of workers was that of landless rural labourers. Of course, the fact that the majority of the poor are to be found in the rural sector is common to most developing countries. The reason for discussing their fate is because of the importance in the debate given to both the notion of the 'turning point' and to dual economy models, such as that espoused by W.A. Lewis and others. The point is that an increase in real agricultural wages might reflect a decline in underemployment and therefore the beginning of a development phase in which income distribution could improve. The daily farm wages of landless rural wages in 1964 were much lower than the wages earned by any urban worker. Moreover, rural labourers had benefited little from national economic growth during the previous three decades; between 1935 and 1964 the purchasing power of agricultural workers earning daily wages did not increase. Though, DANE figures do show a slight improvement in real agricultural wages for Colombia in the subperiod of the 1950's and 1960's, with a more substantial improvement in the 1970's. (25).

Supplementing these figures with data from individual firms, Urrutia suggests this improvement was faster than rises in national per capita income. Something which motivates him to conclude: "in the second half of the 1970's the income differential between rural and urban workers declined and therefore the poorest group of workers in the society increased its standard of living more than the average." (p16). Much of this improvement is put down to increases in the minimum wage - it increased by 35% between November 1974 and January 1980 - which seem to have taken hold, as much because of labour scarcity as anything else. Real wage increases for farm workers and small landowners (also daily workers), who together make up a significant proportion of the Colombian rural poor, must have increased their standard of living. Within the urban areas the finding is that the poorer, unskilled workers did better than skilled workers (even in manufacturing) and that there was a decrease in income differentials within industry and relative gains on the part of poorer workers.

Despite such gains, it is clear that Colombia, like other Latin American nations, is fast becoming an urban society and, as such, urban poverty could become a more serious problem than rural poverty. Indeed it is often postulated that with the acceleration of inflation in Colombia between 1970-74 real urban wages decreased. This may have pushed greater numbers into poverty during the decade. The findings, though, are mixed. Picking out trends from various, often barely comparable, studies gives a picture of growing urban poverty from 1970-75 and decreasing poverty in the second part of the decade. For example, Mohan Wagner and Garcia (1981), looking at nutrition levels from household survey data, note that malnutrition in Bogota and Cali decreased from about 30% to about 15% of the population between 1973 and 1978. Urrutia's conclusions, as we have seen, corroborate this. Absolute poverty, he finds, was reduced due to incomes of poor families rising during the 1970's at a rate matching or succeeding that of per capita income. He puts this down to what he calls "the democratic nature of Colombian politics." (p131). His point is that, as elections have to be won, government programmes and subsidies have not benefited exclusively the top three deciles of the income distribution and economic policy has not been geared exclusively to favour the modern urban sectors. As such, "politics....may have something to do with the improvement of the Colombian income distribution in the 1970's" (p131). For the 1980's and beyond, the adjustment in wage differentials in favour of the poorer groups could, according to Urrutia, mean less poverty and narrower income differences.

It is worth comparing Mohan's (1986) poverty estimates for the 1970's with those of the above. The range of estimates for the 1970's of poverty and malnutrition, he states, goes from 8% to 100% of the population, depending on the reference population, the level of calorie requirements and the methodology employed. As such little agreement exists, Mohan suggests that only an idea of the magnitude of the problem can be obtained. His own estimates reflect this reality, produced from a method designed to produce lower-bound estimates of the number of people who simply do not receive adequate income for even the barest minimum of nutritional requirements. One can then state that at least an x proportion of the population is malnourished and so in a state of absolute poverty - in terms of one's assumptions as to what constitutes 'the barest minimum of nutritional requirements'.

For Mohan, that proportion was between 25%-35% in Bogota and between 30%-40% in Cali in 1973. In 1978 the range was between 10%-16% of the populations of both cities. These estimates would be reduced somewhat, though it is difficult to say by exactly how much, when it is taken into account that the poor tend to be more efficent in their consumption of calories than the rich. If it is assumed that food prices paid by the poor are 20% less than the average - as the foods they buy are probably lower in quality than those bought by the better-off but similar in calorie content - the estimate of malnutrition is reduced. Thus Mohan's revised figures are: not less than 25% for Bogota in 1973 and 12% in 1978, with similar estimates for Cali. This number of people simply did not have incomes that would allow adequate nutrition. There might well be more who have adequate incomes but suffer from malnutrition for other reasons. This group will probably become more important in the near future, if current poverty and income trends continue; income inadequacy will take second place to neighbourhood/environmental effects, such as lack of sanitation, prevalence of disease and availability of affordable foodstuffs nearby.

Mohan attributes these trends to "an appropriate economic environment bolstered by a judicious mix of policies" (p357) for the 1970's. Included in this is a significant expansion in agricultural labour demand, as sectoral output increased rapidly without 'excessive' mechanisation; an increased demand for Colombia's agricultural products, not least coffee (see n. 15); the growth in employment-promoting exports of industrial products. Much of this was due to the introduction in 1967 of the crawling-peg exchange rate to guard against peso overvaluation and encourage labor-intensive export manufacturing. This involved a mixture of floating and fixed exchange rates, with the Colombian peso shadowing the U.S. dollar (26); an expansionary fiscal policy; considerable expenditures in education, health, transport, nutrition, rural development and construction, themselves labour-using activities; and the growth in the legislated minimum wage of agricultural workers by 35% between 1974 and 1980 (27).

4) Two Further Aspects of Inequality: Regional Inequality and Social Mobility

Regional inequality is an important element of overall inequality, not least because it tells us where poverty is concentrated. Berry and Urrutia (1976) found that regional income differentials increased during the period 1938-51, before decreasing somewhat through to the mid-1960's. Compared with other developing nations at the time, Colombia had "less severe" (p145) regional inequalities, attributed partly to

Colombia's relatively - to other Latin American countries - balanced urban development; it has several important cities as opposed to one or two. (28). Rapid postwar economic and transport integration of the country also played its part. Berry and Urrutia's conclusions are given some support in the study by Fields and Schultz (1980). Using variance and multiple regression techniques, they attempt to quantify the importance of personal and regional effects on inequality. Despite noting that interregional inequality in Colombia is substantial, with mean incomes between the richest and poorest departments differing by four to one, they find it is not sufficient for predicting an individual's income; knowing the individual's education (amongst other personal variables) would give a more accurate prediction than would his region. And anyway, they conclude, most income inequality is within, rather than between, regions. As such, they deny the existence of regional labour markets. For policymakers to assume that the poor are to be found in some parts of Colombia and not in others would thus be wrong. They would be better off designing policies to help the poor generally, rather than in a particular region, or pocket, of the country.

Finally, conspicuous by its absence so far has been any discussion of social mobility. This is because it is a major and serious gap in the literature on inequality in Colombia. Almost no data is available on the subject. Conventional census and household survey material only give us the proportion of the population at a certain income level for a particular point in time. They cannot tell us if that proportion of the population is made up of the same individuals over time. For example, whether those in a state of absolute poverty today are the same as those who were in a similar state ten years ago. This means we do not know how fluid the Colombian social structure is - if it resembles more a stagnant pool or a moving stream. As the world Bank stated in its 1978 Report: "Very few [household surveys] follow the fortunes of individuals and families through time or disaggregate the household to examine the well-being of women, children and the elderly".

An ILO mission to Colombia in 1974 - a mission which comprised no less than twenty seven recognised 'development' experts, led by Dudley Seers - reported that there was no social mobility in the country: "..in Colombia, as in other developing countries, the probability of a person reaching the highest levels of education or even of entering the modern sector is strongly correlated with his family's income...thus reinforcing the inequality of the overall distribution of income." (1970, p143). Not a single table or piece of data is produced to back up this claim, however. What is more, evidence from Brazilian trends in both income distribution and social mobility suggests they may have been wrong. There, between 1960 and 1970, inequality measured by decile distributions increased markedly; but during the same period there was a great deal of social mobility, especially among the sons of the urban and rural lower-classes. (29). Considering such conclusions, there is indeed "value in moving beyond data based solely on cross sections of individuals". (Fields 1980, p94). Doing so would give us a greater understanding of labour market barriers, take-up of educational opportunities and the proximate causes of poverty.

Scouring the literature, though, turns up a data-set on nutrition in the squatter districts of Colombia's third city (Cali) in 1970, carried out by the Cali based 'Research Foundation for Human Ecology'. Questions on income levels, housing quality and education were included in the survey. Furthermore, the researchers looked into the incomes and welfare indicators of a group of high income families as a control group. And in 1980 most of the families were located again and a follow-up survey carried out. Thus we are able - partly by default - to pick out changes in real incomes for the ten year period for groups of families at the extremes of the income distribution. Following Urrutia's examination (1985) of the survey's results, we can note that: i)during the 1970's, income was redistributed towards those at the top and the bottom of the income distribution. The real per capita incomes of both the rich and the poor families rose at an average rate exceeding that of the per capita national income. Similarly, the incomes of heads of households in these groups rose during the period when real salaries and wages in the manufacturing industry were declining or growing very slowly; ii)the real family incomes of both the poor and the rich increased significantly. The rise in the incomes of the poor seems to be due primarily to increases in the average number of family members who work and in the earnings of the wife and secondary workers, whereas among the rich the increase in the income of the head of the household explains most of the rise in total income; iii)single parent families in both social classes have lower incomes than the average for all families of their class, but the income gains for single-parent poor families were substantial. This phenomenon probably helped to decrease the incidence of absolute poverty because many of the poorest families are of this nature. These points confirm the trends noted by both Urrutia (1985) and Mohan (1986) on income distribution: during the 1970's there was a reduction in poverty and the gap between the formal and informal sectors diminished.

The other pointer one turns up after a search is a 1988 article in the respected Colombian weekly, 'Semana'. It is a report on living conditions in the country, in which it is noted that seven out of ten Colombian graduates (in 1988) had fathers who had not completed secondary school and five out of ten had fathers who had not even begun secondary school.

The changing income trends of people documented by the Human Ecology Foundation and the educational mobility suggested by the magazine report (though it does not reveal its source) strongly suggest, as we suspected above, that rigorous research into social mobility, looking at changes in income, occupation and education through time, would bear fruit.

Unfortunately, in conversation with the Director of the Human Ecology Foundation in Cali (November 1990), this author was told that the two groups used in the nutrition surveys will not be followed up again in 1990, due to funding constraints. Though, the same author has since received positive noises from the government's statistical offices (DANE) and various independent research institutes in Colombia about the possibilities of financial assistance in the near future for a full-scale social mobility survey covering the whole country. All, then, is not lost.

5) Concluding Thoughts

The available evidence suggests that the Colombian income distribution profile did become less concentrated in the period from the mid-1930's through to the late 1970's, though this was not a linear trend. During this time the economy grew substantially, to become one of the largest of the 'middle-income economies', in terms of the size of its GDP. (30). In the years 1965 - 1980 the average annual growth rate was an impressive 5.6%, with GNP per capita growing at around 3% in the same period. And the fact that government figures show an upward trend in real agricultural wages - the critical trend to watch - during the 1950's and 1960's, and a more substantial improvement in the late 1970's, shows that the development process as envisaged by Kuznets - the creation of remunerative employment outside agriculture and in the improvement of the productivity of agricultural workers, both as a result of the rural-urban migration drive - was well under way in Colombia in the second half of this century, apparently putting the Colombian economy at that point on the Kuznets curve at which income inequalities continue to decrease and to approach the lower level of concentration characteristic of the advanced industrial economies. Whether this is indeed what was occuring - and whether the trend continued through the 1980's - is the subject of analysis in the next two chapters.

The explanations for the movements in the distribution profile are mostly to do with economic and social factors specific to the country itself. This does not mean that some of Kuznets' explanatory variables, such as his 'counteracting factors' to continuing income concentration, can be discounted, as evidence is just not available to test them. For example, his observation that wealthy men tend to lose their wealth in three generations or less when a country is growing rapidly and approaching the point on the U-curve when income distribution becomes less concentrated, has received no attention, even though the relevant data could probably - still - be found. Of another of the 'counteracting factors' - that governments introduce protective and supportive legislation to check the rise in concentration, particularly various forms of taxation - we can perhaps venture that it has had something to do with the decline in concentration in Colombia, even if only so as not to worsen the distribution.

Our thesis, then, which this chapter confirms, is that the extent to which the distribution profile will become less concentrated with economic development depends upon economic and social factors specific to Colombia, or, as we called it in Chapter 1, its 'style of development' The type of growth-path encouraged, for one. The choice between import-substitution (which tends to be capital-intensive and income-concentrating) and export promotion (which tends to be employment-creating and also fosters income dispersion) is the relevant one in the Colombian case: it explains much of the 'worsening, then improving' pattern of distribution since the mid-1930's. Secondly, had the 1970's not been accompanied by increases in public expenditure in areas like education and health, and the minimum wage not increased so rapidly, the situation would probably not have continued to improve. Just as, in the 1940's and 1950's, had it not been for the increase in rural-urban migration as a result of 'La Violencia', blue-collar wages would probably not have been held down anything like as much, with the consequent deterioration in the income distribution profile.

The associated relationship between economic development per se and the income distribution curve holds for most of the period taken in this chapter. Positing a causal relationship would be entirely spurious; it could not incorporate the many internal factors which drove changes in the income distribution and poverty profiles.

Notes

(1) DANE refers to the Spanish acronym of the Colombian Government's statistical collection agency, which is under the auspices of the 'Ministerio de Gobierno'. It is in charge of organising the census, as well as other survey matters of interest to the government. Its full name in Spanish is 'Departamento Administrativo Nacional de Estadistica'.

(2) see McGreevey, 'Economic History of Colombia', 1971, (p131). He notes, though, that the lowest point for rural workers in Colombia came in the 1890's. The Berry and Urrutia (1976) work, discussed in this

chapter, confirms this. They record a horizontal real-wage trend for Colombian rural workers between 1935-74, but at a higher level than that of the 1890's (pp68-72 and 90-95).

(3) These studies were carried out by: i)the World Bank in 1950, led by Lauchlin Currie. This was the first World Bank mission to a developing country; ii)the United Nations Economic Commission for Latin America (ECLA) in 1957; iii) the Lebret Mission in 1958; iv)Milton C. Taylor in 1967; and v) the Musgrave Commission in 1969.

(4) see Appendix 2 for an explanation and a discussion of the Gini coefficient.

(5) whether the household or the individual is selected as the income receiving unit depends on one's interests. Using the household is more appropriate for measuring purchasing power differentials, since consumption is carried out by and for the family. Using the individual is more appropriate for measuring the capacity for income generation of persons with different levels of education, age, family background, etc. The distribution of individual income will usually be less equitable than that of household income, as in the latter a number of income recipients are included in each unit.

(6) import-substitution (begun in the Depression of the 1930's in Colombia and continued apace post-World War Two) tends to raise capital income in manufacturing and commercial agriculture, as the generalised protection of industry tends to increase the demand for capital, and also leads to a less equitable distribution of labour income through increasing unemployment and lower incomes for unskilled and semi-skilled workers.

(7) 'La Violencia' refers to the period of widespread violence and

political upheaval in rural Colombia in the 1940's and 1950's, which had much to do with a partial collapse of the state. For those not acquainted with the period, E.J. Hobsbawm, 'The Anatomy of Violence' (New Society, no 28, 11/4/63) and J. Pearce, 'Colombia: Inside the Labyrinth', 1990, (pp49-66), provide full introductions.

(8) also at this time, the decreasing share of the agricultural, relative to the total, labour force was still contributing to increased inequality in the overall distribution. This was due to the greater inequality at that time in the nonagricultural distribution.

(9) M. Urrutia, 'Variacion Historica de la Distribucion del Ingreso en Colombia', Revista del Banco de la Republica 43, no. 509 (March 1970).

(10) the figures are: in 1953 the 2.9% of taxpayers reporting the highest income had 35.7% of national income. In 1965 they had just 12.1% to 14.1%.

(11) as well as this, the paid labour share in agriculture fell vis-a-vis the capital share.

(12) for example, the top decile share decreased by 3-6 percent, the top 50 percent may not have suffered any decrease, and the bottom 20 percent may have increased their share. The data for the bottom deciles, though, is weak.

(13) the increasing percentage of the total labour force moving into the nonagricultural sector at this time was significant because it was this sector that was experiencing an improvement in its income distribution profile.

(14) it is not at all clear, though, that this is indeed how we should treat it. Income from capital appreciation, like that from profits, is often reinvested, sometimes to generate more employment.

(15) coffee is grown on small-scale plots and so the benefits of increased demand are relatively dispersed. In the 1970's coffee production almost doubled in Colombia. At the same time a new variety of coffee (the 'Caturra' variety) was introduced, which meant demand for rural labour was high while the old plantations were being renewed and the new lands prepared. As this occurred at a time when the level of urbanisation had begun to exceed 60 percent, "surplus" labour became scarce in rural areas! The new variety, though, is less labour intensive than the old, but conversely, of course, leads to higher productivity per worker.

(16) Selowsky (1974) and the DANE expenditure survey of 1971 show less concentration. It appears, though, that these do not cover a significant part of capital income and may underestimate significantly the income of farmers who derived their income from their own land.

(17) this is critical: both W.A. Lewis's (1954) dual economy model and Kuznets' thesis rest upon the 'turning point' in income distribution ushered in by the rise in real agricultural wages, triggered when the excess supply of rural labour has been absorbed.

(18) a comparison of Selowsky's (1974) survey and the DANE's 1978 household survey confirms the improvement in the income distribution.

(19) for a detailed account of public expenditures in Colombia see M. Selowsky, 'Who Benefits from Government Expenditures? A Case Study of Colombia' (1979); and on the tax system see M. Gillis and C.E. McLure Jr., 'The 1974 Colombian Tax System and Income Distribution' in Berry and Soligo (eds.), 'Distribution of Income in Colombia', (1980), as well as R.A. Musgrave and M. Gillis, 'Fiscal Reform for Colombia' (1971).

(20) this was a major project of the World Bank which, in the 1970's and

1980's, looked into housing, transport, employment location, labour markets and public finance in Bogota and Cali, Colombia.

(21) the results, though, show less overall inequality in Cali than in Bogota. This probably reflects the fact that "a larger city with a more diversified economic structure might be expected to have more higher paid specialised professionals and more people with higher non labour incomes" (Mohan 1986, p67).

(22) Mohan's findings contradict somewhat the literature on the existence and the effects of different labour markets on Colombian income distribution. For example, Kugler, Reyes and Gomez (1979), Bourguignon (1979) and Fields (1980) all deny the importance of 'formal' and 'informal' sectors in determining incomes in Colombia.

(23) see e.g., G.S. Garcia, 'El Proceso de Paz: Un Paso Adelante, Dos Pasos Atras' (1985), as well as A.V. Carrizosa, 'Betancur y la Crisis Nacional', (1986).

(24) all estimates of destitution suffer from the uncertainty surrounding the effect that production for self-consumption can have in enabling a household to adapt successfully to an extreme scarcity of resources. Obviously this is more relevant in rural areas.

(25) there are regional differences: Antioquia and Caldas, both coffee-producing areas, were high wage departments in the 1940's and had experienced some industrialisation by that time. Boyaca and Narino were both much poorer and had higher populations. By the 1970's Boyaca and Narino had experienced increases in wage levels and some reduction in excess labour.

(26) for a discussion of the pros and cons of such a policy, notably the danger of shadowing a currency that might itself become overvalued, see

the article by M. Friedman, 'Financial Times', 18 December, 1989. For confirmation that the policy had some success - in this case in making labour-intensive clothing exports profitable - see D. Morawetz, 'Why the Emperor's Clothes Are Not Made in Colombia', 1981. And for more on the point that export industries typically use more labour than import-substituting industries, see F. Thoumi, 'Estrategias de Industrializacion, Empleo y Distribucion del Ingreso en Colombia', in Coyuntura Economica, 1979, 9 (1): 119-142.

(27) available evidence suggests increases in the minimum wage at this time were complied with in practice. They had a lot to do with raising the incomes of the poor.

(28) Colombia has 33 cities with more than 100,000 inhabitants each, and 11 smaller cities that are at present growing faster than the capital.

(29) see n. 11, chapter 1, for reference here.

(30) see the 'World Development Report, 1990', World Bank, Oxford University Press, p.182, Table 3, for the exact values of GDP in middle-income economies; see Tables 1 and 2 in Chapter 1 for Colombia's position on the 'economic development' and income distribution scales relative to other countries.

Chapter 3 Income Distribution Trends in Colombia, 1978-90

In the second half of the 1980's the DANE made available the results from various income and household surveys it had carried out earlier and from the Census of 1985. From these results we can piece together the profile of income distribution for various points in the decade. This way we can then compare the situation through the 1980's with our analysis in Chapter 2 of how it was before. And with some unpublished data, provided to the author by the DANE, we are able to look, in Chapter 4, at the situation in 1990; which is convenient, for this was the year of a change in government.

The reason for such a veritable flood of data on income distribution (and, as we shall see in Chapter 4, on poverty also) lies in the - pro-poor - stance of the 1986-90 government in Colombia, headed by Virgilio Barco. It took a high profile anti-poverty line, which meant it had an interest in generating primary information on poverty and incomes upon which to base decisions as well as propaganda. For our purpose this is a happy state of affairs, but one which may not continue through the 1990's because of financial difficulties facing the DANE from budget cuts at central government level.

The appearance of the data generated articles and discussions in Colombian academic journals and in the Colombian press. Much of these were devoted to a working out of the determinants of the way the distribution profile had developed since the late 1970's. This Chapter will offer an analysis of the official statistics, with Chapter 6 coming to some conclusions as to the important factors which drove any changes.

1) Urban Income Distribution

As part of a project to update the Consumer Price Index - from its last adjustment in 1978 - a survey of incomes and expenses was carried out between March 1984 and February 1985. It sampled only the fifteen largest cities. One of its explicit aims was "to discover the composition and distribution of individual and household incomes". (Boletin de Estadistica (BE), no 432, March 1989, p190).

The results, summarised in Table 5, indicate a high degree of income concentration by households. The bottom decile is shown to have just 1.8% of all income, with the highest decile taking 36.5%. The bottom 40% have 13.3% of all income. Broken down by expenditures (Table 6), preferred by many as a more accurate measure of 'permanent income', does not give much of a different picture. If anything, it shows more concentration, with the bottom 40% having the same 13.3% as when broken down by incomes, and the top 10% having over 37%.

Table 5

Urban (Household) Income Distribution, 1984-85

Deciles	Income (%)
1	1.8
2	2.9
3	3.8
4	4.8
5	5.9
6	7.2
7	9.0
8	11.5
9	16.1
10	36.5

Source: Survey of Incomes and Expenditures, 1984-85, DANE.

Note: the data refers to monthly incomes in in the 15 cities and metropolitan areas sampled.

Table 6

Distribution of (Household) Expenditures, 1984-85

Deciles	Expenditure (%)
1	1.7
2	2.9
3	3.8
4	4.7
5	5.8
6	7.1
7	8.8
8	11.4
9	16.2
10	37.1

Source: Survey of Incomes and Expenditures, 1984-85, DANE.

Note: the data refers to monthly expenditures in the 15 cities and metropolitan areas sampled.

There are, though, some notable regional differences. For the bottom decile the countrywide average of 1.8% hides a full 1.1% difference between the bottom decile's participation in the cities of Ibague (2.8%) and Bogota (1.7%). For the top two deciles the fluctuations around the means are not so marked.

The ratio of the average income in the lowest decile to that in the highest decile is 1:20. This is, predictably, distorted by the relatively high incomes of those in the top decile residing in the capital. Ratios of expenditures on certain items - notably food - are not nearly as large as those for income differences. The amount spent on 'food, drink and tobacco' (DANE category), for example, by the top and bottom deciles gives a ratio of 1:8. (Source: Colombia Estadistica, 1987, p322). This hides, though, the tendency of the poorer groups to spend a larger proportion of their income on foodstuffs - known in the literature as 'Engels Law'. (1). It also hides the different prices faced by the various income groups: the DANE has produced price indices covering many years for different groups of workers, which show how the lower income groups face slightly higher prices than the rest of the population. Inter-regional price variations also need to be taken into account, which is why it is necessary to calculate different poverty lines for at least the rural areas, the metropolitan areas and the rest of the urban areas. The 1988 official poverty lines for metropolitan areas and rural areas, for example, differed by 33%. (2). The DANE index of prices faced by the different income groups across cities shows how Bogota, Cali, Barranquilla, Pasto, Pereira, Cucuta, Neiva and Villavicencio are all relatively expensive places to purchase food and other goods. Finally, food preferences by region and income group must be taken into account when reading bare income and expenditure data. Consumption of red meat is relatively high (relative to the rest of the world - apart from Argentina and Uruguay - it is high throughout the country) in the cities of Monteria, Pereira, Cartagena - indeed all along the Atlantic coast - and Valledupar, and relatively low in Pasto and Bogota. Red meat is cheaper in the former group of cities; transport and distributional costs make it more expensive in Bogota and Pasto. Urban-rural differences also exist. Fruit and vegetables, for example, are mostly consumed in urban areas; yuca and platano in rural areas.

Indeed, there are significant differences in the type of foods consumed by region in Colombia, not surprising considering the wide range of climates. This, and the obstacles to speedy overland transportation, implies that any benefits associated with technological advances in the production of a particular foodstuff would be shared unequally by the different regions. Across income groups there are marked differences in consumption: the lower income groups consume much more rice, sugar and oil than the average, the higher income groups more dairy products, bread and fruits. (3). The poor, as we noted in Chapter 2, tend to be more efficient consumers of calories and proteins than other income groups, which should make us wary of jumping to conclusions from statistics showing only the resources available to them.

We shall now proceed to a more detailed breakdown of the results. (4).

i) The Household Distribution of Income.

As shown in Table 7, the coefficients of the Gini and the Theil, calculated for 13 cities, come out at 0.485 and 0.478 respectively.

Table 7

Household Income Distribution (13 Cities), 1984/85

Deciles	Income(%)
1	1.1
2	2.6
3	3.6
4	4.6
5	5.7
6	7.1
7	9.0
8	11.7
9	16.6
10	38.0

Gini: 0.485

Theil: 0.478

Source: DANE, 1990, using data from the 1984/5 Survey of Incomes and Expenditures.

Note: the decile distribution is slightly more concentrated than for the 15 cities in the original 1984/85 Survey. This is due to the absence of the two smallest cities - Ibague and Zulia - in which income is least concentrated.

And plotting a Lorenz curve permits us to see that Medellin, Colombia's second city, has the most unequal distribution of income, with coefficients of 0.516 and 0.535 respectively. Bogota and Cali are the next most unequal cities, as measured by the same coefficients. The Lorenz curve shows little difference between Bogota and the thirteen cities together, nor between Cali and Bogota. Cities, all much smaller than 'the big three', with lower indices of concentration are: Neiva (Gini = 0.378, Theil = 0.266), Villavicencio (Gini = 0.391, Theil = 0.281) and Cartegena (Gini = 0.394, Theil = 0.277). Mohan's (1986) point, noted in Chapter 2, that a larger city with a diversified economic structure might be expected to have more higher paid specialised professionals and more people with high non-labour incomes, is undoubtedly behind the differences in the indices.

The Theil index allows us to see the contribution to the overall inequality made by a particular subgroup of a distribution. Taking the cities as the subgroups, the most notable statistic is that inequality within Bogota contributes to 50.1% of the total inequality for all the thirteen cities. Inequality inside Medellin contributes 13.6% and in Cali 10.5%. Together, then, these three cities contribute 74.2% to the total inequality within the sample of thirteen cities. This figure will not seem so surprising when it is realised that the three cities together generate 75.7% of the total income. It is for this reason also that the 1984/5 survey showed that inequality of income between cities explains just 8.8% of the total inequality.

Looking at the households themselves, the survey shows that the average number of occupants per household is 4.9; the average size of the household diminishes as income rises - going from 6.1 in the first decile to 3.6 in the tenth. The number of earners per household shows a similar distribution, all the deciles having two except the first decile, which has just one. These two observations highlight the double bind facing the poorest: large families and few workers. The educational profile offers little comfort, either: the average number of years of education for all deciles is seven, but for the first three deciles it is five. The average age of the 'head of household' is forty-two. This varies from thirty-nine in the first decile to forty-six in the tenth decile, possibly reflecting the much greater number of years (twelve) spent in the educational system by the latter. The proportion of heads of household who are women is, on average, 24.3%; this diminishes as the income of the household increases. Interestingly, the proportion of total household income provided by the head of household shows no trend across the deciles. On average, it accounts for 63.3% of household income. In the first decile it represents 57.8% of the total. In the second this figure increases to slightly over 70%, only to fall again until rising later in the top decile. It is most important in the second decile (73.8%) and least important in the eighth (56.9%). Taking the four cities of Bogota, Bucaramanga, Cartegena and Neiva, there appears to be a more discernible trend: as income increases, the importance of the income of the head of household diminishes, only to increase again in the tenth decile. This has much to do with the increasing participation of women in the labour market since the 1970's, especially amongst the middle classes. Women in the top decile do not participate to the same degree; women in the lowest two deciles, in contrast, show high participation rates - often associated with part-time cleaning and/or domestic work. In fact, at the lowest levels of income, work is often easier to come by for women than for men, possibly due to greater opportunities for unskilled 'women's work' than for unskilled 'men's work'. (Source: author's interviews with individuals in the poor neighbouhoods of Cali, between October 1990 and April 1991).

ii) The Income Distribution Profile by Household Income Per Capita

Household income per capita depends on the size of the household and of the numbers of earners in each. It is therefore more sensitive to the actual condition of individuals - surely what we should be most concerned about - than a simple household or per capita measure.

It shows, as can be seen from Table 8, a greater inequality than the distribution by households. Both the Theil (0.555) and the Gini (0.507) are greater for the personal distribution than for the household distribution. This is due, essentially, to the fact that low income households are more numerous than low income individuals, thus contributing to a more equal household distribution of income.

Table 8

Household Income Per capita (13 Cities), 1984/5

Deciles	Income(%)
1	1.0
2	2.5
3	3.4
4	4.4
5	5.4
6	6.7
7	8.4
8	11.0
9	16.2
10	41.1

Gini: 0.507

Theil: 0.555

Source: DANE, 1990, using data from the 1984/5 Survey of Incomes and Expenditures.

Note: concentration is greater in the household per capita distribution than in the simple household distribution due to the fact that low-income households tend to be more numerous than low-income individuals.

The highest concentration indices are those for Medellin (Gini = 0.55, Theil = 0.60) and Cali (Gini = 0.507, Theil = 0.525). These are followed by Bogota (Gini = 0.480, Theil = 0.505) and Monteria (Gini = 0.486, Theil = 0.489). The cities with the lowest concentration indices are Neiva (Gini = 0.398, Theil = 0.316), Villavicencio (Gini = 0.406, Theil = 0.309) and Cartegena (Gini = 0.419. Theil = 0.335). This breakdown of inequality across cities is broadly confirmed when we look at the proportion of income received by the lowest 20% and the lowest 30% in each. Medellin, Cali and Monteria again come out as the more unequal of the cities, with Neiva, Cucuta and Cartegena as the least unequal. The same holds for the share of the bottom 30% except that Villavicencio replaces Cartagena as the 'least unequal' of cities.

Disaggregating the Theil index, as we did for households, we note that Bogota contributes to 47.2% of total inequality, owing basically to the concentration of total personal incomes in the capital. The contribution of Bogota, Medellin and Cali to the total inequality is 72.2%, according to the Theil. The personal income distribution itself accounts for 11.2% of inequality between the thirteen cities, a proportion higher than the 8.76% for the household distribution. The sources of the per capita incomes are broken down in the following way: salaries (34.3%); independent work (25.4%); imputed income - including i) what the owners of a house would pay for renting the house, and ii) the estimated savings from the consumption of home-grown produce - (16.4%). The latter, interestingly, in the cities, is probably more important for the middle and upper income groups; there is close to a national obsession among these groups for having a 'place in the country' to visit at weekends and to return to the city laden with fruit and vegetables; occasional (9.6%); capital (7.3%); transfers (7.1%). Salary incomes are most important in the intermediate deciles between the third and the seventh, where they account for over 40% of all incomes. The deciles in which they account for the smallest proportion of incomes are the first (due to the instability of incomes generally) and the tenth (because of the predominance of profits and unearned incomes).

Independent work, as the breakdown of sources shows, is the second most important source of income. The relative weight of these incomes is high in the lower deciles, decreasing as income increases until the tenth decile when it increases again. Thus, we note the heterogeneity of this type of income, as well as of those who receive it. These factors explain why it is difficult to design appropriate policies to affect all independent workers.

Imputed incomes increase in importance as income decreases, except in Bogota and Neiva, and capital and occasional incomes show an opposing trend. Transfers, though relatively unimportant generally, have a greater significance for low income homes. (5). In Cartagena and Neiva, for example, transfer incomes in the first deciles (households) account for over 10% of all incomes. (6).

Of the above forms of income, salary income is the least unequal, with a Gini of 0.446. This compares to capital and occasional incomes which show Gini coefficients of 0.694 and 0.688 respectively.

iii) The Distribution of Income Among Income Receivers.

Turning to the distribution of income among those who receive - from earnings, transfers, capital - an income of some kind, we also find concentration to be high: the overall Gini comes out at 0.525, the Theil at 0.617 (see Table 9). Medellin and Bogota have the greatest degree of concentration, with the smaller cities showing less concentration.

According to the Theil Index inequality in this particular distrubution contributes to 5.3% of all inequality in the thirteen cities.

Table 9

Income Distribution of Income Receivers (13 Cities), 1984/85

Deciles	Income (%)
1	0.8
2	2.2
3	3.4
4	4.3
5	5.2
6	6.4
7	8.1
8	10.5
9	15.5
10	43.3

Gini: 0.525

Theil: 0.617

Source: DANE, 1990, using data from the 1984/5 Survey of Incomes and Expenditures.

Of the income receivers 44.7%, on average, are women. The proportion is highest in the first decile - 66.5% - and declines rapidly through to the final decile - 18.9%. The sources of income emerge as essentially the same as those for the per capita household distribution and are similarly spread. There are just two exceptions. Firstly, imputed incomes are not included, as they are best considered from the standpoint of the household. Secondly, the importance of transfers in the lower deciles increases significantly when broken down by income receivers. In Cartagena, for example, incomes from this source reach 28.1% in the first decile and 26% in the second. (see, though, n.6 for the need for caution here).

Also as in the per capita distribution, the incomes with the greatest degree of concentration are those from capital and occasional incomes; the least concentrated those from salaries and transfers.

iv) The Distribution of Labour Incomes.

Turning, finally, to labour incomes - the principal source of income for both households (58.5%) and for income earners (72.2%) - it should be noted at the outset that it is difficult to locate precisely incomes from 'independent work'. Sometimes, what surveys take to be income from independent work could equally be categorised as capital income: many of the employed who classify themselves as 'owner or employer' ('patron' or 'empleador') declare as their principal source of income 'independent work' and not 'capital'.

As shown in Table 10, the Gini coefficient for the employed population in the thirteen cities as a whole is 0.47, while the Theil is 0.489. This is a less concentrated distribution than that off all income earners. Agricultural workers living in the city have a Gini of 0.587 and small independent traders ('comerciantes') have a lower one at

0.492. Lower still are the Gini's for administrators (0.331) and all non-agricultural workers and operators (0.364).

Table 10

Distribution of Labour Incomes (13 Cities), 1984/5

Deciles	Income(%)
1	1.2
2	3.0
3	4.2
4	5.0
5	5.9
6	7.1
7	8.7
8	10.9
9	15.3
10	38.8

Gini: 0.470

Theil: 0.489

Source: DANE, 1990, using data from the 1984/5 Survey of Incomes and Expenditures.

The concentration of earnings can be shown in another way: workers - agricultural or not - small independent traders and service workers together constitute approximately three quarters of the employed population, but receive just 57.3% of labour incomes. In contrast, professionals and managers, constituting 13% of the employed workforce, receive almost a third of all earnings.

By occupational position, domestic employees and workers show the least concentration, with independent workers and owners at the other end of the scale - the latter with Gini's of 0.506 and 0.478 respectively.

By level of education, the most unequal distribution is that of the employed with some higher education (Gini = 0.464), followed by those with some secondary education. This, as we shall see in Chapter 6, reflects the expansion of secondary and higher education during the 1960's and 1970's in Colombia, thereby increasing the competition for jobs at this level and forcing many secondary and university graduates to 'trade down'.

By sex, the proportion of employed males in the total is 59.1%. They account for 72.9% of total labour incomes. The distribution of labour incomes of women (Gini = 0.407) is slightly less concentrated than that for men (Gini = 0.473).

According to area of activity, the agricultural and mining sectors show the greatest degrees of inequality, at 0.516 and 0.542 respectively. The least unequal were the electricity and transport sectors. (Source: Boletin de Estadistica, no 446, 1990, p130, table 29).

Using the Theil Index to evaluate the contributions between and within various groups gives the following picture. It is notable that inequality within each occupational group contributes to a full 73.3% of total inequality, while that between groups accounts for 26.7%. For example, inequality amongst employees accounts for 39.3% of all the intra-occupational inequality. The picture is the same when broken down into educational levels, sex and areas of economic activity - intra-group inequality far outweighs inter-group inequality. The degree of the latter is determined, in order of importance, by educational level, occupation, sex, and occupational position. The occupational sector in which one works has a negligible influence. These findings are much the same as those of Fields and Schultz (1980), noted in Chapter 2, using data from the 1973 Population Census.

2) The Rural Distribution of Income

The 1984/5 survey of incomes and expenditures was an urban survey, for the urban Consumer Price Index was, rightly, seen as more relevant to most people: in 1970 56% of the population lived in urban areas; in 1985/6 the proportion was closer to three-quarters. (7). For the distribution of rural incomes we can adapt the findings of the DANE's 1988 National Survey of Rural Households.

i) The Per Capita Distribution of Income.

In the first place, the general level of rural incomes is very low, with reference to the minimum salary of 1988. Secondly, there are important differences in incomes between the salaried and those working on their own account (independent workers) in favour of the former. The individual distribution of income shows that 20.6% of individuals - the first two deciles - have just 3.9% of the labour incomes, in comparison with the top 17.9% who share 43.8% of labour incomes. Labour incomes, though, show less concentration than non-labour incomes; and less concentration also than individual incomes overall (Table 11).

Table 11

Distribution of Rural (Individual) Income, 1988

Deciles	Income (%)	Individuals (%)
1	0.5	8.6
2	1.9	10.0
3	3.4	10.7
4	5.4	11.3
5	7.7	10.5
6	7.1	10.0
7	13.3	11.7
8	11.4	8.7
9	16.6	9.9
10	32.6	8.6
Gini:	0.47	

Source: calculations of the author from the 1988 National Survey of Rural Households, DANE. All forms of income are taken into account.

The Theil Index of inequality for all labour incomes is 0.326, with the degree of inequality amongst women greater than for men - something which increases with age. Inequality between urban areas, semi-urban areas, and rural areas ('cabeceras, nucleos no-cabeceras y areas dispersas') does not appear to be very significant. This is not true, though, between regions; the Central region, for example, has a Theil Index of 0.260 while the Eastern region has one of 0.432.

Generally, inequalities within groups are significantly more important than between groups. Thus, 89.8% of the inequality in earnings is mostly explained by that existing within groups with the same level of education, with 10.2% explained by differences between groups with different educational levels. Similarly, inequalities by occupational position are mostly explained (88.7%) by the contribution within the group, with differences between groups explaining 11.3%.

Despite this, it is useful to estimate the contribution of different variables to overall inequality, including education, experience and region. (8). On average, an additional year of education increases (men's) salaries by 4.2% and unearned income ('ganancias') by 7%. In contrast, an additional year of experience diminishes their salaries by 0.5%. Salaried workers resident in semi-urban areas ('nucleos no-cabeceras') earn, on average, 14.8% more than those resident in rural areas ('areas dispersas'). For total earnings, those of men are greater in the urban areas ('cabeceras') followed by those in rural areas and then in the semi-urban areas.

The salaried in the agricultural sector do better than those in rural manufacturing and those in commerce, but earn less than those in the service sector. By regions, the salaried in the Central region earn more than those in the Atlantic or in the Eastern regions.

Education appears to be less relevant as an explanation of income differences in rural areas than it is in urban areas. Indeed, it has been suggested that it explains up to a third of income variation in urban areas and just a tenth in rural areas. (Source: Londono, 'Coyuntura Social', No.1, December 1989).

As for the position of the various agricultural groups within the national income distribution (of 1988), approximately half of the salaried in agriculture are in the lowest 40% of the national distribution, while the figure for the salaried in non-agriculture is 22.5%. Further, the salaried in non-agriculture earn approximately one-third (28%) more than those in agriculture. The income share of the independent agricultural workers vis-a-vis those in the non-agricultural sector is similar, as is its importance across the deciles. And agricultural proprietors ('propietarios') have generally lower incomes than those in non-agriculture; a lower percentage of the former are found in the top 40% of the national income distribution. It would be fair to say, then, that the rural employed tend to be concentrated in the lower deciles of the national income distribution, due principally to the low level of average rural incomes in the different occupational positions.

ii) The Household Distribution of Income.

As we noted in Chapter 2 (Notes, n.5), if the concern is general well-being of individuals, then knowledge of household incomes is more appropriate as it more accurately reflects consumption. The assumption is that resources available for consumption are - evenly - distributed at the level of the household.

The quintile breakdown is given in Table 12. It shows that the bottom 20% of rural households share just 2.8% of salary incomes. The households in these bottom two deciles have incomes well below the minimum salary (Table 13). Even the bottom 26.5% of households earnt, on average, just two-thirds of the minimum wage. And the poorest 45.8% took 16% of the incomes, also earning below the minimum wage. In contrast, the top 10% of households received 31.7% of rural incomes. For all incomes the Gini is 0.465, for salaries 0.394, for labour incomes 0.546, and 0.579 for non-labour incomes (against 0.550 for unearned incomes, or 'ganancias').

Table 12

Rural Income Distribution (Households), 1988*

Income Group (Quintiles)	Salaries	Labour Incomes	Non-Labour Incomes	All Incomes
1	2.8	5.2	3.1	5.0
2	12.2	13.0	7.6	12.4
3	20.5	18.9	10.4	18.1
4	28.6	25.0	23.1	24.8
5	36.0	37.9	55.8	39.6
Gini:	0.394	0.546	0.579	0.465

* Not adjusted for consumption of home-produced foodstuffs.

Source: calculations of the Ministry of Agriculture (1990), from the National Survey of Rural Households, 1988, DANE.

Table 13

Distribution of Total Rural (Household) Income, 1988

Income Level (According to multiples of the 1988 minimum wage)	Households (%)
0- 50%	22.4
51-100%	23.0
101-150%	20.0
151-200%	13.0
201-250%	6.4
251-300%	4.6
301-400%	5.3
401-600%	3.6
601-800%	0.9
801-1500%	0.8

Source: Calculations of the author from the 1988 National Survey of Rural Households, DANE.

As in the urban distribution, salaries show the most equitable distributional profile, followed by labour incomes and then by non-labour incomes. Such a breakdown has an effect upon the household distribution of income between the urban, semi-urban and rural areas, as well as upon differences between regions. For example, the Central region, where salaries have the greatest weight - due to employment opportunities in the coffee sector in this region, as well as the presence of dynamic rural labour markets - has the 'best' distribution, with a Gini of 0.424. The Eastern region, characterised by less dynamic rural labour markets, and therefore with a less preponderant salary element, has the most concentrated distribution and a Gini of 0.503. (Source: National Survey of Rural Households, 1988). This finding is similar to that of Schultz and Fields (1977), who, using a sample from the 1973 Census, noted that the regional element was the main factor explaining the variation in rural wages.

iii) The Distribution of Household Income Per Capita.

A better indicator still of well-being is household income per capita. As well as recognising that the welfare of individuals rather than households should be the main concern, it takes into account the varying size of households. That is, household income is adjusted for household size. However, it does not recognise economies of scale in consumption or allow for 'equivalence scales' (see Chapter 4 for an explanation of these) to be calculated. As a rule, it tends to produce higher inequality indices than the unadjusted household income indicator - suggesting that even though households with higher incomes tend to be larger, the additional income is not compensating enough and the distribution of household income per capita becomes worse than household income. (9).

For 1988 the household income per capita measure (Table 14) shows the bottom two deciles receiving approximately 5% of the income, with the poorest 45% having approximately 20%. By contrast, the top 10% receives close to a quarter of rural incomes. Thus - in this case - it seems that taking into account the size of the household has the effect of reducing the concentration of income. The Gini is somewhat smaller than that for household income, at 0.275. The explanation lies in the decline, during the inter-censal period of 1973-1985, of 'hacinamiento', or occupation density (defined by the DANE as 'three or more persons per room') - in the country generally, but in the rural areas in particular, and so offsetting the usual effect of the household income per capita measure.

Table 14

Distribution of Rural (Household Per-Capita) Income, 1988

Deciles	Income (%)	Households (%)
1	1.5	10.8
2	3.5	11.1
3	5.7	10.8
4	6.7	10.2
5	8.3	10.2
6	9.8	10.3
7	11.3	9.9
8	13.5	9.4
9	16.1	8.9
10	23.6	8.4
Gini:	0.275	

Source: calculations of the author from the 1988 National Survey of Rural Households, DANE.

The average incomes among the top 20% are seven times higher than those of the bottom quintile. The latter receives 5% of total incomes, 2.8% of salaries and 9.9% of total earnings. In comparison, the top 20% receives 39.6% of total income, 36% of salaries and 41.4% of unearned income. The 'critical poor', or indigent, according to the NBI method of measurement (see Chapter 4 for an explanation of this method), receives 23% of all incomes, 24.7% of salaries and 23% of unearned income. In contrast, 'the non-critical poor' receives 24.8% of total incomes, 25.8% of salaries and 22.5% of unearned income. Generally, as poverty diminishes, the salary element of incomes increases. This is particularly evident across the 'critical poverty' and the 'non-critical poverty' divide. 'Las ganancias', though, according to the Line of Poverty method, remain an important element in the incomes of the non-poor.

Disaggregating rural inequality using the Theil Index confirms much of the above. Specifically: i) the negligible influence of education upon rural incomes compared to its effect on urban incomes; ii) the much less inequality among those receiving salaries than independent workers - though the majority of inequality is still explained by differences within the various income-earning groups. The Theil Index also shows how income tends to increase with the size of one's land holding and that it is substantially less among those with no land. However, inequality here is explained mainly (95.94%) by the intra-group differences (the groups being landholders and non-landholders), which suggests that it is associated more with labour factors (salaries and other earnings) than with access to land, even though the possibility of generating high earnings is positively correlated with access to land.

In conclusion, the - growing - significance of salaries in the total incomes of families is noteworthy, especially in its contribution to the reduction in critical poverty. Much of this has to do with the development of more complex labour markets in and around many rural areas of the country, often centred around a thriving 'rural' urban centre. Non-agricultural economic activities and commercial agriculture combine to provide employment opportunities. The departments of Valle and Cauca have many such centres; and the fast-growing city of Valledupar (in the north-western department of Cesar) is the most spectacular example at present. The recent phenomenon of 'satellization' - whereby population increases as a result of migration are concentrated not in departmental capitals but in nearby 'satellite' cities - is tied up with the development of these centres. (10).

3) Wages During the 1980's.

Looking at average annual growth rates of real wages, between 1978 and 1986 (using ECLA figures for each year), it is clear that the poorest groups of workers faired worse than the rest. The workers in commerce and services experienced an average annual growth rate of 2.51%, stock-raisers 1.59% and crop farmers just 1.17%. These compare with industrial wages, which increased by 3.38% annually, and construction wages, which increased even faster, at 5.65% annually. (11). The legal minimum wage had an average annual growth rate of 5.94%. (ECLA figures). Latest figures available from the DANE, covering 1987 through 1989, show the agricultural and service workers to have clawed back some of their earlier losses, as a result of their own wage gains and real wage losses in the industrial and construction sectors and for those on the minimum wage.

Taking the period 1978-1989 as a whole, though, lower-income groups experienced a smaller increase in their wages than other groups. The figures for both construction workers and for those receiving the minimum wage are more encouraging. The construction sector tends to be a point of entry into the labour market for many, and so the vast majority of its workforce come from low-income - and young - groups. And despite the fact that it can be difficult, at times, to see the relevance of the minimum wage as a wage setter - ECLA reported, in 1980, that the proportion of workers receiving wages equal to, or lower than, the minimum wage in that year rose from 32% to 35%; in 1988, according to the DANE, it was still hovering around the 35% mark - at least it has maintained a respectable growth rate; indeed, it maintained its purchasing power throughout the 1980's, which cannot be said of many other Latin American countries (see, though, n.11 for the - different - influences the minimum wage has upon each sector). Indeed, only the wage in the construction sector and the minimum wage itself kept up with the growth in GDP, which grew by 4.02% annually between 1978 and 1986. This points up the regressive effects of economic development in the period: in most companies the productivity of labour increased sharply at the same time as real wages, especially those of poorer workers, declined. The increase in corporate profits therefore did not stem from faster growth, but from a deterioration in wages in relation to productivity. This translated into a fall in the share of wages and salaries in national income during the eight year period. Of course, the years 1980

- 1985 were particularly bad, not only for wage growth but for the economy overall, which suffered from severe contractions of growth. Yet, the government's wage policies must not be ignored; it limited pay increases to public employees to 10% and the minimum wage to an increase of 18%. This during a quinquennium when inflation averaged 22.5% (figures from DANE and ECLA).

4) Unemployment

The unemployment rate, of interest due to its disproportionate effect on the poor, remained fairly constant between 1978 and 1983, when it went into double figures, reaching almost 14% in 1985 - compared to 8.8% in 1978.

In 1978 the employment situation improved, both in urban and rural areas. Underemployment also dropped while the participation rate continued to increase, making the reduction in unemployment all the more 'impressive'. In 1979 the unemployment rate remained stable at approximately 9%, with underemployment falling and the rate of participation increasing (which had been happening since 1970) again. In 1983 the unemployment rate shot up, to 12.7%, due to regular increases in the labour force above the rate of value-added in the years up to 1983. The relaxation, in 1983, of dismissal procedures also played a part. In 1984 and 1985 unemployment continued to rise, despite the reactivation in production compared to the early 1980's. For example, in 1984 the industrial sector increased its productivity by 10%, yet employment in the sector fell by 1.5%. The explanation is three-fold: i) the expansion which took place was mainly in industry and mining - activities which typically generate few jobs. ECLA commented, in its 1984 annual report on the Latin American economy, that "the rise in output due to industrial expansion originated in a change in the structure of production in favour of import substitution and exports, activities which are in the hands of large enterprises characterised by a low level of job creation".(p170); ii) during 1980-83 there were institutional restrictions operating on the dismissal of workers; employers could not reduce employment at the same rate as the fall in production. Thus, post-1983 employers were in a position to increase production with the same, or a smaller, workforce; iii) the rise in urban wages in relation to rural wages and the growth of housing without an initial quota attracted labour to the cities, thereby swelling the numbers of urban unemployed.

In 1986 the urban unemployment rate dropped slightly - on the back of the highest rate of economic growth since 1979. In the period 1986-1990 the - urban - unemployment rate declined steadily from 13.9% to around the 10% mark. This reflects the growth in production during these years, despite the downturns of 1988 and 1989. The rural unemployment rate, in 1988, stood at 3.2% (DANE figure, from 1988 Survey of Rural Households), which reflects the large number - close to a fifth - of unpaid family workers. Since 1964 only twice has the rural unemployment rate gone above 4.0% - during 1971 (July and November) and 1972 (September). Both these years were characterised by weak labour demand in all the agricultural sectors, notably the coffee sector. (Source: 'Ministry of Agriculture' report, August 1990, p177. See n.8 for the title of the report.).

5) Summary

The results from the 1985 survey of Incomes and Expenditures indicates a high level of concentration. To understand the full extent, though, of the income differences one has to look beyond - shades of Richard Titmuss here - the bare income data: regional differences in food prices and differences in food preferences, by both income and region, have to be taken into account.

The Theil index shows how the three largest cities - Bogota, Medellin and Cali - contribute to three-quarters (74.2%) of the total (household) inequality of the 13 largest cities. In comparison, inequality between the 13 largest cities explains less than one-tenth (8.8%) of inequality.

The household per-capita distribution shows greater concentration, due to the fact that low-income households are more numerous than low-income individuals. Partly for this reason, the household per-capita distribution, according to the Theil index, explains slightly more of total inequality between the cities than household income.

The least concentrated distribution in the 13 cities is that of labour incomes, with a Gini of 0.47. This is due to the preponderance of 'salaries' - the most equally distributed of incomes - within overall labour incomes. Though, if the proportion of the various groups of workers in the labour force is plotted against the proportion of total incomes received by each, the distribution of labour incomes does not appear so equal.

In the rural areas, the general level of incomes is much lower than in the urban areas and, partly as a consequence, concentration is generally lower too. Rural regions with a more preponderant 'salary' element in overall incomes show lower indices of inequality.

Wage rates show changing trends in the period. Up to 1986 the poorest groups of workers - in commerce, services and agriculture - faired worse than the rest, though the minimum wage kept up with the latter. In the second half of the decade the trends were reversed. Through the period as a whole, though, lower-income groups did experience smaller wage increases than other groups (with the minimum wage maintaining its purchasing power). At the same time, however, productivity increased sharply - which meant that profits increased their proportion of national income at the expense of the wages of low-income groups.

The (official) urban unemployment rate fluctuated during the period, increasing from 8.8% in 1978 to 13% in 1986, before declining to 10% in 1990. The expansion in the mid-1980's of even relatively low job-creating sectors of the economy, as well as the continuing increases in the participation rate throughout the decade, meant that it did not decline further. It is wiser, though, to look at the distribution of incomes, especially those of the household and of household per-capita, rather than to the unemployment rate, when assessing the level of well-being of individuals: resources are distributed at the level of the household. Unemployment for a worker in a poor household could mean the family falling into the 'critically poor', whereas for a worker in an upper-middle income household unemployment may not hit so hard, considering the importance of 'unearned income' at the upper income levels.

Notes

1) Engels' Law states that: when income increases, expenditure on food also increases - but by a proportion less than the increase in income. Technically: income elasticity for food is less than 1, but positive. This is to be expected, considering that there is only so much food any one indivdual can consume.

2) The exact values, according to CEPAL, 'Magnitude de la Pobreza en America Latina en los Ochenta', May 1990, were: 18,464 for the metropolitan areas and 12,511 for the rural areas (in 1988 Colombian Pesos).

3) The author is indebted to the Rice Department of the International Centre For Tropical Agriculture for making available the results from its internal departmental surveys from which these trends were identified.

4) The trends noted are from an analysis of the overall results obtained from the 1984/5 Survey of Incomes and Expenditures, as well as from a sample of 13 cities taken from the survey and analysed by the DANE in Boletin de Estadistica, no's 443 - 446, 1990.

5) Due to the 'underground' nature of international money transfers into Colombia - before January 1991 it was theoretically illegal in Colombia to even possess dollars - much underreporting has undoubtedly lowered the significance of transfers for all income groups.

6) Numbers of Colombian expatriate workers, principally in the United States and Venezuela, are variously estimated at between 500,000 ('Forbes' magazine, 1990) and 3,000,000 (Director of 'Universal de Cambio', the principal Bureau de Change in Colombia, in an interview with the author, March, 1990). The average amount of remittances sent back to families is equally uncertain: 'Forbes' puts it at US$875.00 annually per worker, but the Director of 'Universal de Cambio' puts it much higher. Some empirical research is obviously needed to gauge, precisely, the significance of transfers.

7) These figures are taken from 'Magnitude de la Pobreza en America Latina en los Anos Ochenta', Economic Commission for Latin America (CEPAL), May 1990.

8) This discussion relies heavily upon an internal report by the Colombian Ministry of Agriculture ('El Desarrollo Agropecuario en Colombia', August 1990), kindly made available to the author.

9) For a more detailed discussion of these issues, the reader is directed to Anand, Sudhir. 1983. 'Inequality and Poverty in Malaysia: Measurement and Decomposition'. New York: Oxford University press.

10) The phenomenon of 'satellization' is discussed at length in 'Boletin de Estadistica', numbers 441 (December 1989) and 451 (October 1990).

11) For some years there has been a considerable imbalance between those wages which can be regulated and those which cannot. Traditionally, the minimum wage has been closely linked to industrial wages, has had a more distant relation with wages in commerce, and has had practically no link with agricultural day-wages. In this way, variations in the minimum wage have been similar to those in industrial wages, not very different from those in the commercial sector, and have had no relation whatever to

daily wages in the agricultural sector. As the Economic Commission for Latin America has pointed out : "This assymmetric pattern is not always taken into account...when the minimum wage is set; it is often assumed that it influences wages equally." (ECLA Report, 1983, p200). In the 1980's, industrial wages rose much more than wages in rural areas and in the commercial sector, and so worsened the overall income distribution. The high industrial wages provided an incentive for companies to use a variety of labour saving procedures, but at the same time they encouraged people to move to the cities. Thus, the rise in industrial wages has decreased the demand for manpower while increasing the supply - in this way having a negative effect on urban employment and income-related poverty.

Chapter 4 Poverty Trends in Colombia, 1978-90

Poverty trends in the period are as well documented as those of income distribution, if not more so. This chapter analyses the latest data, generated principally by the DANE, to try and trace trends for the 1980's. This is a prelude to a comparison with earlier trends in the next chapter. As in the previous chapter, the data will be, as far as possible, divided up into urban and rural categories. Such a division allows for clarity and enables conclusions to be drawn - in Chapter 6 - as to the forces behind the trends in each sector.

1) Two Methods of Estimating Poverty

The method of estimating lines of poverty and destitution has a direct bearing on the magnitudes of both likely to be found. Because of this it is necessary to be aware of - if not to state - the assumptions made by the different methods of measuring poverty and of the particular advantages and disadvantages attached to each. Failure to do this renders estimates almost meaningless.

The method of drawing Lines of Poverty and Destitution (LP and LI are, respectively, their Spanish acronyms) involves calculating the minimum cost of a food basket that contains the minimum requirements of calories, proteins and other nutrients. (1). After this, the proportion of food expenditure in the total budget of low income households is calculated. Finally, the cost of the minimum food basket is divided by this proportion, thus obtaining the poverty line. The supposition involved is that a family with incomes below the value of the poverty line lacks food in the same proportion that it lacks other goods and services. Finding the line of destitution (LI) is done by calculating the value of the minimum food basket. A household is destitute - or 'super-poor' or 'ultra-poor' or 'critically poor' - if its total income is insufficient even to purchase this basic basket. The difference between the value of the line of destitution and the line of poverty is sometimes referred to in the literature (the DANE also uses it) as the 'poverty band'. Households are inside the band if their incomes could cover basic food needs but not other needs - like housing, health, clothing, transport and school materials.

Until very recently the DANE - indeed, all branches of the Colombian government in their official documents - has preferred an alternative measure of poverty, known as the Index of Unfulfilled Basic Needs (or NBI, to use its Spanish acronym). This method defines the poor by selecting indicators of poverty, in this case five of them, and then assigning each household a score which will define it as non-poor, poor or destitute. Three of the indicators are to do with the state of housing. Firstly, the quality of the materials used to construct the house, including walls, roofs, floors. Secondly, the minimum density of occupation - 3 or more people per room is considered as overcrowding. Thirdly, the access to public services - electricity, drinking water and drainage, mainly - enjoyed by the household. The two other indicators are designed in part to replace the income data. They are: i) the 'rate of economic dependence' in the household, or the number of family members per worker; ii) the number of school-age children in the family that are not attending school; this serves as an indicator of poverty due to inability to meet even the nominal school fees of the state schools, and of poverty-risk due to non-receipt of education. A family or household is said to live in 'absolute poverty' if it registers on just one of the five indicators; and in a 'state of destitution' if it registers on two of them. (2).

Both methods, the LP and the NBI, have their strengths and weaknesses. The LP, when calculating the minimum cost of adequate nutrition, confronts a number of difficulties. Eating habits and preferences for particular types of food, for one. Secondly, the method is frequently employed without controlling for sex, age, activity and place of residence, all of which influence amounts of calories needed. Then there are the problems of establishing a nationwide poverty line, in view of different costs in different regions (see Chapter 3 for some examples here). And the assumption, mentioned above, of certain income-elasticities among the poor is by no means incontrovertible. (3). Further, it is generally accepted that incomes tend to be underestimated in household surveys, which would have the effect of overestimating the numbers in poverty in a society. This is especially so for the poor, who, according to official governmental surveys the world over, tend to spend more than they earn. (4). Moreover, the critically-poor - the destitute - would tend to die if they did not spend more than they earned. In the literature (see, for example, Musgrove and Howe, 1973; Prieto and Duran, 1977; Altimir, 1982) the explanations for this have focused on the distorting effects of high inflation upon income measurement; and the 'purchase' of durable goods - with long-term credit that is not divulged in the questionnaire. No effort, though, has been made to ask the poor themselves about this point. As a result, this author, with a view to shedding more light on the apparent paradox, conducted a number of pilot and extended interviews with some of the poorest members of the urban district of Agua Blanca in Cali, between October 1990 and May 1991. This ethnographic approach found - by asking respondents to explain how they 'got by' with little, and often no, 'income' - that the following are examples of the survival strategies used by the poor to fill the income-expenditure 'gap': street begging; knocking on 'friendly doors' in the immediate vicinity of their 'house', asking for food and/or money; church and/or government assistance of one form or another - the Catholic Church often donates food parcels, and the Colombian Institute of Family Well-Being runs day schools for the children of the poorest in which they give food supplements; building an extra room, from discarded materials, to rent out; help from families, either family members living nearby, or in the form of money transfers sent from another part of Colombia and/or abroad.

Finally, measuring poverty and destitution through incomes and expenditures is often said (for example, by the DANE in their Boletin de Estadistica, no. 441, December 1989, p188) to couple the results very much to the contemporary economic situation, both nationally and within regions. Though, why this should be a disadvantage is not clear; it seems misplaced to see the economic situation, nationally or regionally, in this light; it would be more helpful to understand it as a direct cause of the level of poverty, something which is discussed in Chapter 6 of this report. The border cities of Cucuta, bordering Venezuela, and of Pasto and Ipiales, bordering Ecuador, are obvious examples here: their fortunes, in terms of export markets and employment opportunities, are inextricably tied to the prevailing economic health of Ecuador and Venezuela.

The strength of the LP as a measure is that it takes advantage of the comparative simplicity of drawing poverty and destitution lines by concentrating on the easily identifiable 'food' variable, indisputably related as it is to the condition of the poor. Further, the supposition of a relatively constant level of family expenditures is helpful for comparisons across income groups.

The problems associated with the NBI method of measuring poverty, seem, at first sight, to be damning. Firstly, it is strongly biased in favour of indicators relating to housing and public services. The main objection here is that in rural zones the availability of public services as a criterion of poverty is inappropriate. In such zones infrastructural investment tends to be much less important than in urban zones, meaning that the NBI measure will - erroneously - classify as poor a much higher proportion of rural households than it will urban households, on the basis of their lack of access to electricity and drainage. That all those in rural areas without such services are poor is clearly an unwarranted assumption; malnutrition, illiteracy, unemployment, and underemployment are totally ignored. Secondly, the NBI measure includes no information on family incomes and expenditures. This is not surprising, for the DANE depends, for its statistics on the 1980's, upon information collected from the 1985 Census, which did not include a question on either income or expenditure. The recently published data from the 1984/5 survey on incomes and expenditures changes this somewhat, though it restricted itself to urban zones. For rural zones the 1988 rural household survey helped to fill the gap.

Thirdly, NBI does not allow for disaggregation of departmental and municipal averages. By themselves these do show the type and magnitude of (regional) poverty, but reveal nothing of the enormous disparities in living conditions between communities in a single department. This is especially noteworthy in the most economically developed areas of a country: in Colombia the relatively prosperous departments of Bogota D.E., Antioquia and Valle are a mix of conspicuous prosperity and extreme poverty. Further, with only regional information it is impossible to compare the relative situation of the inhabitants of deprived urban neighbourhoods with that of rural peasants without land in a remote village, and to decide which group needs assistance more urgently.

To improve on the NBI measure the DANE needs to incorporate information on family incomes and expenditures into it - as well as information on employment, health and nutrition. Secondly, it needs to increase the coverage of its household surveys, to include not only the thirteen largest cities, as at present, but other areas of the country too - rural and urban. To offset the increased cost of widening the sample like this it could reduce the size of the sample frame from the present 30 000 families in each survey. As the World Bank has recently noted, "So large a sample is not necessary to obtain accurate results". (World Bank Mission to Colombia, 1989, p10).

Despite the above, the NBI is an essential tool for measuring the number of households that do not enjoy basic services considered as essential. It is therefore more helpful to consider the two methods of poverty measurement as complementary; the NBI may not capture all those who are poor due to income inadequacy - sudden, or repeated, loss of livelihood, with so many of the borderline poor depending on temporary work, would not change an individual's NBI score - but it does provide information on coverage of those basic services without which a community's standard of living would be less than tolerable. Such information is essential for planning social investments and programmes. After all, even the non-poor, on the LP measure, could not afford to finance road building or electricity investment programmes without direct council or government assistance. Both of the measures, then, are needed if we want to know about all the relevant - infrastructural and income-related - standard of living inputs.

A final element, not taken into account by either measure, is the opinion of the poor themselves about how poor they are. Awareness of the subjective element is useful in that it comes from those 'on the ground', and at the sharp end of what is discussed, objectively, as poverty. Exploratory research has been done on this question amongst the rural poor in the south-western department of Cauca. (5). Its conclusions suggest that the poor are not so concerned about the structural indicators of poverty - as measured by the NBI - as by the daily problems brought by unemployment and underemployment, the lack of control they have over the prices of basic goods, and the absence of small and workable plots of land. Also widespread was the view that the government had abandoned them and took little, or no, interest in their fate. More strikingly, many of those interviewed did not 'feel' poor, despite being classified as such on both the LP and NBI indicators. The following two respondents were quite sure about this:

"...while I am alive and healthy I cannot consider myself poor, thank the Lord..." (from: Bonilla, 1989, p218; my translation).

"...thank the Lord that as I have my health I don't feel poor, because the saddest thing of all is to be sick in bed and without a penny, right?...." (from: Bonilla, 1989, p218; my translation).

2) Poverty in Colombia - Results from the 1985 Census and the 1984/5 Survey on Incomes and Expenditures

Both surveys used in this chapter are 'point' surveys, or snapshots, as they were called in Chapter 2. By their very nature they tend to overstate poverty, especially within dynamic industrial economies like Colombia. This is because they do not take into account family life-cycles, which tend to mean that many household members - particularly chidren - move out of poverty as a result of upward (job) mobility. It is useful to keep this in mind when considering 'point' trends.

Using the data from the 1985 Census we can distill the following, overall, conclusions: 45.6% of the Colombian population has what the DANE call 'Unfulfilled Basic Needs' (NBI) and 22.8% are in a situation of 'destitution'. Households not enjoying basic services make up 21.8% of all households. Added to this, almost one-fifth have inadequate space in their house; approximately 16% of households suffer from high economic dependency, defined either as those households with more than three people per employed person or those households in which the head of the household has completed less than two years of primary education; almost 14% of homes are of an inadequate standard; and 11.5% of households have children that do not attend school.

In the larger cities, with populations over 500,000 (of which there are four), a quarter (25.6%) suffer from NBI and almost one-tenth (8%) are considered to be in a state of destitution. The most important single indicator within the NBI in these metropoli is that of 'insufficient space' in the home. 15.6% of households suffer from this.

In the much smaller population centres, with less than 10,000 inhabitants, 45% suffer from NBI and 26% from a state of destitution. The most important NBI indicator here is households without basic services (18%).

Putting the two urban areas together and comparing them with the rural areas, shows (see Tables 15 and 16) that the latter has twice the proportion of its population with NBI. Furthermore, although over two-thirds of the Colombian population reside in urban areas (69% as at 1988, according to the World Bank Development Report, 1990, p238), more than half of the country's poor live in the countryside. The figures for NBI in the countryside show that 72.6% suffer from NBI, which is 52.3% of the poor nationally. A full 44.4% of the rural population is considered destitute. (6). The most important elements of NBI are households without basic services (49%) and inadequate housing (27.3%).

Table 15

Households with NBI in the Urban Areas of each Department, 1985.

1.	Choco	67.55
2.	Sucre	49.75
3.	Orinoquia	48.31
4.	Cordoba	47.76
5.	Bolivar	45.26
6.	La Guajira	44.55
7.	Magdalena	37.17
8.	Cesar	36.77
9.	Caqueta	36.74
10.	Amazonia	36.23
11.	Atlantico	33.92
12.	Narino	32.64
13.	Norte de Santander	32.56
14.	Cauca	29.07
15.	Huila	28.52
16.	Meta	27.70
17.	Tolima	24.91
18.	Cundinamarca	24.36
19.	Valle	24.09
20.	Risaralda	21.21
21.	Antioquia	20.80
22.	Santander	20.72
23.	Boyaca	19.99
24.	Quindio	19.81
25.	Caldas	19.02
26.	Bogota	18.33
Mean:		32.60

Source: author's calculations from the 1% sample of the 1985 Census made available by the DANE.

Table 16

Households with NBI in the Rural Areas of each Department, 1985.

1.	Sucre	90.68
2.	Bolivar	88.12
3.	Cordoba	88.02
4.	Orinoquia	82.23
5.	Choco	82.04
6.	Boyaca	76.20
7.	Cesar	75.79
8.	Magdalena	74.01
9.	Caqueta	73.11
10.	Norte de Santander	72.94
11.	Amazonia	72.90
12.	Narino	69.54
13.	Santander	69.25
14.	Cauca	68.10
15.	Meta	64.74
16.	Tolima	61.84
17.	Atlantico	61.14
18.	Cundinamarca	60.22
19.	Huila	58.60
20.	Antioquia	57.10
21.	La Guajira	53.36
22.	Caldas	44.29
23.	Valle	43.94
24.	Risaralda	40.93
25.	Bogota	35.37
26.	Quindio	30.23
Mean:		65.18

Source: author's calculations from the 1% sample of the 1985 Census made available by the DANE.

Thus, at the mid-point of the 1980's, poverty remained at high levels. The rapid economic growth that had gone before (with internationally impressive annual average growth rates of Gross Domestic Product since the mid-1960's: GDP grew at 5.8%, on average, between 1965 and 1980) had not made it disappear. Close to thirteen-and-a-quarter-million people in the country were in a state of poverty, with slightly over seven million in the rural areas and one million in Bogota alone.

Across regions, the proportion of people in poverty differs markedly (Tables 17 and 18). Sections of the country with higher percentages (56%+) of households with NBI are - Choco, Cordoba, Sucre, Orinoquia and Amazonia. With medium-to-high (47% to 56%) levels of NBI are the regions of Boyaca, Magdelena, Narino, Cauca, Caqueta and La Guajira (excluding the latter's relatively high indiginous population, all of whom the Census assumed to be suffering from NBI; their nomadic lifestyle anyway makes them difficult to survey). With medium-to low levels (35% to 46%) of poor households are the regions of Norte de Santander, Atlantico and San Andres. Finally, low levels (18% to 34%) of poverty are to be found in Antioquia, Valle, Caldas, Risaralda, Quindio and Bogota.

It should be noted from such a breakdown that only Bogota, Quindio, Risaralda, Caldas, Valle, Antioquia, Atlantico and the island of San Andres are around the national average of households with NBI. These regions correspond to those with the greatest levels of urbanisation (Bogota, Valle and Antioquia); to the regions making up the 'coffee-axis' (Quindio, Risaralda and Caldas); and to the special administrative province made up of San Andres and Providencia - both are islands off the East coast of Nicaragua - whose earnings accrue mainly from tourism and from the financial services which their 'free port' status allows them to offer.

Table 17.

Households with NBI, by Departments (1985)

1. Choco	77.10
2. Cordoba	69.71
3. Sucre	67.70
4. Orinoquia	66.32
5. Bolivar	59.32
6. Amazonia	56.24
7. Boyaca	55.06
8. Magdalena	54.36
9. Narino	53.79
10. Cauca	52.71
11. Caqueta	51.19
12. Cesar	50.95
13. La Guajira	47.21
14. Norte de Santander	45.82
15. Cundinamarca	43.82
16. Huila	41.62
17. Tolima	40.46
18. Meta	39.69
19. Santander	39.36
20. Atlantico	35.49
21. San Andres	35.23
22. Antioquia	31.94
23. Valle	27.57
24. Caldas	27.36
25. Risaralda	26.62
26. Quindio	21.66
27. Bogota	18.37
Mean:	44.49

Source: author's calculations from the 1% sample of the 1985 Census made available by the DANE.

According to a recent World Bank Employment Mission (1986), living conditions in rural areas resemble those of around 1970 in urban areas. Mortality and birth rates, for example, were at similar levels. Coverage rates of educational programmes, lower in the rural areas, are reflected in differences in the illiteracy rate with urban areas: 23.6% in the countryside, 6.8% in urban areas. The percentage figure for the rural areas is similar to that in the urban areas in 1938 (1938 Census, DANE). Further findings are indicative of the situation in the countryside: 830 thousand rural households lack basic services (51.2%) compared to just 2.7% in the urban areas; 83% of children under five do not have access to drinking water; 73% live in homes without drainage; and 95% live with animals - frequently chickens, pigs or sheep - roaming around inside the home. 933,000 have no plot of land with which to work. Set against this is the extremely concentrated distribution of land ownership, with 7.7% of rural proprietors owning 83% of the land (these figures are those noted in the discussion in the House of Representatives, Bogota, prior to the 1986 Legal Act, no. 062). Despite this, the 1986 Employment Mission concluded that the basic problem within the rural sector is not lack of land, but underemployment (as we saw in Chapter 3) coupled with low and unstable incomes and a very poor quality of life.

By drawing Poverty Lines we can also discover the extent of those in poverty. For the rural areas, this produces a much more 'dense' map of poverty, with each of the four regions in Table 18 exhibiting poverty levels above 50%, producing a higher national average of poor households than the NBI measure - 62.3% against the latter's 44.49%.

Table 18

Income-Related Poverty in Rural Areas, 1988.

Percentages

Income Unit	Region	Critical Poor	Non-Critical Poor	Total Poor	Non-Poor
Household	National	32.4	30.6	62.3	37.0
Household	Atlantic	41.0	25.8	71.6	28.4
Household	Eastern	40.2	35.8	66.1	33.9
Household	Central	23.5	27.1	59.3	40.7
Household	Pacific	25.5	29.9	52.6	47.4
Individuals	National	37.0	31.1	68.0	32.0
Individuals	Atlantic	47.6	30.4	77.9	22.1
Individuals	Eastern	45.1	27.0	72.1	27.9
Individuals	Central	26.5	36.8	63.3	36.7
Individuals	Pacific	29.3	29.4	58.7	41.3

Source: National Survey of Rural Households, DANE, November 1988.

Note: 'Critical Poverty' refers to those below the Line of Indigence (LI); 'Non-Critical Poverty' refers to those below the Line of Poverty (LP).

In urban areas (the thirteen principal cities), the Line of Poverty measure shows 32% of individuals to be in a state of poverty and 26.8% of homes. Of the poor individuals, 13.6% are destitute; that is, their expenditure level does not allow them to purchase even the minimum food basket; this is 4.4% of the total population (see Table 19). Among households, the proportion of destitute is smaller - making up 11.6% of the poor, which is 3.1% of all households (Table 20).

Table 19

Individuals Below the Poverty and Destitution Lines, 1984/5 (13 Cities).

City	Non-Poor	Total Poor	Non-Destitute Poor	Destitute Poor
Bogota	79.47	20.53	95.43	4.57
Medellin	56.45	43.55	81.14	18.86
Cali	65.37	34.63	82.86	17.14
Barranquilla	61.00	39.00	88.81	11.19
Bucaramanga	75.58	24.42	90.26	9.74
Manizales	58.08	41.92	82.24	17.76
Pasto	71.48	28.52	84.66	15.34
Cartagena	61.18	38.82	80.39	19.61
Cucuta	61.62	38.38	85.78	14.22
Pereira	54.58	45.42	85.55	14.45
Monteria	53.02	46.98	73.46	26.54
Neiva	64.27	35.73	90.48	9.52
Villavicencio	68.51	31.49	88.49	11.51
13 Cities:	67.98	32.02	86.38	13.62

Source: retabulated by the author from the 'Indicators of Poverty' Project, DANE, using data from the 1984/5 Survey of Incomes and Expenditures.

Table 20.

Households Below the Poverty and Destitution Lines, 1984/5 (13 Cities).

City	Non-Poor	Total Poor	Non-Destitute Poor	Destitute Poor
Bogota	81.81	18.19	95.93	4.07
Medellin	63.84	36.16	83.83	16.17
Cali	71.01	28.99	85.47	14.53
Barranquilla	66.95	33.05	90.25	9.75
Bucaramanga	77.74	22.26	91.42	8.58
Manizales	64.37	35.63	84.38	15.62
Pasto	75.46	24.54	84.24	15.76
Cartagena	67.24	32.76	80.68	19.32
Cucuta	68.15	31.85	86.44	13.56
Pereira	61.17	38.83	88.47	11.53
Monteria	59.58	40.42	76.58	23.42
Neiva	69.90	30.10	91.28	8.72
Villavicencio	73.66	26.34	89.16	10.84
13 Cities:	73.15	26.85	88.38	11.62

Source: retabulated by the author from the 'Indicators of Poverty' Project, DANE, using data from the 1984/5 Survey of Incomes and Expenditures.

Bogota, with over a third of people and homes (of the urban DANE sample of thirteen cities) appears to have the lowest proportion of poor and destitute. According to the LP measure, 20.5% of its individuals are poor and 18.2% of its households, which means that slightly less than 23.0% of poor individuals reside in the capital. Further, 4.6% of poor individuals are destitute, approximately 1% of the total individual population. This is a similar proportion to destitute households, which make up 4.1% of poor households (0.7% of the total household population in Bogota). All told, Bogota has less than one-tenth of both individuals and households defined as destitute for the urban areas.

Of the other cities after Bogota, Bucaramanga and Pasto have the lowest numbers in poverty, with approximately a quarter of both individuals and households poor in each city. The proportions are larger in the six cities of Villavicencio, Cali, Neiva, Cucuta, Cartagena and Barranquilla, at around a third. In the four cities of Medellin, Manizales, Pereira and Monteria the proportion increases slightly to around 4 in 10.

Comparing the results from the 1984/85 sample of thirteen cities, according to the different measures of LP and NBI (Table 21), we find that the second shows a lower proportion (households) in poverty (21.3%) than the first (26.8%). The reverse is true for the destitute: by NBI they make up 6.7% of households compared to 3.1% by LP. Table 22 serves to compare poverty levels in the rural areas with those in the urban areas - though the rural figures are not directly comparable, as they refer to 1988 - using the two measures. The proportion of poor (households as well as individuals) in the rural areas is much higher, whether measured by LP or NBI, than in the urban areas and, also in contrast to the urban areas, similar whether measured by LP or NBI. The higher LP reflects the relative lack of employment opportunities in the rural areas and the higher NBI reflects the general absence of essential services and infrastructure.

Table 21

Magnitude of Poverty, According to the Line of Poverty (LP) and Unsatisfied Basic Needs (NBI) Measures - 13 Cities.

	% Households		% Households		% Individuals		% Individuals	
City	Poor NBI	Poor LP	Dest. NBI	Dest. LP	Poor NBI	Poor LP	Dest. NBI	Dest. LP
Bogota	18.4	18.2	4.5	0.7	23.5	20.5	6.2	0.9
Medellin	18.5	36.2	5.4	5.8	23.6	43.5	7.4	8.2
Cali	21.7	29.0	7.4	4.2	26.1	34.6	9.2	5.9
Barranq	30.8	33.0	12.3	3.2	35.7	39.0	15.1	4.4
Bucaram	16.6	22.3	4.0	1.9	20.7	24.4	5.2	2.4
Manizal	15.1	35.6	3.2	5.6	20.1	41.9	4.7	7.4
Pasto	20.7	24.5	5.7	3.9	24.1	28.5	6.8	4.4
Cartag	33.9	32.8	16.5	6.3	38.5	38.8	19.1	7.6
Cucuta	34.1	31.8	12.7	4.3	38.9	38.4	15.6	5.5
Pereira	18.8	38.8	11.4	4.5	25.1	45.4	7.9	6.6
Neiva	26.1	30.1	10.7	2.6	31.0	35.7	12.4	3.4
Monteria	33.9	40.4	15.6	9.5	39.6	47.0	18.9	12.5
Villavic	23.1	26.3	6.4	2.8	28.8	31.5	8.4	3.6
13 Cities:	21.3	26.8	6.7	3.1	26.2	32.0	8.9	4.4

Source: retabulated by the author from the 'Indicators of Poverty' Project, DANE, using data from the 1984/5 Survey of Incomes and Expenditures (for the LP) and the 1985 Census (for the NBI).

Table 22

Numbers of Rural Poor According to NBI and LP, 1988

Income Unit	Criteria and Type of Poverty	Total (%)
	Unsatisfied Basic Needs	
Individuals	Critical Poverty	35.7
Individuals	Non-Critical Poverty	26.9
Individuals	Total Poverty	62.6
Individuals	Non-Poor	37.4
Households	Critical Poverty	29.7
Households	Non-Critical Poverty	27.7
Households	Total Poverty	57.4
Households	Non-Poor	42.6
	Line of Poverty	
Individuals	Critical Poverty	34.8
Individuals	Non-Critical Poverty	30.4
Individuals	Total Poverty	65.2
Individuals	Non-Poor	34.8
Households	Critical Poverty	30.2
Households	Non-Critical Poverty	28.8
Households	Total Poverty	59.0
Households	Non-Poor	41.0

Source: calculations of the author from the National Survey of Rural Households, DANE, 1988.

The figures for the same thirteen cities can be broken down using 'equivalence scales' (7) and thus give a more 'accurate' poverty profile. They produce the following two conclusions: i) the percentage of destitute households is slightly higher than the original 1984/85 figure, in spite of the fact that the average value of the line of destitution remained the same. This is mainly due to taking into account the age composition of household members, which shows a greater relative weight of 8 to 17 year olds, whose caloric needs are greater; ii) the level of poverty increases significantly when 'equivalence scales' are calculated. For example, in Bogota the proportion of poor households increases from 18.2% to 28.6%. In the city of Monteria the increase is of a similar magnitude, going from 40.4% to 61.6%.

3) Other Poverty Estimates for the 1980's

Unpublished data made available to the author by the DANE allows estimates of poverty, both according to NBI and LP, from 1986 through 1990. (8). The results, retabulated by the author in Table 23, bear out many of the problems associated with the two measures, discussed above, and support the now fashionable call in development circles to 'cross' the two methods. A recent United Nations conference on poverty (in Quito, Ecuador, 20-23 of November 1990; proceedings available from the author), for example, called for an 'Integrated Poverty Method' (MIP). The reasoning is that it is more fruitful to see them as complementary, rather than alternative, methods, where one method is selected to the exclusion of the other. For example, Table 23 shows that households suffering from NBI declined from 14.3% to 9.3%, which could be interpreted as heralding the end of the 'poverty problem'. However, households not suffering from NBI, but that are poor according to the LP measure, accounted for 30.8% of the population in 1990 - a 6% increase on the same figure for 1986. By NBI, then, poverty has decreased notably in the second half of the decade, and can perhaps - 'perhaps' because recent riots in some urban areas of the country, particularly in the north-eastern city of Barranquilla and the north-western city of Riohacha (see El Tiempo, various issues in April 1991), seem to have been partly driven by the absence of essential services - be thought of as having been all but conquered; by LP, in contrast, total numbers in poverty increased, with the proportion of the population below the poverty line oscillating between a third and two fifths.

Table 23

'Crossing' NBI and LP, According to Households, 1986 - 1990 (7 Cities).

1986

Line of Poverty	NBI Non-Poor	NBI Poor	Total
Non-Poor	60.9	4.8	65.6
Poor	24.8	9.5	34.4
Total	85.7	14.3	100.0

1987

Line of Poverty	NBI Non-Poor	NBI Poor	Total
Non-Poor	57.6	4.2	61.8
Poor	28.2	10.1	38.2
Total	85.7	14.3	100.0

1988

Line of Poverty	NBI Non-Poor	NBI Poor	Total
Non-Poor	56.3	3.3	59.6
Poor	31.7	8.7	40.4
Total	88.0	12.0	100.0

1989

Line of Poverty	NBI Non-Poor	NBI Poor	Total
Non-Poor	59.9	2.6	62.5
Poor	29.9	7.6	37.5
Total	89.8	10.2	100.0

1990

Line of Poverty	NBI Non-Poor	NBI Poor	Total
Non-Poor	60.0	2.4	62.4
Poor	30.8	6.8	37.6
Total	90.7	9.3	100.0

Source: Household Surveys between 1986 and 1990, DANE. These figures form part of an (unpublished) internal DANE report, kindly made available to the author. The Household Surveys used are no.53 (1986), no.57 (1987), no.61 (1988), no.65 (1989), and no.69 (1990).

Estimates of individuals below the lines of poverty and destitution for 1988 are also possible using DANE data. They are not directly comparable with the unpublished estimates above (Table 23), for they come from a larger sample frame; they are, though, still urban figures, so can be seen as reasonably comparable. Those in poverty in the urban area as a whole numbered 3.158.206 individuals - 27.6%. This is 4.1% less than the unpublished estimate above for 1988 (31.7%) but about the same as that for 1987 (28.2%); the relatively narrow range of the figures allows some confidence in their veracity. The number of destitute individuals for the urban area as a whole was 497.767 - 4.4% of the total population, and 15.8% of the poor. We can also be confident about these results, as the proportions are very similar to those culled from the 1984/5 Survey of Incomes and Expenditures: 4.4% of the total population were found to be destitute, which was 13.6% of the poor.

4) Who Are the Poor?

According to age, 2.6% of the poor are less than one year old, and pre-school - younger than six years - children make up almost 18% of the total number of poor. Those younger than 15 account for 43.5% and of those of working age - 15 to 64 - 53% are poor. In comparison, those of 65+ account for just 3.48% of the total poor; though, this figure has been, and no doubt will continue, increasing as life expectancy increases. Children, then, are a significant proportion of those in poverty. And when the proportion of children in poverty is compared with the proportion of children in the national population - the latter lower than the former - the point is reinforced.

Of the children themselves, over half (51.6%) are poor. 40.2% of those less than one year of age come from poor households in the urban areas, a figure which almost doubles (to 75.3%) in the rural areas. If we add to this the negative environmental effects from poverty suffered by poor mothers during pregnancy, we get some idea of the scale of the child-poverty problem. Mohan's (1986) anxieties about the negative effects of environmental deficiencies contributing, cyclically, to malnutrition and stunted growth, noted in Chapter 2, become very relevant here.

The illiteracy rate for all those of fifteen years and over in Colombia is 12%. Of those with their basic needs satisfied, 5.7% were illiterate compared to 22.2% of those with NBI; the figure increases to almost one-third for the destitute. In urban areas the illiteracy rate is 7.3%, half that for the urban poor (15.4%). The overall rural illiteracy rate, at 23.8%, is higher than that amongst the urban destitute, at 23.1%. The illiteracy rate, it seems, tends to diminish as the size of the urban centre increases. This is true for both the poor and the destitute. More worryingly (in terms of the development of 'cycles of poverty'), among poor 'heads of households' the illiteracy rate comes out at 29.4%, while among non-poor heads the figure is much lower, at 6.4%.

These trends are reflected by the figures for school attendance. Nationally, in 1985, 18.6% (600,000 children) of school-age children did not attend school. Amongst the non-poor the figure is very low (0.8%); amongst the poor much higher, at 33%, and approaching half (44%) of the destitute. Again, the proportions differ by sector: 1 in 4 children in urban areas do not attend school, compared to 4 in 10 in the rural areas. Within the urban area the proportions break down according to the size of settlement. Smaller settlements, of between 2501 and 10,000 inhabitants, have approximately 42% of destitute children not attending school, with over half in the largest urban centres. The practice of charging for entry into state-financed primary schools has much to do with this. This author found not a single school which did not levy a charge. At present, state schools in the poor neighbourhood of Agua Blanca - the largest in Latin America - in the city of Cali charge between two to four U.S. dollars per month, which is sufficient to put off those at the extremes of poverty. Of course, this is not to mention the further expenses incurred by the family by sending children to school - clothing/uniforms, food, writing materials, transport.

According to occupation, 9.2% of the employed poor live from their own work. Of these, 35.8% are workers, 17% employees, 9.7% unpaid family workers and 5.7% domestic service employees. A percentage of 'patrones', or owners of businesses (3.7%) and of 'independent workers' (23.7%) are poor. The means of production they own to carry out their labour would be of little value and of low technology. They will often hire (unpaid) family workers; as a rule, they would not be able to generate sufficient income for either themselves or their families. Examples include those 'businesses' run from the house, such as making paper bags for neighbouhood shops, making and repairing clothing, and - the commonest case - running a 'general store' from the front room.

Overall, almost 4 in 10 of the employed cannot meet their basic needs, remaining poor despite having a job (though this does not negate the point that working at all does much to mitigate the effects of poverty). Most likely to be poor are unpaid family workers (63.5%), manual workers (55.7%), owners of businesses (38.1%), independent workers (37.7%), domestic employees (37.6%) and employees generally (20.5%).

The urban-rural split by poor workers is 25.2% : 66.7%. It is noteworthy that, despite the fact that the employed urban population is double that of the rural, the absolute number of urban poor is greater. In the countryside, small farm owners make up a high proportion of the poor, with the degree of poverty in inverse relation to the activity and quality of the land. Temporary agricultural workers with no land show a greater tendency to be poor, with permanent salary workers without land not so poor. Amongst the latter, those working on small-scale farms tend to be poorer than those working on medium and larger farms. Those renting small pieces of land are somewhat better off than owners/part owners of plots, though they remain part of the poor.

There are differences in family structure between the poor and the non-poor. Firstly, the proportion of nuclear and extended families, as opposed to single-member households, is greater amongst the poor. Secondly, among the destitute the nuclear family has a greater weight than among either the poor or the non-poor. Thirdly, the tendency for couples not to have children - an increasing trend in Colombia generally - decreases with the level of poverty. By the same token, couples with children increases as poverty becomes more acute.

The fertility rate also highlights differences between the poor and the non-poor. The average number of children per woman in Colombia - assuming that a woman's fertility throughout her life follows that recorded for all women in the reference year of 1985 - is 2.84. In the urban areas it is lower, at 2.5; and much higher, at 4.0, in the rural areas. Generally, the average number of children per woman increases in direct relation to the degree of poverty. The trend is very clear: for the non-poor the figure is 2.1; for the poor, 4.1; and for the destitute, 4.9. The trends hold for both the urban and rural areas, but with lower fertility overall in the largest cities/by degree of urbanisation. Though, the best indicator of differences in fertility is education. This is due, amongst other things, to later marriage among more educated women.

The infant mortality rate in 1985 was 45.6 (per 1000), a figure similar to that for Sweden in 1930. (Source: Boletin de Estadistica, no. 411, June 1987, p199). There are no significant differences between the rural and urban rates. However, by poverty level there are significant differences. This should not be surprising, considering the widespread view that differences in infant mortality are almost totally due to socio-economic factors, making the infant mortality rate the 'benchmark variable' when analysing poverty differentials. The poor, the non-poor and the destitute exhibit rates, respectively, of 54.5, 36.1 and 58.0. The difference between the poor who are not destitute (40.9) and those who are (58.0) is more marked. More unequal still are the rates of the urban destitute (75.9) and the urban non-poor (35.9); in the rural zone this inequality is not so pronounced. Though these infant mortality rates remain high, they have decreased somewhat from their 1973 (Census) levels.

Nonetheless, significant regional differences remain: the regions of Atlantico, Cundinamarca, Santander and Cordoba each have a rate of below 40 per 1000, whereas Choco (114 per 1000), Narino (71), Caqueta (68) and Norte de Santander (52) perform not so well. The rate for Choco is, incidentally, higher than that for Sweden at the turn of the century. (Source: Boletin de Estadistica, no 411, June 1987, p200).

The quality of the structure of dwellings also differs according to whether they are inhabited by the poor or the non-poor. Among the (urban) non-poor the proportion of houses with walls of cane, wood or 'bahareque' (a mixture of mud and straw) is just 6.2%, whereas amongst the poor it is over a quarter, and approaching half among the destitute. The ratio is similar for dwellings with piped water supplies and much larger for dwellings connected to a drainage system. For dwellings connected to an electricity grid, though, the differences flatten out. They reappear again, with a ratio similar to that for 'materials used to construct the walls', when we consider cooking conditions. Dwellings without adequate cooking conditions are heavily concentrated among the poor and the destitute, with 30.5% and 46%, respectively, in each group, having to cook in a corridor, a patio or a lounge without a sink, or not having anywhere to cook. Furthermore, 72% of destitute households cook with 'cocinol' (a petroleum derivative produced by the national petroleum company, Ecopetrol), gasoline, kerosene, firewood or discarded materials ('desechos'). (9).

The DANE indicator of occupation density further divides poor and non-poor households, again for urban areas. 13.1% of non-poor households suffered from this, 61.7% of poor households and 77.4% of destitute households. This should be seen in the context of the destitute having relatively fewer households with between two to six occupants and more with 7+ occupants. The average number of occupants per household is 5.1 nationally. For the non-poor, though, the average is slightly less (4.7) and for the poor (5.8) and the destitute (6.1) slightly higher. These figures reflect the findings from numerous micro-studies right across the developing world: poverty risk is almost always (there are a few West African exceptions) much greater among members of big households, and among children. (10). Single-member households and the old are, conversely, relatively underrepresented among the poor. (11). The fact that large size is the principal demographic characteristic of poor households in developing countries has major arithmetical consequences: that a larger proportion of people than of households are poor; that it is not appropriate to measure poverty via income-per-household; and that any reduction in overall (planned and achieved) total family size helps the poorest most. Composition, too, differs among households by poverty level, with major consequences for policy. For instance, poor households, especially in towns, have much higher proportions of children under ten than non-poor households. The curve, though, flattens as poverty bites harder; the ultra poor do not have much higher child/adult ratios than the poor.

5) Summary

The method of measuring poverty is the principal determinant of the type and extent of poverty to be found. In this chapter, two methods were discussed - the Line of Poverty (LP) and the Index of Basic Needs Unsatisfied (NBI). The first is income based, the second more 'structurally' based. Both have their strengths and weaknesses. The NBI pays insufficient attention to employment, health, nutrition and incomes and expenditures; the LP ignores the extent to which households enjoy essential services. Both ignore the subjective view of poverty. The most appropriate method of measurement, then, involves a fusion of the two, seeing them not as competing methods, but as complementary. For this reason, poverty according to both methods was discussed in this chapter.

From the 1984/5 Survey of Incomes and Expenditures and the 1985 Census, one can get a good idea of the extent of poverty in the country at the mid-point in the decade. A full 45.6% of households are classified as poor and 22.8% as destitute (by the NBI measure). Poverty and destitution are less widespread, at 25.6% and 8% respectively, in the four largest cities. In comparison, the rural area has twice the proportion of its population with NBI than does the urban area. Indeed, over half of the country's poor live in the rural areas, despite 70% of the population overall residing in urban areas.

According to the Line of Poverty measure, for the urban areas, a slightly higher proportion of households are poor (26.8%) than under the NBI measure. The reverse is true for the destitute. Using 'equivalence scales' increases the levels of both poverty and destitution found, due to the greater relative weight of 8 to 17 year olds among household members, whose caloric needs are higher.

During the second half of the decade, poverty by NBI, in urban areas, decreased notably. By LP, in contrast, it increased. 'Crossing' the two shows that households not suffering from NBI, but that are poor according to the LP measure, accounted for 30.8% of the population in 1990 - an increase of 6% on the same figure for 1986.

Identifying 'the poor' is as important as counting them. By knowing which groups are more likely to suffer from poverty, appropriate policies can more easily be designed to 'target' specific groups and their needs. From the 1985 Census and the various income and household surveys conducted through the 1980's, the following were found most likely to be among the (urban) poor:

- children (younger than 6)
- children (younger than 15)
- those of working age (15 - 64); 53% of these are poor.
- children not attending school
- the illiterate
- unpaid family workers
- manual workers
- members of large households
- the unemployed/underemployed

Notes

1) The debate continues to rage among nutritionists and others as to the relative importance of protein and calorie deficiencies. Sukhatme (1978), though, has argued persuasively that "protein malnutrition...is for the most part the indirect resault of inadequate energy in the diet." Still, the point that the international tendency of concentrating on intakes of calories and proteins to the detriment of other - often equally essential - nutrients, like calcium and iron, remains valid. As has been pointed out by Ochoa (1983), the 'calorie breach' is not the only important one.

2) A more detailed account of the way the NBI index is calculated appears in Boletin de Estadistica, no. 411, June 1987.

3) This assumes, for example, that if a household spends 30% less of its income on food than is allowed for in the Minimum-Cost Food Basket (MCFB), then its deficiencies in other goods and services will also be of the order of 30%. The same applies should the household spend 30% more on food than the MCFB allows for - in this case it is assumed that their expenditures on other goods and services also increases by 30%. Such a supposition is undoubtedly false. For one, it ignores household composition: a greater weight of 8 - 17 year olds in a household would tend to increase the amount spent on food, due to the greater nutritional requirements in this age-group.

4) Altimir (1982), pp78-81, recognised that "income measurement does not fully capture the accumulation of resources that low-income households

manage to obtain in order to cope with their deprivation" (p.81), but offered no explanation or any thoughts on alternative methods of more fully capturing the income of low-income households.

5) This research was carried out in 1988 and 1989, as part of a joint project between the Universidad del Valle, Cali, Colombia and the DANE. The chief researcher was Maria Bonilla de Restrepo, under whose name the publications from the research appear in the bibliography of this report.

6) One should bear in mind that the NBI method is always likely to classify many more of the rural population as poor, considering its heavy reliance on the quality of housing and the presence of essential services. For an excellent discussion of how the different methods of measuring poverty affect the extent of poverty found in different countries, see Glewwe and van der Gaag (1990).

7) 'Equivalence Scales' set the basic needs of each household according to the size and composition of that household - taking into account the numbers in each household and the different nutritional requirements of different age-groups and of the sexes. In this way weighted poverty and destitution lines can be drawn, as opposed to simply arriving at a poverty line and multiplying it by the number in each household. Using equivalence scales tends, in developing countries at least - due to the greater relative weight of 8 - 17 year olds in their populations, whose needs across a range of goods and services are greater than for any other age-group - to increase numbers in both poverty and destitution, despite the Lines of Poverty and Destitution remaining the same. Despite being a theoretically more acceptable method of calculating numbers in poverty, the problem of disagreements over minimum levels of

requirements for different age and sex groups remains: the U.S. Food and Nutrition Board, The Food and Agricultural Organisation (FAO) and the Colombian Institute of Family Well-Being (ICBF) have never agreed on minimum calorie requirements. Further, it is relatively easy to disaggregate calories consumed by sex and age groups. Doing the same for different types of activity, varying climatic and ecological conditions and for populations in which chronic infections (stomach diseases and amoebic infections, for example, can render the magnitude of energy ingested somewhat irrelevant) are widespread, is more difficult altogether.

8) Unpublished figures for these years were kindly provided to the author by the DANE in February 1991.

9) This author found many cases of the poor cooking with gasoline in an enclosed space inside the house, often in a bedroom with no windows. The fumes would thus remain in the room, which, if space was limited, as it frequently is in poor and destitute households, would be inhaled by the occupants. Medical workers in Colombia, and throughout the developing world, report numerous cases of tuberculosis arising out of such conditions.

10) See Chapter 6 for a discussion of the community pre-school child care and nutrition programme instigated by the Colombian Institute of Family Well-Being (ICBF) in 1987. By 1989 it had served half a million children. Its goal is to reach all children at risk - more than a million of them - by 1994. Among other things, it gives parents - often single female heads of household - an opportunity to seek paid work outside the home.

11) Lipton (1988) has pointed out that "most of this completely reverses

the experience of the now developed countries (NDC's) from 1400 through 1900, when large households generally were better-off than others". (p39). Much of this, he contends, has to do with the larger proportion of households in NDC's which contained resident servants. The servants moved from poorer to richer households, making poorer households smaller and richer households bigger. For example, in 100 English communities between 1574 and 1821, over 13% of all persons were - and 28% of households contained - resident (domestic or farm) servants. "...the proportion in today's LIC's is much lower - 1% to 5%". (Lipton, 1988, p43).

Chapter 5 Comparison of pre-1978 Trends with 1978-90 Trends

Bringing the trends noted in Chapters 2, 3 and 4 together will show us how they moved over time. For clarity, this chapter will begin with an overall view of changes to the inequality profile in Colombia, including a discussion of changes in the NBI indicator, which still, despite its problems, dominates official thinking - and policy - on the subject. A breakdown of trends in rural and urban areas will follow, with a discussion of changes to the functional distribution of income concluding the chapter.

The aim of this chapter is to offer the reader a clear and concise breakdown of trends in inequality up to the end of the 1980's, before the discussion, in Chapter 6, of what drove these trends.

1) Overall Changes in Inequality

In a recent report CEPAL (1990) noted that Latin America began the 1990's with higher levels of poverty than in 1970. Between 1970 and 1980 the number of households below the poverty line diminished but then registered a sharp increase up to 1986; so sharp, in fact, that the 1980's have come to be called the "lost decade" for the poor in Latin America. Only two countries in the region followed a different path -

Brazil and Colombia. However, at the end of the sixteen year period, Colombia, despite having reduced its poverty levels (see Table 24), still had higher numbers in poverty - 37.7% of the population - than many other Latin American countries.

Table 24

Income-Related Poverty in Colombia, 1970 - 1986

	Households (%)			Individuals (%)	
Region	1970	1980	1986	1980	1986
Urban Poor	38.0	35.5	35.9	39.7	40.2
Rural Poor	54.0	45.4	42.4	47.7	44.5
Total Poor	45.0	38.6	37.7	42.3	41.6

Source: United Nations Development Programme. The figures were presented to the Programme's conference on 'Poverty in Latin America and the Caribbean', Quito, November 20-23, 1990.

For 1988 another report, by PREALC/OIT (1990), puts urban poverty, measured by numbers below the poverty line, at 38% and rural poverty at 62%. Both figures are higher - the rural one significantly so - than those for 1986 from CEPAL (1990), which show 36% of urban households in poverty and 42% of rural. Assuming the two year gap between the estimates too short to produce such changes, lack of comparability between the data sets used by the reports must be the answer. The PREALC/OIT report noted that "the largest reduction in poverty occurred in the period 1980-84. In the period 1984-88 the decrease in poverty slowed down and the payment of the social debt benefited the destitute to a greater degree". (p81; my translation).

Using the 'poverty breach', or 'poverty gap', tool gives us an alternative indicator of poverty. It records, as noted in Chapter 2, the severity of the poverty problem in a country. It does this by capturing the total amount of resource transfers (money) needed to bring all the poor up to the poverty line. Put more technically, a measurement of the 'degree of insufficiency of incomes' is made. This way, some assessment can be made of the feasibility of eliminating poverty by using purely financial criteria. For 1986 (using CEPAL, 1990, figures) the insufficiency of the income of poor households as a proportion of the combined income of all households, was 4.6% for Bogota and 7.6% for the rest of the urban areas. As a proportion of the total income of non-poor households, the income unsufficiencies stood at 4.9% for Bogota and 8.3% for the rest of the urban areas (the latter figure for 1970, noted in Chapter 2, was 8.8%). As none of these figures is above 10% - the corresponding figures for destitute households are lower still - one might be tempted to conclude that poverty alleviation is a simple matter, involving relatively few resource transfers. There are many reasons to beware of such a temptation, not least the point that lasting eradication of poverty would involve transfers on a permanent basis as well as infrastrucural investments - to say nothing of the political will needed to push these through.

Income distribution in the period 1971-89, measured by family incomes, apparently changed little. Between 1980 and 1989 the majority of (urban) incomes were concentrated among the top 20%; in 1980 this group appropriated 52.6% of all (urban) incomes and in 1989 53.3%. Looking specifically at the 1980's, it has been suggested recently (1) that the urban income distribution profile passed through three phases: i) a tendency to increasing concentration between 1980 and 1985. The Gini coefficient moved, slightly, from 0.46 to 0.47; ii) deconcentration of incomes, with the Gini contracting to 0.45, during the years 1986/7; iii) a swing back towards income concentration, with the Gini once again creeping upwards. Together, the three phases show how the 1980's was a decade in which income distribution worsened, then improved, before worsening again. Though, how far such short-term movements are indicative of 'real' trends, as much as differences in the urban sample frames used, remains a moot point: the figures through the decade come from the 1984/5 Survey of Incomes and Expenditures, various Household Surveys, as well as the 1985 Census.

The general trends, though, are clear: the poorest 50% of families held on to their shares; the intermediate deciles - 6, 7 and 8 - lost 0.6% of their share, which was taken by the richest 20%. The rural zones, according to the data from the 1988 National Survey of Rural Households, had a level of inequality similar to that in the urban zones at the beginning of the 1970's. The lowest 50% of rural families appropriated 17.8% of rural incomes; the intermediate deciles took 30.3% and the top 20% took 51.9%. The rural Gini was 0.48.

In summary, the income distribution profile for the 1980's was just slightly - if not imperceptibly - less unequal than during the 1970's. This conclusion has been supported by others recently. Londono (2) has noted how the sharp distributive swing in Colombia, with inequality rising sharply after the 1930's, reaching a peak during the 1960's, and improving through to the late 1970's, tailed off during the 1980's. Table 25 illustrates this long-term trend.

Table 25

Indicators of Inequality

Inequality Index	1938	1951	1964	1971	1978	1988
Gini Coefficient	0.454	0.525	0.555	0.527	0.481	0.476
Theil Index	0.364	0.535	0.594	0.517	0.421	0.413

Source: Londono (1990). The indicators are calculated from DANE Household Surveys.

The (1990) PREALC/OIT report commented that: "in the 1980's Colombia did not generate any further short-term social debt and it paid a part of its long-term social debt". (p1; my translation). And the World Bank, in its World Development Report of 1990, noted how the improvements to the income distribution which occurred in the 1970's fell off, possibly leading to a worsening of the distribution in the 1980's.

During the period 1973-85 the Colombian population grew by 28.4%. In the same twelve years the proportion of individuals suffering from NBI declined by 24.6%. In 1973 a full 70% of individuals were affected by at least one of the five poverty indicators which make up the measure. In 1985 this had decreased to 46%. Similarly, the percentage of destitute in the population declined from 44.9% in 1973 to 22.8% in 1985. The improvements continued, as we saw in Chapter 3, through to 1990.

These trends were most notable in the urban zones, or 'cabeceras municipales', where the proportion of the population with NBI declined by 26.6% (those in poverty) and by 18% (those in a state of destitution). The rural areas have also registered declines in those suffering from NBI, but from a much larger - almost the whole of the rural population - poverty base. Despite a decline of 23.4% in the proportion of its population in destitution - a higher percentage change than in the cities - 44.4% of its inhabitants remained destitute in 1985. This is 2.8 times greater than the corresponding urban figure. In both zones, rural and urban, registered improvements were greater for the destitute than for the poor, which suggests that at least the social programmes followed in the period benefited an important part of their 'target population' (though, as discussed elsewhere in this report, rural emigration was probably more instrumental in bringing about the improvements. And, as discussed in Chapter 6, government programmes were not, despite the rhetoric, adequately designed to help the poorest).

By political-administrative sections of the country, six show a relatively fast improvement in living conditions. (Source: p84, PNUD Report, 1989). These are: Bogota and Valle (principal industrial centres); Santander (a relatively well developed industrial and agricultural region); and Quindio, Risaralda and Caldas (the coffee-axis departments). All exhibit dynamic economies, relatively successful in employment generation - necessary prerequisites for the guaranteeing of funds to meet NBI's. This is confirmed by a comparison with the other sections of the country - both those showing some success in reducing numbers with NBI and those showing little or no success. The latter in

Colombia tend to be characterised by, at best, incipient agricultural and industrial development and to show a tendency to be 'zonas de latifundios, minifundios o de colonaje'. (p85, PNUD Report, 1989). Generally, these areas show rapid population growth, also. Vaupes, though, is an exception; despite a diminishing population the profile of NBI remained unchanged in the twelve year period.

Since the second world war new regimes of dynamic development have appeared, located in zones of frontier agricultural expansion, such as those in Atlantic and Meta, and in newly colonised zones, such as Caqueta. In contrast, zones of traditional agriculture registered large-scale emigration of labour. Further, since 1973 the coffee dominated departments have not been able to reverse their relative decline, despite the rise of the modern 'coffee-culture'. Similarly, the slower growth of non-coffee commercial agriculture after 1974 probably contributed to the relative deterioration of certain agricultural regions, including those then 'dynamic'. Something similar seems to have occurred in the poles of industrial development around Bogota. It is clear, then, that inter-regional disparities have tended to diminish in the post-war period. In spite of the continued tendency for economic activity to be concentrated in Bogota, employment opportunities generated by the post-war development process have benefited regions that, since 1950, had remained on the margins. The resultant internal migration, both rural-rural and rural-urban, has had the effect of reducing regional differences in NBI. (3).

Looking at the individual indicators by administrative zones ('secciones politico-administrativos y zonas'), throws up six very dynamic urban zones (see above for these). Weighing heaviest in the overall improvement is the 'inadequate housing' indicator, which declined by 87.3%. Non-attendance at school registered the second steepest decline, at -67.9%. In the rural zones, 'non-attendance at school' and 'households with high economic dependence rates' registered the most significant declines, at -61.1% and -52.2% respectively. Further, the occupation density and economic dependence variables both show larger reductions in the rural zones than in the urban zones. All these trends can be explained by the greater concentration of the population in urban areas, consequent - in part - upon rural depopulation.

At the other end of the extreme, some sections of the country failed to lower their numbers with NBI or actually increased them. Important examples here are the departments of Choco and Guainia, in which some of the indicators registered worsening conditions: numbers living in houses with inadequate services, in overcrowded homes and in inadequately built homes, all increased.

2) Changes in Rural Inequality

a) Income Distribution

For the rural areas, between 1978 and 1988, there was an increase of 49.4% in average real salaries (the most equitably distributed incomes) and a fall of 30.3% in average profits (which form part of non-labour incomes and are the most inequitably distributed incomes). The latter seems to have been a result both of the agricultural recession in the first half of the 1980's and the disincentive, in some rural areas at this time, to follow productive activities on their own plots due to the attractions offered by the increments in average salaries. Taken overall, total rural incomes grew by 19.5% nationally, but at different speeds in different regions: in the Atlantic and Central regions growth was negative at close to -1% ; in the Eastern and Pacific regions total income increased by 28.2% and 72.3% respectively.

Generally, individual incomes in the rural areas are at a higher level, with less concentration, for the 'salaried' than for 'own account' workers. Incomes are, as a rule, higher in the urban areas than in the rural areas, and rural occupations tend to be concentrated in the lower quintiles of the national income distribution, mainly as a result of the lower average incomes of the various occupational positions.

As a result of these trends, the 'survival strategies' of rural workers have centred around the need to link themselves to more developed labour markets in the small-to-medium urban centres where average salaries are higher. This way they can diversify their activities inside and outside the agricultural sector.

Reflecting the development of these 'rural towns' is the increasing weight of salaries in rural labour incomes. From 1978-88 they increased from 53.9% to 69%, a trend similar to that in other Latin American countries. Of course, the importance regionally of this statistic depends on the extent of the development of the local labour market in commercial agriculture as well as of non-agricultural activities.

The greater importance of salaries in the rural income profile, apart from the consequences for overcoming some of the critical poverty, has meant a decrease in income concentration in the countryside. Indeed, it is probably the principal factor explaining the 1978-88 improvement - reflected in a lower Gini Coefficient for 1988 (0.464) than for 1978 (0.486). (Source: the 1978 and 1988 National Surveys of Rural Households). This is due to the fact that salaries show less dispersion than other forms of income (within labour-incomes, salaries are indeed the most equitably distributed, with Gini's of 0.387 and 0.397 for 1978 and 1988, respectively) and so an increase in their importance reduces the breach in rural incomes. Likewise, the positive relation between the greater participation of salaries and the diminution of critical poverty allows a questioning of the traditional view that relates rural poverty exclusively to a skewed distribution of land and to low educational levels. Indeed, the latter is not, from the 1978 and 1988 survey results, an explanation of any weight for differences in rural incomes.

Despite the above, one should not underestimate the significance of 'non-wage/unearned incomes' ('ganancias') (4) in the improvement of peasant incomes and in overcoming rural poverty. They show a relatively high participation among the non-poor, which perhaps implies a need to see them as complementary to salaries in any rural anti-poverty programme. The figures for profits, though, may be understated, not only due to underreporting but also to the nature of the survey question (in the 1988 National Survey of Rural Households) which inquires into the payments received for work done by the family as a unit and not into net profits earned from unearned incomes specifically.

b) Poverty

A detailed breakdown of rural poverty shows that - according to incomes - critical poverty diminished among both individuals and households. Among individuals, it first rose from 1970 through 1978 from 54% (Altimir's estimate, noted in Chapter 2) to 57.6%, before declining vertiginously to 37% in 1988; among households, it also registered something of a dizzy decline, going from 52.1% (1978) to 32.4% (1988). Total numbers in poverty also decreased for both categories: from 84% (1978) to 68% (1988) for individuals and from 80.1% to 62.3% for households. Despite these trends, non-critical poverty increased slightly for both individuals and households, by 4.1% and 2.6% respectively.

By regions, the picture is similar. Total poverty decreased in all regions, driven by the general reduction in critical poverty. This was especially apparent in the Pacific and Central regions. Non-critical poverty, though, increased in all regions, except for households in the Atlantic and Central areas, where it decreased slightly.

It seems that demographic effects had something to do with the changes. Average household size in rural areas diminished from 5.83 in 1978 to 5.07 in 1988. The largest reduction took place amongst households in critical poverty, whose size diminished from an average of 6.63 to one of 5.78. It is noteworthy that the same households have the highest birth-rates, but mortality rates similar to those of the non-critically poor. The main element in the reduction of household size among this group, then, must have been emigration. For households in critical - and non-critical - poverty total household income has diminished while per capita income has increased, due to the lowering of the average size of households. Thus, the reduction in household size has compensated somewhat for lower household incomes among the poor. The recent decline in the rate of rural emigration suggests that this trend may lose some of its force, assuming no significant declines in rural birth-rates.

In summary, though the magnitude of rural poverty diminished in the period 1978-88, it remains a problem - to the extent that close to two-thirds of the rural population suffer from it. It is at greater levels in those areas where employment generation is least dynamic. This means predominantly those areas dominated by peasant smallholdings and extensive cattle raising. In contrast, those areas in which peasant production coexists with commercial agriculture (high in labour demand) exhibit lower proportions of their populations in poverty. It seems, then, that proximity to the relatively diversified employment markets in the 'urban' centres of rural areas is inextricably linked to lower indices of poverty.

3) Changes in Urban Inequality

a) Income Distribution

The urban distribution of income through the 1970's and 1980's shows a slight improvement. Movements in the Gini and Theil concentration indicators show how the economic crisis in the first half of the decade had a regressive effect. Between 1976 and 1983 the Gini coefficient went from 0.496 to 0.459, before rising to 0.474 in 1985. (Source: United Nations Development Programme - PNUD - Report, 1989, p26). The poorest 50% of families received an income transfer of 2% between 1976 and 1980, before slowly losing some of this up to 1985. Declining family size, coupled with the tendency for families to pool resources, no doubt had much to do with such a gain. In the countryside, in 1983, there was greater concentration than in the urban zones. The respective Gini's were 0.49 and 0.46. The poorest 50% of the rural population received 16.4% of incomes, while the richest 20% received 51.3%. Rural poverty is concentrated in those households whose principal activity is farming. Over half (52.9%) of rural households own no land, a third (33.5%) own some land, while 3.7% rent land.

In urban areas, comparing two DANE surveys from 1970 and from 1984, the Gini coefficient descended from 0.49 to 0.47. Though this would confirm the slight improvement in the distribution, the decrease is small enough to be able to doubt whether it is significant or not. According to the surveys, the poorest 10% of households received 1.5% of of incomes in 1970 and 1.8% in 1984. The figures for the poorest 50% are 17.7% (1970) and 18.8% (1984). The intermediate deciles - 6 through 9 - experienced even smaller changes. All these trends were confirmed in a study by Reyes (1986) which traced the urban distribution of income from 1976 through to 1985.

The income distribution figures through to 1989 are also available, as a result of data collected from the DANE Household Surveys (stages 53, 57, 61 and 65). As noted above, they show that the second half of the 1980's witnessed a halting of the improvements to the distribution earlier in the decade.

b) Poverty

The department of Bogota D.E., according to 1985 Census figures, has the lowest proportion of poor in the country - at 23.5%. At the same time, it has the second highest absolute number of individuals in poverty (measured by NBI), at 928.414. Of these, 245.315 individuals are destitute, which is 6.2% of the total population of Bogota. By households, the proportions are: 18.5% in poverty and 4.5% in a state of destitution. These percentages are lower than those for individuals, owing to the fact that poor and destitute households tend to be larger than non-poor/destitute households. Compared to Mohan's (1986) estimates of poverty in the capital during the 1970's, discussed in Chapter 2, it appears that numbers in poverty may have increased. He put the percentage of poor in Bogota - and Cali - at between 10%-16% for 1978, down from the 25%+ figures for 1973. These estimates compare closely with those of Mohan, Wagner and Garcia (1981), also discussed in Chapter 2.

In the rest of the urban areas the incidence of poverty is somewhat higher: the latest estimate (from CEPAL, 1990, for 1986) puts it at 36%, which compares to the 40% estimate one gets from an analysis of the 1984/5 DANE Survey of Incomes and Expenditures (see Chapter 4 for more detail here).

Compared to earlier estimates of those below the urban poverty line, noted in Chapter 2, it appears that the overall proportion has not changed much. Altimir (1982) found 38% of urban households to be below the poverty line in 1970. Of these, 14% were destitute, unable to cover the cost of minimum food needs. Again, this proportion is very similar to that found in the 1984/5 DANE Survey of Incomes and Expenditures - 13.6%.

4) Changes to the Functional Distribution of Income

A discussion of the functional distribution of income (as opposed to the size distribution of income, discussed up to now) is also important, in that it tells us how the total product of the economy is divided up - between profits, salaries, state appropriation of resources and national and foreign capital. The total income available for redistribution in Colombia grew, in the period 1970-86, by an annual average of 6.2% - making it one of the fastest growing economies in the world at this time. The income received by foreign entities ('agentes extranjeros') grew by more than double this figure, at 13.6%. In contrast, the income received by national entities ('agentes nacionales') grew by an average of 6%. In other words, the total income for redistribution grew, in the seventeen year period, by a factor of 2.1. That appropriated by foreign entities grew by a factor of 3.32 and that by national entities by a factor of 2.02.

By far the most significant element in the incomes received by foreign entities is the payment of interest on the (public sector) external debt. This grew by a factor of 7.3 in the period. Incomes of salaried non-residents are also important here, growing by a factor of 4.3. Growing less dramatically were interest payments on private sector foreign debt (2.9) and profits and dividends from multinational companies (1.4).

Among the national entities, labour incomes grew by a factor of 1.96, capital incomes by 1.94 (compared to 2.92 for returns generated to national capital placed outside the country, which is an important source of income for some of the bigger state owned companies, like Ecopetrol, which places a proportion of its profits abroad) and incomes accruing to the state by 2.17. Net transfers from abroad grew by a factor of almost 10 (9.85), explained by increases in labour transfers, chiefly from the U.S., and by an upturn in foreign donations as a result of a spate of tragedies, paticularly in 1986.

An account of winners and losers, then, between national and foreign entities, gives the following balance for the period. National entities slipped by two percentage points, from taking 97% of all income in 1970 to taking 95% in 1986. The loss was appropriated by foreign entities, who increased their income share from 3% to 4.9%. Increases on interest payments on the external debt, which by 1986 represented 3.6% of national income - from 1.4% in 1970 - largely explain why. As to which groups have borne the brunt of the loss in participation of national income, labour and capital appear to have faired worse. The first slipped from 38.3% in 1970 to 36.5% in 1986 and the second from 45.4% to 42.9%. In contrast, the state increased its participation a little from 12.9% to 13.6%.

The subperiod 1982-86 shows the most striking changes. It corresponds to an upswing in the economy after the economic crisis entered into in 1978 began to bottom out. Foreign entities, national capital and the state were the principal beneficiaries, while workers suffered losses (Table 26).

Table 26

Winners and Losers, 1982 - 1986

Winners	(%)	Losers	(%)
State	+1.9	Labour	-5.2
National Capital	+1.7		
Foreign Capital	+1.6		
Total	+6.2		-5.2

Source: Boletin de Estadistica, no. 442, January 1990; collated by the author from data on pages 174 and 202.

The incomes of those selling their labour in this subperiod fell by 5.2 percentage points, which is a loss of 4,315 million (1975) Colombian pesos - 863 million pesos lost annually from the national salary account. Higher rates of profit taking and of interest, increased payments on the external debt, and higher taxes (especially indirect; value-added tax rates were raised in 1983 and made less progressive) explain why workers were the only losers.

In contrast, the state appears as the main winner in the subperiod, increasing its participation by almost two percentage points. The destination of this newly found income is of interest, considering its redistributive potential. The most notable increases in expenditure were in the areas of: operational expenses for the public sector; cultural and recreational expenses; education; health; and social security. All benefited from increases in expenditure by factors of between 2.4 and 3.3. Benefiting by less than a factor of 2 were the areas of defence, economic services and public debt. Notably, expenditures on rural and urban housing and infrastrucure fell - in 1985 they represented 84% of their 1970 level.

Expenditures on education, social security, and health continue to have a positive effect on income redistribution in Colombia. This is especially true of the period 1980-1984, when expenditures in these areas rose, on average, by 7.1%. For the period 1984-1988, in stark contrast, they declined by an average of 8.3%. (Source: Coyuntura Social, 'Debates', no.2, July 1990 p30). Expenditures on defence, public administration, justice, the police and the armed forces, on the other hand, do not obviously benefit one group or another. It is often alleged that these are, in market economies, the props to the domination of capital over labour, and that they tend to be paid for as much by the working classes as by the capitalist classes. (5). This view takes no account of the complexities involved in compiling a complete 'who benefits and who loses' breakdown by socio-economic group for these areas of expenditure. Defence spending, for example, could benefit national or foreign capital accumulation through contracts to produce weapons and equipment as much as the ability of the rural peasantry to carry on its subsistence production in relative peace through improvements in the hardware and organisation of the local military vis-a-vis guerrilla groups. Expenditure on the judiciary is equally open to varying interpretations as to 'who benefits'. This has long been understood: in the late nineteenth century Anatole France noted that "the law in its majestic equality forbids the rich as well as the poor to sleep under bridges, to beg in the street, and to steal bread." (6).

The final balance of winners and losers, then, shows that owners of national production entities had between 4 to 8 percentage points shaved off their share of the primary income distribution, The labour force, though, was not the beneficiary; between 1970 and 1986 its annual percentage losses were in the range of 0.7 - 1.7 percentage points. The state had much to do with this. In the period, national social expenditures came to less than the total amount transferred to the state by employees in the form of taxation and social security payments. In this way some of the costs of the economic crisis up to 1982 and of economic recovery thereafter were borne by the labour force. 'Agentes extranjeros', like the state, came out a winner during the period:

interest payments on the external debt, the profits of multinationals, and the salaries of foreign workers all rose in real terms.

5) Summary

In 1986 colombia had - slightly - less of its population, measured by household income, in poverty than in 1970. The proportion, though, still hovered around the one-third mark - that is, for overall poverty and for urban poverty; rural poverty has been put at between 42% and 62%. The 'poverty gap' hardly changed either, remaining low in Latin American terms at below 9%. This suggests that poverty in Colombia is due to a skewed distribution of income rather than to a lack of national resources. This became a salient point once again in the second half of the 1980's, when, according to the Line of Poverty measure, increasing numbers fell into poverty at the same time as GDP, or output, continued to grow.

The NBI poverty measure, using data from 1973 and 1985, shows, in some contrast, significant reductions in poverty - from 70% of households to 46%. The proportion of destitute in the population also declined, almost halving itself from 44.9% to 22.8%. Figures for rural areas are higher, and much more worrying, than they are for urban areas. This point is dramatically highlighted by the different proportions of destitute households, in 1985, in each area: 44% (in rural areas) and 18% (in urban areas).

The income distribution profile changed very little between the years 1971-1989. From the decrease in concentration of the 1970's, as measured by the Gini coefficient, the (urban) profile worsened up to 1985, improved again during the years 1986/7, before again worsening through to the end of the decade. If there was a slight increase in concentration between 1980-1989, it was not at the expense of the poorest 50%. Rather, the intermediate deciles - 6, 7 and 8 - lost out to the top 20%. The rural distribution also changed little, according to the available figures covering the years between 1970 and 1988. Its Gini, in 1988, was 0.48, compared to the urban Gini of 0.46 for the same year.

An analysis of the functional distribution of income shows that labour and capital have borne the brunt of the loss in participation of national income. The state, by contrast, has increased its participation. In the sub-period of 1982-1986, corresponding to the economic upswing, workers suffered the only losses, with labour incomes declining by 5.2 percentage points. The state appears as the main winner. Much, but not all, of this 'new' income went into areas of public expenditure which might be expected to have a redistributive effect - education; health; social security. Despite this, the fact that national social expenditures in this period amounted to less than labour transfers in the form of social security payments and taxation, suggests that the labour force was still the main loser overall.

Notes

1) By Libardo Sarmiento Anzola in an article entitled "Ten Years Without Changes", in 'Economia Colombiana', no.230, June/July 1990, pp93-109.

2) Juan Luis Londono de la Cuesta, 'Income Distribution During the Structural Transformation: Colombia 1938-1988', Research Report, Harvard University, September 1990; and, by the same author: 'Distibucion Nacional del Ingreso en 1988: Una Mirada en Perspectiva', in Coyuntura Social, no.1, December 1989.

3) This historical account is taken from Ocampo, Jose A. Et al, 'La Consolidacion del Capitalismo Moderno (1945-1986)', in 'Historia Economica de Colombia', Siglo XX1 Editores, 1987.

4) 'Non-Wage Earnings' are formally defined by the DANE as: "Incomes from independent work, professional services, sale of domestic products, etc." They are calculated as an annual figure and then estimated monthly.

5) See Boletin de Estadistica, no.442, January 1990, for a recent such statement, p176.

6) The quotation is cited in Lenski (1966), p52. For those interested, there is a wealth of literature on the 'partiality of laws', which includes: Edwin Sutherland, 'White-Collar Crime' (New York: Holt, 1949); and Philip Stern, 'The Great Treasury Raid' (New York: Random House, 1964).

Chapter 6 Determinants

Introduction

Poverty, according to the structural NBI indicator, diminished through the 1980's, to what might be seen as 'uncritical' levels. In contrast, numbers in poverty rose when measured by the LP indicator, to include approximately one-third of households in 1990. Income distribution, measured by the Gini coefficient, changed very little over the period as a whole. It first improved, between 1978 and 1983, before worsening again in 1985. The Gini moved downwards thereafter, but at the end of the decade was back at its mid-1980's level.

It would appear, then, that the 'ideal conditions', according to Kuznets, which existed in Colombia at the end of the 1970's (falling unemployment; rural wages increasing faster than urban wages; an extended period of fast GNP growth; a Kuznetsian income distribution profile that had worsened, then improved, since the 1930's) did not produce the final tail of Kuznets's inverted U-curve, with income distribution continuing to improve. The consequences of this for the Kuznets thesis as well as for the - essentially similar - conclusions of other theorists and researchers, discussed in Chapter 1, are unclear. Perhaps Kuznets and others may not - yet - be unduly perturbed by the empirical conclusions which emerge from Chapters 3, 4 and 5 of this report, as the twelve year time period to which they refer is a relatively short one and, as such, only future studies will be able to determine whether it is merely a blip on the long swing of the secular income curve or part of a longer term trend. Further, it may be that the finding of some researchers, as noted in Chapter 1, of no inevitable "home run" once a less skewed income distribution is achieved, is relevant for Colombia during the period 1978-1990 - which would uphold the "it's a blip" interpretation.

Alternatively, it could be that the forces at work in the developing countries of the mid-to-late twentieth century, such as Colombia, are very different from those which were at work in the now developed countries studied by Kuznets and others, which would limit the applicability of their hypotheses concerning what happens to inequality during economic growth. For example, as Kuznets himself noted, when the size distribution of income profiles of the now developed countries were similar to those of some of the still-developing countries, per capita incomes were "much lower" (Kuznets, p68, 1963) in the latter. This, he speculated, could lead to greater numbers in poverty in the developing countries than in the developed - due to the presence of a much lower national income base from which to distribute.

Whatever the case, a reliance upon cross-sectional studies, such as those of Kuznets, Lenski, Soltow, Paukert, Adelman and Morris, and Ahluwalia, discussed in Chapter 1, can never tell the whole story. The problems of, amongst other things, 'timelessness' and incomparable data sources, inherent in such studies, mean that understanding the causal mechanisms behind changes to inequality profiles - as opposed to simply finding associated relationships between aspects of inequality and GNP per capita levels - becomes very dfficult. In contrast, an understanding of what happened inside a single country - in this case in Colombia from the late 1970's through to 1990 - is more likely to detect causal mechanisms, while at the same time to shed light upon some of the general questions in the debate.

What happened, then, during the twelve year period of 1978-1990 to prevent sustained improvements to the Colombian income distribution profile? It seems relevant to ask this question because Kuznets's ripe conditions were, at the very least, insufficient. Further, by taking a case study approach we can do what Kuznets, with his cross-section data, could not do: tease out and speculate upon particular determinants - economic, political, educational - in one country. Conversely, of course, a longitudinal study such as this cannot, by definition, formulate a general hypothesis like that of the 'Kuznets Curve', nor can it 'prove' anything. Yet it does act as an essential complement to cross-sectional studies by looking at 'local' factors and influences ignored by the latter; and always with the intent to "clarify the larger context" (Deyo, 1989, p2) - in this case the relationship between inequality and economic growth.

The first task when analysing the many and varied causes of movements in inequality is one of disentanglement; the second, one of establishing which of the determinants has been most important. With these two points in mind, the following five determinants will be discussed in this Chapter, with a view to offering some pointers - an empirical determination of causes is not tendered here, though it may be the next step - as to their influences upon inequality in the period: i) economic determinants; ii) government-led determinants; iii) education-related determinants; iv) drug-related determinants; v) 'culture of violence' related determinants. Of course, these frequently overlap and, as such, cannot be considered cast-iron categories. As far as possible the overlaps will be noted here - the view being that reality cannot be distilled into, nor be expected to shadow, the convenient subdivisions of researchers.

Determinants i-iii, that is those related to the economy, the government and education, have been chosen due to the - correct - universal assumption that they are instrumental in influencing movements in a society's inequality profile; together, they probably explain a good deal of trends in poverty and income distribution. This is not to profer a 'theory' of inequality or of income distribution - something which is still absent from the literature. Rather, it is to suggest that economic trends, public policies and the educational profile of the population "are something more than residual [factors] in explaining the structure and continuity of patterns of income concentration." (Graciarena, 1976, p206). In other words, they are instrumental in guiding the 'development style' of any society, and must therefore be taken into account.

Determinants iv-v, those related to the drug trade and to what can be termed the 'culture of violence', have been chosen because of their importance - or at least their high-profile - within Colombian society. The extent and nature of the influence of each upon inequality has received little or no attention up to now. Consequently, data is sparse and so much of the discussion is still at the level of informed speculation. It is hoped, though, that the thoughts offered here will serve as pointers, or "a collection of hunches" (Kuznets, 1955, p26), to future researchers.

Determinants, then, include specifically economic as well as specifically sociological factors. As this chapter illustrates, economic factors alone do not explain inequality; "sociological" factors - those associated with governmentally-driven determinants, education, drugs and violence - have also to be taken into account.

i) Economic Determinants

1978 saw the largest increase in Gross Domestic Product in Colombia, at 8.5%, since the mid-1960's. It came on the back of the 'coffee-bonanza', which began in 1976. Since then, though, the Colombian economy has witnessed an equally pronounced fall in GDP growth, descending to 0.9% in 1982 and 1.6% in 1983, largely as a result of declining coffee exports (the earlier 'coffee-bonanza' itself had the effect of bringing down world prices in the early 1980's) and declining 'minor' exports. The economy then picked up in the years 1986/7, with average growth rates at 4.5%, before abating to growth rates of approximately 3% at the end of the decade. At no point in the period, though, was the economy failing to grow - which could not be said of other countries in the region: Bolivia, Guatemala, Nicaragua, Uruguay and Argentina all had negative average annual growth rates in the 1980's. (Source: World Development Report, 1990, p180, table 2).

Decelerating economic growth through the period can be explained by the still skewed distribution of income in the country. As we saw in the previous chapter, the capital share of incomes rose in the 1980's relative to the workers' share, helped by high monopoly profits in many sectors of the economy. Also, the overall distribution of income, as measured by the Gini coefficient, did not improve, and unemployment and numbers in income-related poverty both increased. These trends made it inevitable that the internal market for manufacturing and other goods should shrink, thus making sustained - expanding and diversifying - economic growth all but impossible; which, in turn, meant that neither the resources nor the jobs were being created to make an impact upon poverty. This 'catch 22' was touched upon in Chapter 1 (see, e.g., Wells, 1983) as part of a discussion on the need for a developing country to improve its income distribution profile. More recently, development economists have coined the phrase 'equity-led growth' to sum up this particular strategy of trying to ensure that the economy does not run into the sand due to a contracting internal market.

Inflation in Colombia has always been kept under relative control. Through the period, calculated for the expenditures of blue-collar families, it at no point reached more than 29.8% (its 1979 figure) annually, a figure close to the monthly averages of most other Latin American countries. In the decade as a whole, through to 1989, blue-collar inflation (DANE figures) was at 718%. The rate differed, though, across the various sub-groups of articles. Foodstuffs showed the highest price rises, at 810% for the decade. This undoubtedly means, assuming that the Colombian administration, considering its external debt commitments (see below), is not in a position to subsidize foodstuffs, that some reorganisation in the countryside is necessary, in order to ensure a greater and cheaper supply to the cities. (1). Having said this, in 1989 foodstuffs showed price increases below the average for other articles. Yet the point remains valid, especially when price rises of other groups of articles are considered, specifically raw materials and intermediate products, which showed price increases well below those for the blue-collar family basket, at 577% for the decade. Inflation, then - especially food inflation - had something to do with pushing larger numbers below the poverty line, and at the same time with lowering production costs for the owners of capital.

Something which could nullify any inflationary consequences upon the poor is the minimum wage. It has been used by the various administrations throughout the 1980's as a tool with which to fix the legal minimum salary and, secondarily, with which to give a signal to higher paid workers as to what is an 'acceptable' percentage increase in their salaries in a given year. At first sight it looks as though its effect was to compound the problem of food infation. The legal minimum salary went from 4,500 Colombian Pesos in December 1979 to 32,560 in December 1989 - an increase of 624% but a loss of purchasing power of 11.6%. However, the constant/real value of the minimum wage at the beginning of 1990 was 8% above its 1979 level, which suggests that it maintained, roughly, its purchasing power through the decade. In contrast, as we saw in Chapter 4, the real incomes of state and private sector white-collar workers and of independent professional workers deteriorated over the decade. Coupled with the increases in profits taken by large companies and increases in capital incomes, the upshot is that the middle-income earners lost out to the low and high income-earners.

In terms of its influence on poverty, the minimum wage was not such a success. Considering the ratio of workers to non-workers in both poor and destitute families, or the 'demographic dependency rate', the minimum wage has not, throughout the 1980's, been at a sufficient level to cover either the minimum food basket (for the destitute) or the basket of basic necessities (for the poor). Specifically - taking 1988 - the average number of household members among the destitute is 7.1 and 6.0 among the poor (1985 Census figures). Among both groups the average number of workers per household is two (and more likely than in non-poor househoulds to be less than two) - which, with the minimum salary at 25,637 Colombian Pesos in 1988, is not sufficient to meet either group's minimum needs.

Considering, then, that approximately one-third, on average, of the working population, between 1976 and 1988, had incomes at or below the minimum salary (DANE: 'Colombia Estadistica', 1988, p230), this has been an important factor in pushing greater numbers into poverty: towards the end of the 1980's (1988) the percentage of workers receiving the minimum wage or less increased markedly - to over 35%. Therefore, despite having maintained its purchasing power through the decade, the minimum wage acted as a negative influence upon poverty, in this way failing in its ostensible purpose of placing a floor under the wages of urban unskilled manual labour in the enterprise sector, at a level above the market-clearing wage. Further, in view of its relevance to actual wages, noted in Chapter 4, and its - possibly more important - role in dragging unskilled and blue-collar wages along with it, acting as a reference point, the legal minimum wage probably consigned, indirectly, even greater numbers to income-related poverty in the period. In a recent conference of the Colombian Sociological Association (29/11/90, Cali, Colombia) it was suggested by various contributors that absence of political will on the part of successive administrations - for example, to finance an energetic campaign of enforcement - was the root cause of the minimum wage short-fall. Perhaps. But this ignores the financial strictures placed on the administrations of the late 1970's and 1980's from having to meet other costs, notably those arising out of foreign debt (see below) and 'national order' commitments. The latter, made up of expenditures on the police and military, took a full (and astonishing) 44.9% of government expenditure in 1986, declining slightly to 40.3% in 1989. (source: Financial Report of the 'Contraloria General de la Republica', August 1990, p28).

Indeed, Colombian government expenditure on 'national order' has been high throughout the 1980's: only Israel, Pakistan, Oman, Syria, Yemen and Yugoslavia devoted, as at 1988, comparable proportions of total public expenditure to defense. (Source: World development Report, 1990, Table 11). High defense expenditures tend both to fuel inflation, which acts as a regressive indirect 'tax' on lower-income groups, thereby increasing income concentration, and to reduce the proportion of public expenditure available for widening the provision of essential public services. Yet, the Colombian administrations of the 1980's probably had little alternative but to maintain a high defense budget: the perceived 'threats' from the various guerrilla movements and from the activities of the drug trade meant that a programme of 'arming for internal defense' was inevitable.

Numbers of those not, according to official DANE figures, earning an income decreased in the second half of the decade. After moving up to

14% in 1985, from 8.1% in 1979, the unemployment rate descended steadily to 8.9% in 1989, rising slightly to 10% in 1990. At first sight it seems paradoxical that the unemployment rate should decline in the midst of the falling economic growth during the second half of the 1980's. What actually happened, though, was that open unemployment did diminish but disguised unemployment, or underemployment, increased - especially among those working only part of a day or working independently in the 'informal' or 'marginal' sector. (2). This undoubtedly pushed more people into (income related) poverty. On the other hand, when the increasing rate of participation in the employment market, which was far over and above the population increases in the period 1979-1990, is taken into account, the official (open) unemployment statistics turn into something of a 'success story', or at least reflect the existence of employment generation. This is true to a point: the employment opportunities through the 1980's came in low job-creating sectors, predominantly in large enterprises involved in import-substituting, or exporting, activities. Yet these jobs did prevent even further increases in income-related poverty.

The effects of the external debt on the inequality profile also need to be drawn out. According to the Banco de la Republica, the external public debt, as at November 1979, stood at U.S.$3,450 million. It increased by a multiple of 3.6 in the ten years to 1989. In the same period external private debt went from U.S. $1,850 million to approximately U.S.$3,200 million (though this does not include short-term advances). In total, the Colombian external debt grew from U.S. $5,300 million in December 1979 to U.S.$15,510 million in 1989. That is, it increased by 200%; through the same period, the Gross Domestic

Product grew by just 40%. Such an imbalance has been a major factor in making the relative economic recovery of the mid-1980's unsustainable, especially regarding the availability of funds for infrastructural projects. This is not to ignore the political element in the absence of such funds: throughout the ten year period, 'neo-liberal' economic leanings of the various administrations meant that funds were withdrawn from public services, forcing local and national government to finance their operations through debt. This, in turn, meant that higher charges were levied on users of public utilities - for the interest bills of the foreign banks had to be met. The importance of this chain of events is understood when one considers that 60% of external public debt is carried by that part of the state sector responsible for providing public services.

Spiralling charges for public services also have a lot to do with government policy on devaluation, which goes back, as noted in Chapter 2, to its 'crawling peg' policy of 1967. Without taking into account the Dollar's devaluation itself against other quoted currencies, the devaluation of the Colombian Peso against the Dollar triggers a large increase in the liabilities of public companies and other public entities. Of course, this is eventually borne by the users of the public entities. It has been estimated (Silva, 1990) that the total of the increasing prices charged as a result of the devaluation of the last ten years is equivalent to close to 10% of the (1990) GDP. But the devaluation not only affects the inflation rate: it also has a negative effect on economic activity - through its tendency to reduce internal saving and consequently to frustrate productive investment and the creation of employment. In 1989 alone devaluation, which ran at 98

Colombian Pesos, represented an increase on the foreign debt of 1.5 billion Pesos. This would have paid the legal annual minimum salary for 3.8 million workers. (Source: Silva, 1990, p14). To protect - especially poor and low-income - users of public services from the price rising effects of devaluation it may be necessary in the future for the government to adopt a differential exchange rate for public utility debt. That is, to devalue the latter at a slower pace than debt incurred for other purposes, in order to reduce the rate of price increases for essential public services. In this way lower income groups will not be faced with exponential tariffs for public services.

In fact, it is worth recounting the history of the exchange rate generally through the late 1970's and 1980's, considering its significance for employment creation and, in turn, its import upon pulling individuals out of poverty and/or changing the income distribution profile. The latter, for example, could be altered if enough individuals were to move into, say, the protected manufacturing sector, taking up salaried jobs which tied them into the national social security network. In this case, for the actual level of income concentration to decline the new employees would have to come from either jobs where they previously earned less or from a position of unemployment. Whereas, if the new employees simply moved within the same sector to a similar type of job, nothing would have changed.

At the end of the 1970's the Colombian Peso was openly overvalued. This had much to do with the perceived need to check the inflationary pressures coming from the 'coffee bonanza' of 1976-1978. The price, though, was the loss of international export competitiveness of the national productive sector, with the attendant absence of employment creation. As a result, from 1980 the policy was altered: the rythm of devaluation now compensated for the differential between domestic inflation and that in the United States, the country's principal trading partner. The policy ran into trouble in 1982 when the Dollar itself became overvalued against other quoted currencies, which meant that compensating for inflation differences in the two countries was no longer sufficient. (3). Thus, in 1982 a more active devaluation was begun, despite the attached risk of capital flight. This time it was perceived a success, with the real exchange-rate rising against both the Dollar and the basket of the country's 23 principal trading partners. Inflation, furthermore, was held relatively in check. Not until 1989 did the policy again change - to an even faster devaluation as part of the government's liberal, barrier-reducing strategy of opening up the economy to international investment. It was intended as a spur to employment creation and as a way of exposing national industry to foreign competition, with a view to bringing down profit margins and improving productivity. The corollary, from the present government's point of view, is an improvement in income distribution and a significant reduction in poverty - both coming from the extra dynamism injected in to the economy by the policy. Support for the government, it is calculated, will be the denouement.

What is known of the late 1980's indicates some success: among the products which increased their participation most in the export profile were those most intensive in labour use. These were predominantly low-technology goods, such as those in the clothes making and leather manufacturing sectors. Also important were the various chemical industries producing goods derived from hydrocarbons. The changing export profile reflects the increasing realisation of the two administrations between 1982 and 1990, and now of the 1990-1994 administration of Cesar Gaviria, that, to avoid a calamitous collapse of exports and jobs, concentration had to be centred, more than usual, on the developed countries for trading links. The economic recessions through the 1980's in the Andean and other Latin American countries meant they could not be relied upon as exports markets as before. In 1980 they took over a third of Colombia's manufacturing exports, a figure which declined to less than a fifth by 1989. (Source: Villar, 1990, p45, table 5).

For the immediate future, with the faster devaluation continuing and with the recent relaxation of administrative and tariff barriers on imports, indirectly cheapening exports, it seems that the trend towards growth in labour-intensive exports is set to continue. And should the incoming competition indeed force owners of capital to accept lower yields, then the income distribution profile will undoubtedly become less concentrated overall. How ironic, therefore, that an ostensibly free-market development path should be heralded as 'equity-led', when what is normally meant by 'equity-led growth' is the generation of employment through infrastructural works and more direct government intervention through the likes of progressive taxation and the setting of minimum, 'non-hunger wages'. There remain, though, some contradictions within the Colombian economy which have to be addressed before our upbeat conclusion is upheld. Two in particular are noteworthy: i) the fund set up by the government to assist and encourage exporters with credits - El Fondo de Promociones de Exportaciones, known as Proexpo - receives its budget, ironically, from the still high import tariffs imposed, which stood at 43%, on average, in March 1990; ii) at the end of the 1980's import tariffs as a proportion of total Central Government income reached 25%. (4). The straitjacket in which this places the present administration is obvious. It will be necessary, though, to slowly lower the import tariffs, if labour intensive exporters are to be able to import their raw materials and have any lasting effect upon income distribution.

ii) Government-Driven Determinants

The role of government action during the transition to 'modern' growth is pivotal. Governments must set the policy environment for private economic activity through their actions with respect to foreign exchange, trade, domestic credit, tariffs, wage rates, public expenditure, public ownership of enterprises and taxation. Some of these were discussed in the previous section. In this section three further forms of government intervention will be discussed: public expenditures (with the specific aim of alleviating poverty) and taxation and subsidy regimes.

a) **Government Social Programmes**

In the second half of the 1970's and throughout the 1980's Colombian administrations initiated various social programmes with the specific aim of combating malnutrition and poverty.

The first of these, in 1975, was a two-pronged strategy, consisting of a plan to combat malnutrition (PAN) and a programme of integrated rural development (DRI). The objectives were to increase the incomes and improve the nutritional status of low income groups, defined - undoubtedly too sweepingly - as the "poorest 50% of the population". The DRI plan was essentially geared to increasing production while at the same time investing significant resources in social and public services, with the aim of improving general well-being in the rural communities. Strictly speaking, the focus of the DRI was not towards the poor directly but rather the agricultural 'minifundistas' (small-scale farmers) that were in a position to become 'empresarios agricolas' (larger, more commercially-minded concerns). By providing agricultural support services such as credits, inputs, fertilizers and pesticides, along with commercial and accounting advice, it was hoped that the farm owners, their families and their employees (240,000 beneficiaries, all told, across eight departments) would benefit from increasing incomes attendant upon improvements in productivity and sales.

The PAN, in some contrast, circumscribed the "poorest 30%" of the population - rural and urban - including non-land owning agricultural workers and small-scale farmers whose plots or farms were not large enough to benefit from the credit and investment provided by the DRI. The strategy of the plan revolved around the perceived need to integrate community health services, the supply of drinking water, toilet facilities and nutritional education. It also involved encouraging the cultivation of small plots of land in the household garden (a programme known as 'Pancoger') and the distribution of subsidised foodstuffs. The two principal characteristics, and innovations, of the plan were: i) the setting up of a community health post as a centre for nutritional advice and assistance; ii) the use of coupons to supply specially prepared and subsidised foodstuffs to pregnant women during lactation, to children below one year of age and to malnourished, pre-school aged children. In 1976 the government set up a national system of primary health care as a complement to these two prongs.

The results from the PAN-DRI axis have been impressive, particularly to do with production. Firstly, in the period 1975-1979 the DRI plan resulted in the production of 100,000 tonnes of foodstuffs as well as great leaps in the productivity of various cultivations. (Source: World Bank Mission to Colombia 1989). Wheat, for example, increased its productivity by 50% and yuca (cassava) by 300%. Secondly, thanks to the use of food coupons, the production of five basic foodstuffs tripled: soya flour, corn flour, vegetable protein, vegetable mixtures and 'fideos' (vermicelli).

Secondly, the emphasis on widening the coverage of public and social services has had very conspicuous success, in terms of helping to lower NBI levels nationally. Furthermore, the programmes provided a much needed motor for the development of an incipient system of primary health care, as well as the construction of, and improvements to, the primary health posts. In the first few years 420,000 individuals benefited from the receipt of food coupons. Having said this, however, it has been impossible to quantify exactly the effects of the two plans on the nutritional status of the population as a whole. This is due to the absence of any governmental measurement and evaluation programme. Basically, the government paid little heed to what the 'success rate' of the nutrition programme may or may not be; which made it difficult for policymakers to decide whether or not to continue with the programme on the strength of its technical merits. Even these considerations became irrelevant from 1980 onwards, as the economic situation began deteriorating and funds dried up. The PAN came to an abrupt halt in 1983 with the arrival of the Betancur government. Its position was that the problems associated with malnutrition could best be dealt with by means of the increased food production - the corollary to which, it was calculated, would be lower food prices - being encouraged by various rural development programmes, notably the DRI. Food coupons and 'Pancoger' were dispensed with.

As for the DRI, since the Betancur administration it has become divorced from its rural development origins and now offers services to small-scale farmers in 360 municipalities across the whole country. While it is nonetheless still the most important 'rural development' programme, continuing with its multi-sectoral approach of providing credits, services and infrastructural works, its remit - much as before - is not to directly assist the rural poor. So the beneficiaries continue to be the (non-poor) small-scale farmers. Taken in conjunction with the abandonment of the PAN, then, the period from 1975 to the end of the Betancur administration was one of mixed fortunes for the poorer groups in terms of receiving government attention.

In the final year of the Betancur administration the National Rehabilitation Plan (PNR) was set up, with the aim of promoting economic progress in those undeveloped and remote parts of the country characterised by a significant presence of guerrilla groups and a concomitant absence of the state. (5). Whatever the content of the programme, the more pressing political aim was to bring some semblance of 'order' to these areas, with a view to being able to herald the defeat and irrelevance of the guerrillas and to win the support of the local inhabitants; all in order to project an image of strong, efficient government in the 1986 election campaign.

Poverty was seen as biting hardest in the rural areas, and so the objective of the PNR was to improve the incomes and the well-being of "the agricultural poor" - who, in the main, lack land - by means of road construction, irrigation services, schools, health posts, agricultural credits and redistribution of land. The plan - across 250 municipalities and 13 departments - was relatively well financed: between 1987 and 1990 it took 17% of total agricultural investment. (Source: World Bank Mission to Colombia, 1989, p79). Though it may still be early to evaluate the effectiveness of the plan, on the face of it some of the desired results were obtained. The 1988 National Survey of Rural Households, discussed at length in Chapters 3 - 5, obtained data indicating a reduction in total poverty and critical poverty, but not non-critical poverty, between 1978 and 1988 in rural areas - though by both the Line of Poverty and the NBI measures close to two-thirds of the rural population (that is, individuals; the proportion is, as always, slightly less for households) remained poor in 1988. The uncertainty, however, is whether it was the efforts of the PNR which brought the reductions. Demographic trends could equally have been responsible: household size in rural areas diminished in the period, declining from 5.83 in 1978 to 5.07 in 1988; the decline among households in critical poverty was more pronounced, moving from 6.63 to 5.78. Considering that the critically poor also show relatively high birth-rates and average mortality rates, then the principal factor behind the reduction in their household size must have been emigration. In this way, and despite average household incomes falling for the poorest groups of rural workers, per capita incomes rose. (6).

A further, urban based, strand of the Betancur administration's development plan was to reactivate the tottering economy of the early 1980's using the construction sector as a motor. This seemed to fit in with the government's overall strategy of achieving growth with equity. The particular emphasis was to be a reorientation of house-building towards low-income groups. It had some success: in the period 1983-86 400,000 new urban houses were constructed - an amount without precedent, and double that of the previous four years. More significantly, almost two-thirds were low-cost houses ('viviendas populares'), of sufficiently low cost to be within the reach of families earning less than two minimum salaries. As well as the 400,000 new homes, the plan promoted self-construction as a way of reducing production costs, utilizing the labour of family members themselves. These tended to be from the poorer sections of the poor. As a result of these programmes, the 'housing deficits' in terms of 'overcrowding' and 'unsuitable constructions' declined between 1973 and 1985. (Source: 1973 Census and 1985 Census).

The housing programme, though, had its limits. Principally, it failed to meet the needs of the poorest of the urban poor. This was probably because of the way it was administered - through a mixture of public and private credit and savings institutions. The coordinating government entity, the Institute of Territorial Credit (ICT), put up far too strict and unreachable requirements for the lowest income families. The houses were sold, as a rule, to families that earned more than two minimum salaries - essentially the lower-middle income groups of the second and third quintiles of the income distribution. Further, 20% of families and slightly over one-third of individuals (DANE figures, for 1988) in Colombia earn less than the minimum salary, so would not have sufficient monthly incomes needed to keep up with regular mortgage payments. What is more, at this level of the income scale employment tends to be erratic and, as such, a monthly commitment of any sort is difficult to meet.

Apart from the selective focus of the programme, the credit and finance policies adopted benefited neither the institutions charged with carrying them out nor - again - those most in need of assistance. This was perhaps the fundamental contradiction within the plan. Essentially, the policy of exempting beneficiaries from having to put down an initial quota exposed the lenders to the risk of non-payment, without significantly increasing access to new houses, and the savings corporations soon became wary of lending in this way once they realised that payments on 50% of their loans were not kept up with. For this reason the policy of exempting families from having to put down an initial quota has been abandoned. And if the ICT is to continue to carry out housing programmes for the low-income groups in the future, a substantial injection of government funds will be necessary.

It appears, in conclusion, that the strategy of the plan was ill-founded. In 1982 a study by the National Centre for Construction Studies (CENAC) demonstrated that families that were able to keep up with the monthly payments on their new house would anyway have few problems in getting together a 'substantial' initial quota. This suggests that a two-tier or multi-tier loan structure would have been more appropriate, allowing the not-so-poor to subsidise the poorer recipients to the programme via monthly payments, with interest attached.

A further government-led programme of the Betancur administration - continuing the basic needs approach to reducing poverty but concentrating on different aspects of it - was the National Plan for the Survival and Development of the Child (NPSDC). The plan, initiated jointly by the Ministry of Health and Education in August 1984, sought to set up a vertical campaign to reduce child (children under 5) mortality and morbidity in all regions of the country. The plan consisted of training student volunteers (from the oldest of the secondary school students), 'community mothers' ('las madres comunitarias'), the Red Cross, the National Police and the Catholic Church to work as primary health workers. They were to visit families in the poorer neighbourhoods, offering basic instruction designed to promote general health and to prevent common diseases. The latter were taken as: perinatal mortality; acute respiratory infections; acute diarrhoeal diseases; diseases preventable by immunisation; malnutrition; psycho-affective development; and accidents. As an example of the basic health advice given, and its far-reaching consequences, this author spoke, in January 1991, to a Catholic Church representative in the Aguablance district of Cali, who commented on the 'hand-washing' advice given to the poor: the results from hand-hygiene were usually quick to appear, especially in those neighbourhoods characterised by a lack of drinking water and sanitary facilities. A significant reduction in the incidence of many common, virus related infections and diseases usually resulted.

The NPSDC has been very successful, with some estimates of its coverage put at 1.5 million families. However, this has not been accompanied by a correlative growth in primary health care infrastructure. This is important, as it is the very success of the NPSDC in diffusing basic health care knowledge which has produced a growing demand for community health services among the poor. The volunteer health workers, who form the backbone of the NPSDC, just do not have the experience or access to health care facilities and technology to be able to make any further inroads into the health status of the poor. The root of the problem is lack of government finance and, more significantly, lack of government will to transfer some of the much greater amounts of money and resources dedicated to the National Health Security System - based on affiliation dues - to the primary health sector, which deals much more with the poorest. Figures for 1985 show that expenditure per patient within the National Health Security System was eight times that in the primary health sector. (Source: World bank Mission to Colombia, 1989, p48).

The Presidency of Virgilio Barco, between 1986 and 1990, saw the introduction of a government plan specifically designed to reduce poverty and deconcentrate income distribution. It was known as the 'Plan of the Struggle Against Poverty and for the Generation of Employment' (PLPGE). Barco gave priority on the hustings to the eradication of poverty and on being elected declared it the principal theme of his quadrennial development plan. Without mentioning 'equity-led growth' by name, he spoke of sustained economic growth depending, for its success, upon a relatively prosperous working class.

Those in need of assistance - the target population - were thought to be those in the bottom 40% of the income distribution. The plan defined them as the 'absolutely poor', who could not satisfy their basic needs (see Chapter 4 for how absolute poverty was defined). A seven prong strategy was suggested to bring the poor out of their poverty situation:

a) basic health for all
b) improvements to the home
c) basic education for all
d) establishment of 'human' housing settlements
e) a plentiful supply of basic goods
f) integrated rural development
g) employment generation

These almost platitudinous statements of intent reflected the original declaration of the plan: it was really no more than a general policy declaration accompanied by an enumeration of a number of programmes and sub-programmes, without establishing priorities between them. (7). Further, the choice of the bottom 40% as the target population was far too wide and vague: it took no account of the very different needs of the 'poor' and the 'super poor' - the first likely to benefit from employment generation and extended educational facilities, the second not so likely, due to the prevalence of chronic sickness and acute lack of resources. In short, the plan lacked sophistication.

Still, because it formed the main plank of the Barco government's 'go for equity' strategy, it is worth breaking down the component parts of the plan in order to assess the success of each.

Firstly, health. Health services in Colombia are in the charge of the national public health system, the Institute of Social Security and the private sector. The financially precarious social security system only treats a small group of the population - salaried workers in the 'formal sector'; and the private sector treats the relatively well-off. This leaves the public health system as the only sector treating low-income groups. Even this is found wanting, as the World Bank (1989) recently pointed out: between 25% - 30% of Colombians - including the greater part of 'the poor' - have no access to any type of health service or health post. This indeed forms the backdrop to the 'basic health for all' component of the plan, the two aims of which were: i) to widen the coverage of the social security system, from the present 16% of the population to close to 80%; ii) to guarantee free primary health care to the poorest and most vulnerable groups, who have not the means to take out either private or public health insurance. Despite these clear and broad aims, there has been an absence of concrete measures - something which has much to do with the enormous problems of initiating institutional and financial change in the health sector, widely recognised to suffer from debilitating corruption and slack accounting.

In the area of nutrition and 'family well-being' the government plan has had more success. The Colombian Institute of Family Well-Being (ICBF), an arm of the Ministry of Public Health, is responsible for nutrition and family well-being in the country. Its flagship programme within the PLPGE was, and is - the programme continued after the end of the Barco government - the Well-Being of Infants in Households ('Hogares de Bienestar Infantil') project. This involved setting up a network of day nurseries, run by trained, local (paid) 'volunteers' within many of the poorest, mainly urban, neighbourhoods throughout the country. Their raison d'etre was not only to act as day time child custodians (though this was an important function: it frees many poorer women from child-care responsibilities during the day. As an alternative to locking up children in a dark house until the mother returns from work, a common solution to the child-care problem among the poor, it is undoubtedly preferable), but also to provide free food supplements and some primary instruction. The nursery programme at present covers approximately 400,000 children.

Turning to education, at present in Colombia around 30% of school age children in the rural areas and 10% in the urban areas are not attending school. Most of these are children of the poor. Further, rates of giving up school and of having to repeat failed semesters are far higher amongst the poor. To remedy the situation the PLPGE foresees the extension of free formal education, especially at the primary level. More specifically, a new policy of automatic movement into the next age group (to reduce the strain put on poor families from having to repeat a semester, which often results in giving up school altogether) is being introduced, as is the 'new school' programme in the rural areas. The latter is a method of simultaneous instruction to various age and ability groups, to take maximum advantage of limited resources. It is being tried in some 8,000 rural schools.

Again, though, good intentions are not always translated into reality. State primary and secondary schools are very rarely provided free of charge (Source: author's interviews with school administrators in low-income urban areas of Cali and Bogota, October 1990 - May 1991); for the poorest, even a nominal, such as the common fee at present of U.S.$3.00 per month per child (1.9% of the minimum monthly salary, as at January 1991) is out of the question. And anyway, even providing free school education is not enough: the level of the minimum salary, weighted for average numbers of family members, must be sufficient to meet the basic needs of a family - which include being able to send a child to school, with all the attendant costs on materials, clothes, transport and food that this implies. As was pointed out above, in the discussion of economic determinants, the minimum wage has not succeeded in covering such costs.

The component of the plan concerned with housing looks to guide urban expansion and make efficient use of available space. Firstly, through improving those houses not enjoying basic services like drinking water and drainage facilities. Secondly, through the construction of new houses for low-income groups in areas with adequate infrastructural support. (This is an outgrowth of the PNR plan introduced earlier in the decade by the Betancur government). Thirdly, through the renovation of areas and/or neighbourhoods considered underutilised or lacking in adequate infrastructure. A variety of other schemes also formed part of the drive to improve housing and neighbourhoods: credit plans; legalisation of property titles in the 'invasion' and 'pirate' housing zones; the training and organising of local self-help groups to equip them to undertake themselves much of the improvements and construction work.

Again, though, the results have not matched up to the rhetoric. Progress has been slow - probably due to the failure to designate a particular Ministry to organise and plan the overall details. The President's Office initially attributed overall responsibility to the ICT (The Institute of Territorial Credit), already charged with the housing plan within the PNR, which, considering its financial problems alluded to already, did not seem a wise decision.

'Food security' and increasing agricultural production, a further strand of the PLPGE, was concerned to make available cheap and plentiful basic food goods to low-income groups (see n.1). It looked to do so through influencing food supply and demand. On the supply side, increasing agricultural production and promoting agro-industries and small businesses were the chosen mechanisms. On the demand side, the strategy is to reduce the prices of food and other essentials, by constraining monopolistic and oligopolistic practices with a view to reducing the profits of intermediaries. Attention is being turned typically to those poor agricultural regions not covered by the earlier PNR. At present, though, the plan has not gone beyond an enumeration of general proposals and the government has advanced little in even establishing an interinstitutional committee to examine the food security question.

The employment generation prong seeks to increase the productivity of non-qualified and semi-qualified workers in the informal urban and traditional agricultural sectors, by means of employment creation, training facilities and widening the coverage of the 'unemployment insurance' programme to include the independent workers in the informal sector. Such a programme, if successful, would undoubtedly reduce non-critical poverty - and improve the income distribution profile by putting more resources into the hands of low-income groups. Up to now, this has not been the case: little, in practice, has been done to execute what are still vague and poorly focused proposals. There is still a need, on the part of the government, to work out the employment-related causes of poverty and low-incomes. Without such knowledge it is difficult to act. For one thing, knowing which groups among the poor are likely to benefit from which particular strategy is a necessary beginning. The lack of such knowledge is reflected in the still high proportions of both households and individuals below the line of destitution: between 1970 and 1986 the first declined from 18% to 16.1%, the second, between 1980 and 1986, increased from 17.4% to 18.8%. (Source: report from the United Nations Conference on Poverty, Quito, November 1990, p72). Employment creation strategies, as opposed to 'direct action', are not the appropriate response to the problem of destitution.

b) Taxation and Subsidies

Taxation

Government tax policies also have an import, whether intended or not, upon poverty and income distribution. They represent 'after the fact' government action to affect the poverty and income distribution profiles, that is, after the dust of production has settled. That governments resort to them at all reflects their feeling that, for whatever reason - political or economic - the primary or growth-related outcome is unsatisfactory or unacceptable in some way.

In Chapter 2 it was noted that, from the 1950's to the end of the 1970's, the tax system in Colombia has served to ensure that the income distribution profile did not worsen. In the 1980's, however, the three Colombian administrations made various changes to the country's taxation regime, as part of an effort to raise tax revenues. For this reason, it is worth considering once again the overall effect of the tax structure upon the inequality profile.

Direct taxes (known in Colombia as 'Retencion de la Fuente') were made more progressive during the 1980's. This was achieved by taking greater numbers out of the tax net at the lower end of the income scale - so that in 1981 1% of incomes was the lowest rate of tax levied, whereas in 1991 it was 0.35%. (Source: Legislacion Economica, 1981 and 1991) - and by breaking the complete range of incomes down into more, and narrower, income bands, each attracting a different rate of tax. At the upper end of the income scale the highest rate of tax was maintained, at approximately 30%.

On the face of it, then, the structure of direct taxation in the 1980's would have served, on its own, to improve the income distribution. However, in practice this seems not to have been the case. In the first place, at the lower end of the income scale it was not progressive at all: in 1991 all those earning up to approximately five minimum salaries, which, according to the data from the 1984/5 Survey of Incomes an Expenditures, is 56.3% of households (author's calculation), paid no tax. This means that, for tax purposes, the destitute and the poor are lumped together with the lower-middle income groups - which introduces a degree of regressivity into the tax structure. This is undoubtedly one of the reasons why the income distribution profile in the 1980's did not become less concentrated and why low-income groups failed to increase their share.

Secondly, evasion of direct tax has been a continuing problem throughout the decade, especially among those in the upper half of the income distribution. (Source: Legislative Decree 2503, December 1987). It has been estimated that it cost the state three hundred thousand million Colombian pesos annually at the end of the 1980's (El Occidente, 22/11/1990; and El Tiempo, 22/11/1990) - approximately half of the total of direct taxes owed. This has tended to blunt the aspirations of consecutive administrations for a progressive - and efficient - tax structure. Not only does evasion limit government resources, but it renders direct taxation a relatively ineffective tool with which to redistribute incomes. Something which is apparent for the 1980's, when the richest 20% of workers maintained their large slice - over half - of national income. Moreover, a solution appears still to be some way off, as a Director of the Colombian Fiscal and Treasury service recently noted: "the system of direct taxation in Colombia is now twenty years old and controlling tax evasion is still one of the principal goals". (Economia Colombiana, April 1988, p64; author's translation).

Direct taxation in the 1980's, then, served, much as it had done in previous decades, to ensure that the income distribution profile did not worsen (or improve). Further, its regressive nature among those in the bottom half of the distribution meant that the destitute and the poor failed to increase their relative income shares. Changes to indirect taxation, on the other hand, have served, through the 1980's, to clearly increase both income concentration and numbers below the poverty line.

In 1982 and 1983 the country's trade deficit on current account was the largest in Latin America. As a result, various measures were taken to increase government tax receipts and thereby correct the imbalance. These included an increase in the number of goods subject to the 10% rate of VAT (known in Colombia as the 'Impuesto al Valor Agregado'). Specifically, VAT was extended to certain popular consumer goods currently exempt, notably to soft drinks, which are consumed widely by the urban poor due to the unavailability of suitable drinking water. (Source: author's pilot interviews, and observation, in Agua Blanca district, Cali). The Economic Commission for Latin America has noted that "this process seriously affected the progressiveness of the fiscal system. The weight of the reform ended by falling mainly on the middle-income groups and even came to affect the poorest groups." The loss of income share by the intermediate deciles - 6 through 8 - during the course of the 1980's is testimony to such a process.

On the 1st of January 1991 rates of VAT were further changed: the basic rate of VAT was increased - with a view to recouping some of the revenue lost through the trade liberalisation programme begun at the end of the decade, which involved, amongst other measures, a lowering of import tariffs - from 10% to 12%. And the purchase tax on luxury goods ('artículos suntuarios') was reduced from 35% to 12%. Together, these two measures compounded the regressive nature of indirect taxes, hitting low and middle-income groups hardest.

Subsidies

Most governments, in the developed as well as the developing world, resort to giving subsidies of one form or another. The rationale for doing so is not always, as is often assumed, a politically motivated concern for the plight of - numerically significant - low-income groups: frequently it is to prop up a particularly vital sector of the economy, witness the grants given to coffee growers to improve or extend their farms in countries where coffee represents an important source of foreign currency earnings; and just as often it is to cushion the impact of market forces upon a numerically significant middle-class, such as in England where successive administrations have subsidised house purchases through a Mortgage Interest Tax Relief scheme.

This section will look at the distributional effects of three types of subsidy - those on petrol, mass urban transport and public utilities - which reigned in Colombia throughout the period 1978-1990.

The Colombian administrations of the late 1970's and throughout the 1980's continued the policy of subsidising each gallon of petrol bought at the pumps. They did so for reasons of administrative convenience and in order to hold down politically unpopular inflation. 75% of the internal demand for petrol is satisfied by home-produced and refined gasoline; the remaining 25% has to be imported at the (generally 30%-40% higher) international price. As a result, what is sold at the pumps is a mixture of Colombian and foreign-produced petrol. Yet the higher-priced, imported petrol is not sold at a higher price internally, to reflect its market price. This is partly because the government, through the nationally-owned petroleum company 'Ecopetrol', does not want to have two different prices offered at the pumps, for it is of the opinion that this would bring unnecessary accounting difficulties. (Source: author's interview with the Director of the Financial Division of 'Ecopetrol', Octavio Borgos, in Bogota on 23/4/91).

The distributional consequences of subsidising petrol are both negative and positive. Negative because in a developing country such as Colombia, car owners tend to be in the intermediate and top deciles of the distribution; to offer these income groups a subsidy towards the maintenance of a luxury good undoubtedly increases income concentration. Positive because subsidised petrol helps to keep down the price of some essentials, particularly foodstuffs, through its effect upon road-transport delivery costs. This is especially important for those in low-income groups, who spend a much greater proportion of their income on food (see 'Engels Law', explained in n.1, Chapter 3) than those in middle and high-income groups.

As well as a subsidy, petrol sales also attract a tax: for the purpose of providing funds for road building and maintenance, the Colombian government levies a road tax ('impuesto vial') on petrol consumption, which is at present 10% of the price of a gallon. (Source: Legislacion Economica, Number 895, January 1990). Ecopetrol can, by law, keep this for two weeks, after which time it must be transferred to the Treasury. The distributional effects from this, however, are unclear. On the one hand, the financial benefits received by Ecopetrol from the two weeks of credit help to keep the price of petrol from rising above its current level, and so cushions low-income groups from further increases in food prices. On the other hand, the uses to which the Treasury puts the road tax receipts need to be known if we are to understand the full picture. Does it, as it contends, spend all or part of the receipts on road construction and maintenance? If only a part of them, on what else are they spent and what are the distributional consequences? Future researchers might consider these questions. Indeed, a detailed cost-benefit analysis of all the uses to which the road tax receipts are put - by both Ecopetrol and the Treasury - would be instructive in completing the discussion, and would enable a conclusion to be reached as to the overall distributional effect of petrol taxes and subsidies in Colombia.

In a drive to lower the fiscal deficit - prompted, in part, by IMF and World Bank strictures - the 'impuesto vial' was increased by 35% between 1984 and 1986; concurrently, subsidies upon mass urban transportation - buses - were virtually eliminated. From a total of 16,328 urban buses in the largest 13 cities in 1983, 15,457 (94.7%) received a government subsidy which enabled them to charge lower fares. In striking comparison, in 1990, out of a total bus population of 18,092, just 520 (2.9%) received such a subsidy. (Source: author's calculations from DANE figures, May 1990). Considering the very clear class-based structure of transport use in Latin American cities, withdrawing the subsidy from the only mode of transport available to low-income groups is bound to be regressive. During the 1980's it was indeed a contibutory factor towards the increase in the numbers below the poverty line in Colombia.

In contrast, subsidies on public utilities do appear to have had some equity-enhancing effects. As a means of cross-subsidisation, local governments in Colombia have established six payment-bands - drawn up with reference to the degree of 'desirability' of the various neighbouhoods in an urban area - for the purpose of levying differential charges for telephone-line rental and for each unit of gas, water and electricity consumed. Higher-income groups fall into payment-bands V and VI, with lower-income groups falling, accordingly, into payment-bands I, II, III and IV. Consequently, low-income groups are in effect receiving a subsidy from higher-income groups. It is difficult to generalise about the size of this subsidy, as it differs according to the specific charges levied by each local government. But the fact that the overwhelming proportion of the urban population, almost 91% in 1990 (Source: figures on the 7 largest cities provided to the author by the DANE), are not suffering from NBI - which implies that they do not lack essential services - means that it can be confidently stated that the subsidy is reaching a significant proportion of the population. This is not to encourage complacency, as the remaining 9% are probably among the poorest of the urban population.

iii) Education as a Determinant of Inequality

a) Level of Educational Provision

Those countries with most invested in education tend to have both the highest GNP per capita levels as well as the least concentrated income distribution profiles. As a result, it has become a universal assumption that investment in education is a determining factor in national development and that therefore government investment in education should be a priority. What, in that case, is the precise link between education, GNP per capita and income distribution - are they related in a concomitant or causal way? Further, in what way does the expansion of an educational system, measured by widening coverage, affect inequality? Is it wise to invest heavily in education as a form of reducing inequality? Does the return to education, on an individual level, fall with the increasing supply of qualified personnel? And if it does, and therefore only serves to improve the income distribution profile by lowering wages, can an increase in the coverage of education be justified at all? Recent Colombian experience can shed some light on these questions.

A study in the Colombian research journal 'Coyuntura Social' (Psacharopoulos and Velez, 1990), looking at education in Bogota, found that the rate of return to education, measured by calculating 'the economic yields from an average number of years in education' (p161), expressed as a percentage, was significantly lower in Colombia than in, for example, Brazil or Mexico: in the latter countries it was 36% higher. This seems to reflect the relatively low level of educational coverage in the latter countries, which would tend to mean that educated personnel are at a premium in the labour market; once their supply increases they become 'victims' of the law of diminishing returns, and their economic yields from purely education decrease accordingly. This strongly suggests that, over time, investment in human capital shows decreasing returns for the individual, with returns to education - and skills - tending to rise during the initial stages of economic development, reach a maximum and then fall. (8). In Colombia, since the end of the 1960's, the latter has indeed occurred - in a period when the overall educational level of the labour force has increased notably. Specifically, the rate of return has declined from close to 17.3% (1965) to 11% (1988) - during a period in which the percentage of the labour force with either secondary or higher education rose from 38.9% to 64.6%. (Source: 1973 and 1985 Censuses, DANE).

In addition, average number of years of schooling of the labour force in the late 1930's was less than two, compared to an international average of around four. These figures had changed dramatically by 1988, to 6 and 5.5 respectively. (Sources: Londono, 1990, pp56-58; Psacharopoulos and Velez, 1990, p162). In other words, educational expansion, or an increase in the 'human-capital-intensive mode of accumulation', has produced a decline in the influence of education upon incomes - much the same as the law of diminishing returns as applied to physical capital investment. Boudon (1974) has noted this. He develops - admittedly thinking of the advanced industrial societies, though it seems to apply equally to the Colombian case - an 'education-opportunity' model to explain it. He notes how individuals may feel themselves to be acting rationally by obtaining as much education as possible, yet, as the overall educational level of the population increases, the benefits obtained will accrue more to the collectivity than to the individual. He calls this the "aggregation paradox": "if a youngster born in year y + k wants to have the same expectations as a youngster born in the year y, he will be obliged, other things being equal, to secure x more years of education". (Boudon, 1974, p198). This may be illustrated, for Colombia, by comparing the differences in the wage rates over time of workers without education to those of high-school graduates. The latter earned, on average, 5.3 times more than the former during the 1930's; 9.1 times more during the 1960's; and just 3.5 times more in the 1980's. (Sources: Londono, 1990, p64; Psacharopoulos and Velez, 1990, p162). Urrutia (1968 and 1980) found a similar pattern for the wage differentials of the secretaries and porters in the Finance Ministry in Bogota between the 1930's and the 1970's: they increased from a wage differential of 6.4 in the late 1930's to one of 8.9 in the early 1960's, before declining to 5.0 by the late 1970's. These figures reflect the fact that the 1950's and 1960's was the period when, like in many other countries worldwide, increased amounts of public expenditure were given over to education in Colombia.

Returning to one of the questions posed above, do these conclusions justify putting a break upon the expansion of education, not least for the future income benefits of those already in the educational system? Probably not: as the economy diversifies and competes more in world markets - that is, as it 'catches up' - it will need more, not fewer, educated personnel. Further, education widens the possibilities both of the form of work one is able to obtain and of obtaining it outside the generally lower paid, and more unstable, informal sector; in this way education reduces the possibility of falling into poverty, as well as serving to increase the marginal productivity of the poor and, with it, their wage rates and income share. From a different point of view, Tsakloglou (1988) has suggested that "it can be expected that higher educational level increases self-esteem and hence leads to an increasing claim for equality." (p518). The latter invariably takes the form of political demands for equality.

The income distribution and poverty profiles in Colombia, then, have turned on investments in education to the extent that the first has become less concentrated, since the 1960's, and the second, defined by incomes, has been reduced - both of which are predictable consequences of having a more educated population. During the 1980's, though, the income distribution and poverty trends began to take on a different form: the former changing little, the latter, defined by numbers below the poverty line, increasing - yet educational coverage continued to increase. This would suggest, as reflected by the declining differential between the salaries of the educated and the non-educated, that factors other than increasing educational coverage were behind the movements in the inequality profile during the decade.

On the other hand, the major change in the income distribution profile during the decade - the decline in the share of the intermediate deciles (6 through 8), reflected by the relative decline in the real wages of state and private sector white-collar workers and of independent professional workers - can perhaps be partly (for other factors were also significant, notably government efforts to hold down the wages of public sector workers and the increase in the share of capital incomes) explained by the wage dampening effects of increasing educational provision.

And the increase in the population below the poverty line, though primarily the result of relatively high blue-collar inflation, an inadequate minimum wage and government poverty programmes which have been stronger on rhetoric than results, may not have been as steep had educational coverage reached the poorest members of the population. In Chapter 4 we noted the fewer years spent in education by the very poor and the poor compared to the non-poor. This implies a strong association between receiving at least some education and being poor. To confirm this simple association, though, research needs to be done on the different types of education received by different social, income and spatial groups, looking especially into the 'quality' of the education. Comparing the facilities and teachers in the different schools and the environment in which each operates would be good places to start.

b) Social Mobility

Education can also act upon inequality by providing a channel for social mobility. Sociological literature has highlighted some of the important relationships to be studied - occupational status and education, as much from an intragenerational perspective as intergenerational, being the most common. (9).

As we noted in Chapter 2 (Section 4), however, the study of social mobility in Colombia is hampered by the unavailability of data, preventing an empirical analysis of the degree of fluidity in the social structure. For this reason, we are forced to rely upon household surveys that do not follow the fortunes of individuals and families through time. As such, the researcher must piece together other forms of data which, at best, can give indications of the level of social mobility - the approach taken in Chapter 2.

Velez, looking at education specifically, has followed much the same course in his research on Bogota. The figures, he suggests, give some idea of the fluidity of the capital's social structure: 95% of the children of fathers with no education reached the level of secondary education and 6.2% went into higher education. (Source: Velez, 1989). The trends continue in the same vein for children of fathers with primary education - 80% of these reached higher levels of education, with almost a quarter (23.9%) entering higher education. For the children of fathers with secondary and higher education the trends are stronger, as would be expected. It is noteworthy, though, that approximately one-third of children whose fathers had entered higher education did not do the same. Considering the recent expansion of higher education in Colombia, especially during the 1970's and early 1980's, this is surprising.

Turning to the most frequently studied intergenerational mobility indicator - the relationship between father's occupation and son's education - the picture is similar: intergenerational mobility is widespread, if not the norm. 53.1% of the sons of rural peasant workers ('campesinos') reached a primary level of education, 36.2% reached a secondary level and 8.5% went to university.

Sons of manual workers were more mobile still. 29.1% reached primary education, 55.6% secondary education and 15.3% university level education. Sons of non-manual workers almost all reached either secondary (52.6%) or higher (36.9%) levels.

Intragenerational mobility also appears to be rife, with 'descending occupational mobility' affecting only a minority. Very broadly, 32.5% of workers have experienced 'vertical ascendant' mobility, with a little less than half staying where they are. Total mobility, ascendant and descendant, at 44.8%, is comparable with that found by Lopreato and

Nazelrigg (1972) for Italy (45.1%). More noteworthy is that it is comparable with the percentages reported by Lipset and Bendix (1959) for the 1950's in the USA (30%), Japan (27%), France (27%), Western Germany (31%) and Switzerland (23%).

Knowing the educational and occupational status of the father, then, allows an approximate prediction of those of the son. It has recently been put more strongly than this: "the education of the father seems to be the determinant characteristic of occupation and income in Bogota". (Velez, 1990, p156). Such a view, though, ignores the education of the son as a determinant; this is not to detract from the salience of the relationship found. Whether it is a determinant or just an associative relationship, though, is up for discussion. Velez is quite certain it is the former, but he is looking at it in isolation: the way in which the economy expands and the type of jobs it throws up as well as government wage policies, amongst other things, have to be taken into account. And what of the conclusions from the previous discussion of educational provision? These implied downward mobility for many, attendant upon the increase in the supply of educated personnel. More importantly, governmentally-driven education policy was seen as the prime mover, determining both the probability of ending up in a particular level of the education system and of what could be achieved in the employment market with that level of education. It is therefore facile to suggest that a child's chances of reaching a certain educational and/or occupational level turn simply on the father's education and/or occupation.

iv) Drug-Related Determinants

Assessing the impact of the illegal trade in narcotics upon inequality is no exact science. Inevitably, due to the illegality of the activities associated with it, there is an element of stabbing in the dark. Nonetheless, some things are known, and can be quantified. We have little choice but to take advantage of any relevant data available - and at the same time to hope this leads to other, equally fruitful sources.

Most observers have sought to draw out the links between drug trafficking and the economy as a whole, endeavouring to track currency flows in and out of the country as well as investments, and their yields, inside the country. The sociological assumption behind this approach is that the "drug-trade" resembles, in terms of its actions and effects, a medium-to-large-scale company, creating employment opportunities and multiplier effects, as well as remitting taxes. Again, though, the stumbling block is one of available, and trustworthy, data. Despite this, everyone in Colombia - researchers and non-researchers alike - suspects the impact of drug money upon the economy to be significant. Even on the assumption that this may be a myth - although even myths do not come out of thin air - such a widespread supposition deserves attention. For our purposes the existence of the debate is fortuitous: we can tap into it and consider how the various drug-economy linkages affect inequality.

First, it would be useful to have some ideas of the size of the trade itself. International observers have commonly given dire warnings about the recessionary consequences of a withdrawal of the aggregate demand produced by the drug trade from the economy. More recently, this has been challenged by Colombian researchers, who have suggested less of a role for the drug trade in the economy - citing what is seen as a relatively small proportion of the country's GDP accounted for by drug monies and the relatively small proportion of aggregate demand, measured through currency flows, taken up by them. Further, the view ignores the importance of foreign currency arrivals into the international reserves from tourism and remittances from Colombian workers abroad, notably in the United States and Venezuela.

In the 1970's the marihuana trade - predominantly with the U.S. - was the source of drug traffickers' profits. In the 1980's these declined, due, amongst other things, to increasing production in the United States - a form of import substitution there - and to relatively successful fumigation programmes in areas where the crop was most dense: the Sierra Nevada de Santa Marta and the Serrania del Perija. In the second half of the 1980's, though, once again the cultivated area began to increase, due to the tendency for cultivators to concentrate themselves in the South-West of the country, where the population is more dense and the variety of agricultural activities greater - both factors making it more difficult to destroy the cultivated areas by simply blanket spraying them. As a percentage of the country's GDP, however, marihuana export earnings have never been very high, peaking at 0.56% in 1981. (Source: 'Economia Colombiana', February/March 1990, no.226/227, p14).

Incomes from exports of cocaine, only around a third (1988 figure) of the raw material for which is produced in Colombia, are significantly higher than those for marihuana exports. Still, the 1980's saw falling profits: in the beginning of the decade (1981) a kilo of cocaine was fetching U.S.$50,000; at the end of the decade (1988) nearer U.S.$15,000. The same period saw gross incomes declining from 4,680 million dollars (1982) to 1,158 million dollars (1988). Meanwhile, net profits went from 3,700 million dollars to 667 million dollars.

At the beginning of the 1980's, net incomes from cocaine exports - to the U.S. - oscillated between 5% and 9.5% of GDP. With the coming of the lower price this steadily declined to 2% by 1988. Taking into account the nascent exporting trade with the European countries, the figure would probably rise to between 3% - 3.5%.

Cocaine incomes are an important source of finance for contraband and capital flight. Funds from the sale of the former are used to finance, in Colombian Pesos, the activities and investments of the drug dealers in Colombia and Latin America - paying growers in Bolivia and Peru, covering local transport and 'security' costs and basic living expenses. Within the latter, current account deposits in the United States, Panama, the Bahamas, Switzerland and Hong Kong figure largely, as do purchases of rural properties in the United States and other Latin American countries. Though, the Banco de la Republica also includes as part of its 'illegal incomes' account the underbilling of exports and the overbilling of imports. In the period 1981-88, this made up approximately 20% (Source: 'Economia Colombiana', February/March 1990, no.226/227, p15, table 6) of illegal incomes. The uses to which these incomes, overall, are put (all of which are primarily to 'wash', not make, money, as the latter has already been done) are, it seems, primarily capital flight and contraband activities, neither of which fuels internal demand to any great extent. Arango (quoted in

Hardinghaus, 1989), though, has recently attempted a breakdown of internal investments made with drug profits: urban and rural 'bienes raices', 45%; 'ranchos de ganado', 20%; 'comercio', 15%; construction, 10%; and recreation and services, like discoteques and restaurants, 10%. Thus, an increase in 'vivienda suntuaria' occurred, especially - and conspicuously - in the three largest cities. The increase in demand took middle- and upper-market house prices with it. The same occurred with rural farms and ranches: the demand for them increased prices - to the extent that the prices began to bear little relation to reality, thereby squeezing middle income groups out of the housing market. However, in both cases the overall sectoral and regional effects were not significant.

In other respects the illegal currency flows did have a broader sweep, notably in the money changing sector. Essentially, the increase in the supply of dollars reduced its price on the black market, which had the effect of cheapening contraband goods sold in the country. This, in turn, acted as a drag upon the growth of manufacturing industry at home. Indeed, the industrial recession of the early 1980's probably had much to do with such 'disloyal' competition.

Following those foreign currency flows on the margins of the official accounts, then, shows that the majority of the drug-related profits went to finance contraband and capital flight and/or non-arrival of capital. The direct impact of narcotrafficking upon aggregate internal demand, then, was not very significant through the decade. It was important, nonetheless, in other respects. Principally, by concentrating its effects in the 'finca raiz' and construction sectors and by cheapening the cost of the 'black market' dollar, it tended to distort the assigning of resources and to encourage contraband activities, which generated costs in terms of national industrial growth. These effects, together with the rather small proportion of the GNP covered by the drug-related incomes, suggest that the overall effect of the drug-trade on the economy was negative in the 1980's.

Turning to a more specific analysis of the effects upon inequality wrought by the drug trade, the first point is that a great deal turns upon the entry of contraband goods into the country, and the consequences this has for national industry. The most notable example is the textile industry, one of the most important industries in Medellin. During the late 1970's and early 1980's unemployment increased rapidly in the industry, precisely the period when large quantities of contraband goods, including cloths and clothes, were entering the country. This generated unemployment among the permanently employed, and generally skilled, workers within the industry.

Concurrently, of course, narco-dollars were financing a fever of construction activity in the same city, which generated employment for partially qualified or non-qualified construction workers and bodyguards. Put together, these two consequences of the drug trade probably improved the income distribution profile, by equalising income shares somewhat between skilled and unskilled groups of workers. If the knock-on effects from the closure of many textile firms are considered, then the improvements to the income distribution are compounded, with increased unemployment tending to equalise incomes. Clothes manufacturing firstly needs cloth, the makers of which purchase cotton, from growers in the north-east (Department of Cesar) of the country, fertilizers, transport services, financial and security services and agricultural machinery. In contrast, the cocaine trade generates very few knock-on effects. The leaf is cultivated in Bolivia and Peru and the majority of the hardware for the processing laboratories in Colombia is bought abroad and brought in as contraband. In addition, the high value per gramme does not generate a need for large-scale transport services. At the very least, though, the leaf in these countries is produced by peasant farmers who otherwise might have little or no income. An enumeration of the numbers involved would be useful here in indicating how important coca leaf cultivation is in keeping rural farmers out of poverty. This applies to Colombia as well.

The drug trade at the same time worsens the overall income distribution profile through concentrating its high profits in just a few hands. Seen in conjunction with the consequences for national industry from contraband, this implies that the short-term possibilities for a more egalitarian income profile, or at least one driven by resources from the drug trade, look remote. This is because loss of industrial production and unemployment mean that basing an economic growth strategy on producing for a relatively prosperous population is impossible. Industry is then back in the double bind so common in developing countries: it cannot lower its costs by producing on a large scale for a mass market, nor can it grow by satisfying increased demand.

There is now an extensive literature on the benefits to employment generation of the production of exports - and its tendency to employ workers in a variety of sectors, thereby creating a mass market for national industry. (See n.6, Chapter 2, on the contrasting results obtained from import substitution). Coffee has been the most dramatic example in Colombia. It created both the funds and the need for a transport infrastructure as well as a mass consumer market. More recently, the flower growing industry has, on a much smaller scale, begun to do the same. Cocaine production does neither.

There are alternative interpretations which can be put upon the influence of contraband goods, all of which, however, are difficult to quantify. Firstly, by lowering the prices of some goods, contraband helps to control inflation; this could have a beneficial effect on the finances of the poor, who tend to be the hardest hit from - the non-progressive nature of - hikes in inflation. Secondly, it can be suggested that other factors contributed to the industrial decline of the late 1970's and early 1980's. For example, poor productivity due to the cushion of monopoly positions held by many firms; or the fact that the Colombian Peso was openly overvalued in the second half of the 1970's and in the early 1980's, due to the government's concern to check inflationary pressures arising from the "coffee bonanza". Thirdly, it is difficult to gauge the size of the internal market for contraband goods, which tend to be, in Colombian terms, luxury, or semi-luxury, products - stereos, fridges, foreign-produced clothing etc. In interviews with shopkeepers in some of the unofficial 'contraband centres' in and around the country (known as 'San Andresitos') this author discovered that the majority of contraband which arrives in the country does not sell very quickly; it is not uncommon for a modern fridge, for example, to be standing in a shop for between one and two years. This seems to suggest that the size of the income groups able to afford such products is limited - or at least limited in terms of its ability to buy sufficient amounts of goods for drug dealers to successfully 'wash' very large quantities of narco-dollars. Even if it were much larger, could it anyway absorb, say, the hundreds of millions of fridges that billions of drug profits could buy! This analysis suggests that the view that contraband has been an important factor in the decline of national industry may be wrong. With the relatively small size of the middle and upper-income groups in Colombia, drug dealers would be better off 'washing' dollars some other way.

The drug trade also influences the inequality profile through the non-payment of direct taxes, or of import and export tariffs, by the drug dealers. Increases in the numbers of military and police personnel, and in the imports of arms, all due to the 'fight against drugs' waged by successive governments, influence the inequality profile in the same way. That is, the loss of government funds from non-payment of taxes, allied with the increases in expenditure necessitated by the drug war, mean that fewer funds are available for progressive social expenditures, notably housing for low-income groups.

A cost-benefit analysis, then, of the effect of the drug trade upon inequality in Colombia throws up mixed conclusions. It may be, considering the doubts surrounding most propositions, that its effect is neutral. More research is needed to disentangle the costs and benefits of each effect. For example, increased military spending undoubtedly takes resources away from social programmes. Yet enlisting more young men into the police and army, who would tend to come from the poorer, less educated income groups, could at once bring many of them out of a poverty situation and improve their income earning and social mobility possibilities. (10). This would improve the income distribution profile, in a Kuznetsian sense, by increasing the non-poor population. Urrutia's (1990) recent conclusion that Colombia cannot afford the luxury of tolerating the drug trade within its borders is, then, not at all clear.

v) 'Culture of Violence' Related Determinants

Throughout the 1980's in Colombia, internationally high indices of violence (with 'violence' defined as "the rate of violent death per 10,000 inhabitants") have been the norm. How these have affected the poverty and inequality profiles is therefore a relevant question to ask. Does violence act as cause or effect upon inequality? That is, do the consequences of violent acts shape the inequality profile, or is it that a particular inequality profile brings with it high or low indices of violence? Apart from such theoretical conundrums, there are the problems of availability and reliability of information; with the state effectively absent from large swathes of the country an accurate recording, let alone a satisfactory sociological assessment, of what is going on is that much more difficult.

What, then, are we to make of the coexistence of high levels of both poverty and violence? A popular view is that, as the fruits of economic growth have tended to concentrate themselves in the hands of a relative few, then large sections of the population, seeing themselves as marginalised from the development process, and lacking many basic needs, would see violence as a way of 'destabilising the system' and thus of bringing about change. This is not far away from the Marxian view of the development process discussed in Chapter 1. A variant of this view is that recently expressed by a prominent Colombian journalist: "today's violence is the result of three generations of frustrated hopes - and this also explains why Medellin has the highest crime figures in the country." (Ana Maria Cano, in an interview on BBC television, 18/2/90).

It is not, however, easy to find a direct causal relationship between poverty and violence in Colombia. In fact, it is often, on the face of it, the inverse: the highest indices of violence tend to occur in the most developed regions of the country - defined as those areas with the highest amounts of capital investment.

Of the 1016 municipalities in Colombia, 40% saw 'scenes of violent confrontations' (11) during the period 1946-1985. In 1985 violent confrontations between armed groups occurred in 17% of municipalites. Further, 11% of the municipal areas have been affected, for the first time in the 1980's, by 'organic violence' - carried out by politically and/or economically motivated groups. 52% of these areas experiencing this new type of violence are zones of colonisation, either on the frontier or in the interior; 17% are areas of 'minifundio andino'; 11% non-coffee growing, medium-scale peasant farming areas; and 10% correspond to areas on the Caribbean coast. These percentages show that the map of violence has drawn itself in those areas - predominantly rural and with high levels of poverty - that are just beginning to integrate themselves into the national economic system. One should not, from this, conclude that violence tends to contribute to the advance of capitalism, as some areas which experienced violence prior to the 1980's, for example during 'la violencia' of 1946 - 1966, did not do so in the 1980's - notably small-scale peasant farming regions in the Andes. Pecaut (1987) has suggested that in these areas violence inhibited capitalist development.

What, then, of the specific relation between poverty and homicides? Broadly, in the 62% of municipalities with the highest rates of poverty only 27% show high rates of violent death (not all these resulted from confrontations between armed groups), From this, poverty is patently not a sufficient cause of violence. Only in five of fourteen 'municipal types' is there an association between poverty, violence and the presence of armed groups. These are: the marginal rural periphery; frontier and internal colonisation areas; non-coffee, medium-sized peasant farming areas; and the depressed, small-scale peasant farming areas in the Andean regions. On the other hand, the association between the presence of armed groups and high homicide rates is equally positive in areas of commercial agriculture, which show relatively low indices of poverty. Finally, a high homicide rate with neither high levels of poverty nor the presence of armed groups is apparent in the coffee growing areas as well as in the urban areas. This perhaps reflects the presence of 'inorganic' violence, not associated with organised guerrilla groups of one form or another; an institutional culture of 'resolving one's own problems' may have developed in these areas, such that individual conflicts are not taken to a third party - some arm of the state - for adjudication. Physical elimination of one's opponent, the solution, is normally arranged, rather, through a third party of one's own choosing - frequently by paying a nominal sum to a 'sicario', or 'young man riding shotgun on a motorbike'. In those rural areas which exhibited high rates of poverty and 'organic' violence before the 1980's, but no longer, it could be suggested that such a form of resolving personal problems grew out of the values acquired during the period of violence, and have been 'encouraged' by the absence of the state. In the urban areas, though, the latter is not the case. Perhaps here the phenomenon of private resolution of problems has something to do with the illegal nature of the original relationship or transaction between the parties involved, notably to do with disputes - contracts not carried out; straying into another's market share - among the various players in the drug-trafficking business. At present, much of this is at the level of informed scepticism, but it undoubtedly represents a fascinating area of future research.

The conclusion, then, is that in Colombia there is no stable or unidirectional relationship between poverty and violence (the figures for the 1980's refer to the Census year of 1985). It does seem, though, that there is greater violence and/or social conflict in the more economically dynamic areas of the country - notably in the areas of colonisation, characterised by rapid rural and urban development. A good deal of the conflicts in these regions originate in the struggle for land and income. However, before being certain of such an interpretation one should recall that the terrain of a region has a strong influence upon the presence of guerrillas: jungle, or mountainous, areas without roads tend to be 'occupied' by armed groups, and these are precisely those areas which tend to exhibit high levels of poverty. In many of the rural areas, then, the coincidence of poverty and violence could be nothing more than a variant of Che Guevara's fish bowl analogy, with guerrilla groups living off the land and the local, predominantly peasant, population. Often - in Colombia - they are engaged in violent struggles with narcotraffickers - for control of an area in which the latter has significant investments.

In a recent article it has been suggested that "the Colombian social model, with its deep social inequalities and permanent concentration of resources, has generated the generalised phenomenons of poverty and violence." (Boletin de Estadistica, July 1990, no.448, p221; my translation). The basic problem with this analysis is that 'deep social inequalities' and 'permanent concentration of resources' characterise many other societies, too. Staying within Latin America, one finds Bolivia with higher rates of poverty than Colombia, yet no record of guerrilla violence; Peru, with still greater numbers in poverty, does have active guerrilla groups. Thus, a society's inequality or poverty profile is no predictor of level - or type; in Peru the armed groups are involved in more of an ethnically based struggle than in Colombia - of violence. The state of the economy is also a non-starter as a predictor of the presence of guerrilla violence. The Colombian economy, in terms of the growth of both GDP and foreign investment, is almost without equal over the last forty years in the developing world outside South East Asia. In stark comparison, the Peruvian economy has not grown, in real terms, since the 1920's; indeed, between 1961 and 1979 average annual per capita income fell from U.S.$232 to U.S.$197. (Brundenius, 1984). Yet both societies exhibit high international levels of intentional deaths.

The explanation, then, of the presence of violence must be sought at the micro level, that is, looking at its particular roots in each country. Comparative sociology, by contrast, does not take us very far.

vi) Conclusions: Substantive and Methodological

a) Substantive

The ultimate justification for examining the development experience of a particular country is to identify trends and relationships which may be either relevant elsewhere or specific to the country under study. This way general hypotheses can be formed or altered accordingly. For this reason this report has attempted to draw out the phenomena which have both increased and decreased income concentration and poverty in the course of Colombia's economic growth - with a view to coming to some conclusion about the degree of discord between growth and equity.

As a starting point, we noted, in Chapter 1, the widespread pessimism current in the 1970's about the distibutional effects of post-war growth in most developing countries. Yet, is such a feeling justified? Moreover, is the thirty year period between the end of the Second World War and the middle of the 1970's anyway a long enough one upon which to base such a conclusion? The answer to both of these questions, after having surveyed, in Chapters 2 to 5, the available Colombian data since the 1930's, is 'no'. Rather, whether the starting point is 1930 or 1944/5, the Colombian growth-equity experience through to 1990 engenders a good deal of optimism: the economy has grown consistently and income concentration and poverty have both, over either period as a whole, declined. As a result, the conclusion which emerges from this report is that there is no necessary conflict between growth and equity.

Indeed, the first detailed work on income inequalities in Colombia (Berry and Urrutia, 1976) was inspired by an interest in whether or not there was an inherent conflict between growth and equity. In it a call was made to look more closely at the relationship between economic (output) growth on the one hand, and income distribution and the welfare of low-income groups on the other. It was pointed out that in the period of fast economic growth in Colombia, between 1935 and 1966, income distribution apparently worsened, and in the subsequent slow-growth period of 1956-66 it seemed to improve. The authors commented that these findings "...do raise questions. The evidence is suggestive enough to call for additional empirical work to permit more confident acceptance or rejection of the relationship." (p121).

Subsequent studies did not address this question specifically, though Mohan (1986) noted, in passing, that high urban unemployment, long-run employment problems, high poverty and segmented labour markets need not accompany rapid urban growth. An appropriate economic environment bolstered by a judicious mix of policies can make better outcomes possible." (p357). As Mohan was referring to the 1970's, up to 1978, which was a period of rapid economic growth in Colombia, it seemed to suggest that Berry and Urrutia's earlier hypothesis of a worsening distribution under fast growth could not be upheld.

With these thoughts in mind, this study picked up Berry and Urrutia's gauntlet with a view to examining its relevance for the 1980's. The theoretical model used was the Kuznets hypothesis. This suggests a 'long swing' in a society's income distribution profile, which worsens before it improves. In the late 1970's the Colombian economy was, according to Kuznets' hypothesis, at that point when the income distribution profile should begin to improve, and continue to do so. Findings such as Mohan's gave a further indication that this might indeed be what was about to occur. In fact, it did not. From the late 1970's through to 1985 (a slow-growth period) there was a clear tendency towards concentration; during 1986 and 1987 (a high-growth period) concentration decreased. Identifying a definite trend is not easy, though there was probably a (very) slight improvement in the profile by the end of the 1980's compared with the end of the 1970's.

The ups and downs in the rate of growth in the period do not really permit a conclusion on the relationship noted by Berry and Urrutia: the decrease in concentration during the years 1986/7, for example, though it took place when economic growth was picking up, could equally have been due to factors which occurred in the earlier period of slow economic growth which were just making themselves felt: the higher, pre-1986 public expenditure levels were probably, at that time, beginning to have an effect. One needs, clearly, to look at a longer period of time in order to come to any firm conclusions about any definite relationship between the economic growth rate and the distribution of income.

Perhaps, of course, the same can be said of any attempt to apply the "Kuznets Hypothesis", and that consequently the twelve year period (1978 - 1990) of this study is not long enough to be sure that any observed relationship or absence of relationship between economic growth and inequality is not merely a blip on the Kuznets curve or the beginning of a completely different curve altogether. This is a valid point - but not a reason not to apply Kuznets' hypothesis to some distribution or other, whether the distribution covers a short or long time-period.

What is more important - and this is one of the contributions made to the debate by this study - is to deconstruct the Kuznets hypothesis: to draw out the assumptions and limitations behind it.

It would be unfair to say that Kuznets entirely overemphasised economic variables, for he points up the significance of, amongst other things, the waning tolerance throughout society of extreme income inequalities, as well as the need for governments to take note of at least some of the more basic rules of democratic politics, like the need to 'provide favours' to one's constituency - progressive taxes, social expenditures and the like. Both of these, in Kuznets' scheme of things, encourage the movement towards less income concentration.

Having said this, the overwhelming force behind the 'long swing' in the income distribution profile is, for Kuznets, economic growth. The changes accompanying economic growth - rural to urban migration and the increasing (competitive) dynamism in the economy, in particular - bring down the Gini coefficient and level-up incomes.

As a result, Kuznets does tend to de-emphasise non-economic variables. Sociological and political variables do not figure to any great extent in the Kuznets hypothesis. The coincidence, say, of a successful government programme to reduce income-related poverty in the rural areas and a rise in unskilled rural wages due to rural emigration - both of which would improve the overall distribution of income - would not be picked up by Kuznets' hypothesis. Only the second would be interpreted as causal; the first would not even be noticed. This is, as this report has pointed out, an inherent problem with cross-sectional studies such as that of Kuznets': they do not enable the measurement of over-time effects of a given factor or a comparison of the cumulative effects of various factors. As a result, they tend to overdramatize those factors common to different populations.

While this reduces the weight of Kuznets' hypothesis, the limitations of longitudinal studies - from which, in the main, criticisms of the hypothesis have come - should not be forgotten. Essentially, they cannot generate a proposition to rival the universality of the Kuznets hypothesis - apart, of course, from the reductionist proposition that the 'sum of the minutiae of the case studies themselves will, eventually, generate the hypothesis'. The problem with this is that it implies a very long wait for general trends to be recognised and that we may never decide that we know what we think we know.

A second contribution of this study to the debate has been to bring the poverty and income distribution figures for Colombia up-to-date, primarily using recently made available official statistics. To have lost the continuity of such a valuable series of statistics, which goes back to the early 1930's, would have been lamentable. Further, the report has been supplemented by a wide variety of other data sources, enabling checks and balances to be made to the official statistics as well as giving the debate an unusual richness; unusual because no other study on Colombian inequality has garnered together such a wide array of data sources and attempted the difficult and often frustrating task of piecing them together.

The aim has also been to make the trends and their determinants available 'in good time': social scientists may be able to wait for data and conclusions, but policy makers, needing pointers to today's problems, cannot. Hanson (1987), after reviewing a series of studies on the general theme of growth and distribution in Colombia, notes that "if one were to make a general criticism of the books reviewed, it would be that they did not appear soon enough from the standpoint of policymaking." (p263). The studies by Urrutia (1985) and Mohan (1986) are cases in point: both referred to the period up to 1978, but took a full seven and eight years afterwards, respectively, to appear.

What happened to inequality, then, in the sub-period of 1978-1990? In contrast to the full sixty year period between 1930 and 1990, there was (something of) a conflict between growth and equity: despite continued economic growth, income distribution failed to improve and income-related poverty increased. This supports our conclusion of no necessary conflict between growth and equity; for the dominant factors in determining the degree of conflict and strain are those associated with the larger economic and social situations and the mixture of government policy. This must be the case, as economic growth occurred throughout the period 1930-1990.

Decelerating economic growth from the late 1970's through to 1986/7, with attendant increases in unemployment and underemployment, and the increase in the capital share, heightened overall income concentration. In contrast, the household income distribution did not worsen, due to income gains in the late 1980's - when the economic and employment situations began to pick up again - by the bottom 50% and the top 20%, at the expense of the, predominantly white-collar, intermediate deciles, who experienced a relative wage decline during the decade.

The minimum wage was something of a double-edged sword. It maintained its purchasing power through the decade relative to other wages, in this way helping to deconcentrate the wage and income distributions. The level of the minimum wage, though, was not pitched high enough to prevent increasing numbers falling into income-related poverty. Specifically, it assumed a 'worker-dependency ratio' which was - and is - too low. The inadequate minimum wage was compounded by the relatively high food inflation of the 1980's, which must have pushed still greater numbers into poverty, due to the higher proportion of income devoted to food among low-income groups.

The ever-increasing external public debt, along with the concurrent peso devaluation, have meant higher charges being levied for public utilities. Despite the progressive nature of public utility charges (see section on Subsidies below), this will not have helped low-income users of public services and is another factor which has further limited resources in poor households. At the same time, national and local governments, because of the high cost of financing both the internal military effort and external debt commitments, have not been able to adequately finance many of the infrastructural improvements and social expenditure programmes promised in election campaigns. Amongst other things, this has prevented the NBI index, especially in the rural areas, from coming down further. This is not to deny the success achieved in bringing down the NBI index in urban areas to what can perhaps be considered uncritical levels, according to figures for 1990.

The taxation regime through the decade appears not to have had any deconcentrating effect upon income distribution nor to have reduced poverty. Direct taxation has, at best, served not to worsen the distribution; indirect taxation has, due to its inherent regressive nature and to the Colombian government's decision in 1985 to abolish exemptions on some popular goods, served to worsen the 'after the fact' distribution and to push greater numbers into income-related poverty.

The overall effect of government subsidies has not been so clear cut; rather, it is necessary to look at the specific effects of particular subsidies. Petrol subsidies have helped to concentrate incomes through the benefits they give to the private car-owning middle and upper-income groups as well as to deconcentrate incomes, or at least not to concentrate them further, through the knock-on effect that artificially low petrol prices tend to have upon food prices. More research is needed into the distributional consequences of the uses to which the receipts from the 10% tax on petrol are put by Ecopetrol and the Colombian government before a firm conclusion can be ventured as to the overall effect of subsidies and taxes on petrol.

Subsidies to mass urban transport have been all but withdrawn through the course of the 1980's. This policy has very clearly hit low-income groups, who are the main users of the urban bus networks. In conjunction with the artificially low petrol prices paid by middle and high-income groups, the losers overall when it comes to 'getting about town' are those in the bottom half of the distribution.

The stepped system of payment for public utilities introduced by local governments has, in contrast, had a progressive outcome. Although more research needs to be done on the precise level of progressivity - due to the different charges levied in each municipality - cross-subsidisation from middle-income and higher-income groups to low-income groups and from higher-income to middle-income groups has undoubtedly occurred.

The faster devaluation of the late 1980's and the recent government policy of 'opening up the economy' appear to have created an increase in the importance of labour-intensive, export-led industries. Should this continue it bodes well for an improvement in the income distribution profile, especially if the emerging foreign competition brings with it lower profit margins and, in turn, a decrease in the capital share. However, for this to occur the Colombian government will have to alter the level of the minimum wage accordingly and somehow free itself from its external debt commitments. As the latter is not, in the short-term, feasible, the former will have to be considered.

Education has - since the 1950's - helped to increase income equality, through a general lowering of returns to education. At the same time, the increasing equality of educational level among individuals - since the expansion of the educational system during the 1950's and 1960's - has meant that education now has a more limited influence upon income differences, witness the movements in the wage ratio of workers without education to high school graduates since the 1930's. In the 1980's, when income distribution changed very little, education may have helped not to worsen the distribution through its dampening effect - throughout the distribution - on wages. It was not able to improve the distribution as there remain, in urban as well as rural areas, significant minorities of (mostly poor) children outside the education system - who cannot therefore benefit from the income-increasing consequences, most notable at the low-income levels, of even a rudimentary level of education.

The influences wrought by both the drug trade and the so-called 'culture of violence' upon the inequality profile are much more difficult to draw out. It can be speculated, though, that the impact of the drug trade and the resources it brings into Colombia is neutral. At least this must be the present position, considering the uncertainties surrounding most of the propositions linking the drug trade to inequality.

The 'culture of violence' - linked, of course, to the drug trade in many ways - is not clearly associated, either, with the income distribution and poverty trends. This is not to say it has no influence - military-guerrilla-drug trafficker conflicts in many rural areas undoubtedly discourage investment and force many to migrate to the cities, with negative consequences for urban employment and poverty; only that an enumeration of the precise numbers thus affected by violence is not yet available. For example, to what extent was the rural-urban migration of the 1980's, identified in Chapter 5 as the principal reason for the increase in per-capita incomes among the rural poor, the result of the presence of violent struggles?

b) Methodological

One conclusion of this report is that theory on economic growth and development cannot - yet - easily incorporate or predict the movements in income distribution and poverty; the latter must rather be drawn out by an inductive effort, which means following a micro, case-study approach. Fei, Ranis and Kuo (1979) recognised this, when they concluded that "the way transition growth is generated largely determines the levels of transition equity" (p324).

What, then, are the implications of this for future research? The first is that, as the attempt at constructing a theory of inequality and income distribution is still at the data gathering stage, it would be of great value to focus on individual countries with a view to identifying causal mechanisms. This way, with the availability of more case studies from developing countries around the world, we can expect, in the future, to separate the quantitatively important causes of movements in income inequalities, such as the extent of educational provision and rural-to-urban migration, from the less important causes, such as discrimination against newly-arrived urban immigrants. The attention of policymakers could then be directed at the important causes and appropriate action - assuming economic and political feasibility - could be taken.

The second implication for future research involves the process of data collection. It is that some types of data in such a study are more useful than others. Official statistics are most valuable when their coverage is nationwide and when they adequately cover the rural as well as the urban areas. This, lamentably, is seldom the case. Because of this it is normally necessary to make use of a number of different sets of official statistics, often ones not originally intended as income surveys. This report, for example, was forced to make use of government surveys carried out in order to up-date the Consumer Price Index, to map the general characteristics of the rural population and to assess the quality of the national housing stock. This is not necessarily a drawback, for the income information that there is in such reports is often very accurately collated, but it does mean that, because of differing sample sizes and frameworks, comparisons between populations in different areas of a country are not easy to make.

In addition, the information collected from official, questionnaire-based surveys is, by definition, limited by the questions themselves. This means, in particular, that certain types of income will probably not be tapped, especially at the top and bottom ends of the income distribution. At the top end of the income scale respondents may not be inclined to divulge sources of unearned incomes through fears of later being forced to declare them and pay tax on them. At the bottom end, the informal network of income transfers within poor neighbourhoods will almost certainly be overlooked: the irregular nature of such transfers as well as the fact that many of the poor will not think of certain types of 'income' as income at all - such as food given by a neighbour or the Catholic Church, and subsidised medicines which can be bought from neighbourhood primary health-care units - make it difficult for a structured questionnaire to trace and enumerate them.

To fill these gaps left by the official statistics, the researcher needs to construct, as far as possible, small samples from the top and bottom of the distribution and undertake in-depth interviews with each individual. Among those in the top of the distribution the questions will concentrate on investments and (legal or illegal) unearned incomes not mentioned in the responses to the questionnaire; among those in the bottom of the distribution questions will concentrate on all types of 'resources' from which the respondent benefits - and on all types of 'survival strategies', whether legal or otherwise. Due to the sensitive nature of some of the questions involved, particularly those enquiring into 'undeclared' income sources, interviewers would have to stress the absolute confidentiality of the responses in order to elicit the desired information.

This report, as a beginning, has followed such an approach, through a series of pilot interviews, among those at the bottom end of the distribution. The results have helped to explain the universal conundrum of how destitute individuals who, according to the official statistics should be dead from lack of food, manage to survive. Past studies have contented themselves with macro-economic explanations of this phenomenon, thus missing completely the real reasons. The next step is to follow a similar exercise, but using a more formal sample than was the case in this report. With time, it could even be extended as a method to individuals in middle-income groups, who, in the Latin American context at least, frequently undertake home-based remunerative activities apart from their 'principal' activity, from making and selling t-shirts to cultivating fruits and vegetables on a small rural 'farm'.

Refining the detection of what we can call, for all the income groups, 'survival strategies' would enable more confident conclusions to be reached about the true levels of income concentration and poverty in a society, as it involves a much wider definition of income than that used in the collection of official statistics.

Notes

1) Food availability in the cities is not the problem. Rather, what is lacking is a cheap supply of food for low-income families. They cannot, without high costs in transport and time, reach the supermarkets, which are increasingly being constructed out of town. Corchuelo (1990) found evidence of higher food prices in the low-income neighbourhoods of Cali than in any other area of the city. Efforts are afoot, notably by the 'Carvajal Foundation', to rectify this, by means of setting up food warehouses inside the poor neighbourhoods themselves, in order that the local shopkeepers do not have to incur the travel or delivery costs involved in buying from warehouses elsewhere in the city.

2) The Colombian government defines the 'informal sector' as: business 'concerns' employing five or fewer individuals. Silva (1990) has estimated that this would include approximately half of the working population; the Bogota based research institute, 'INVAL', put (1990) the figure at one million for Bogota alone. As such, the definition needs refining, as at present it appears to be picking up both low-income and middle-income individuals. One should be accordingly wary, therefore, of drawing conclusions from an enlarging 'informal' sector.

3) See the points raised by Friedman, 1989, on the problems associated with shadowing another currency, noted in Chapter 2, n.26.

4) These figures are taken from various reports from Proexpo, the Banco de la Republica and the DANE.

5) The Ministry of Agriculture has estimated that 7.9% of the total

population and 23.6% of the rural population live (figures refer to 1987) in such areas. Source: Ministry of Agriculture, 'Mision de Estudios del Sector Agropecuario', Bogota, May 1990).

6) For the precise wage levels through the period, see: Ministry of Agriculture, 'El Desarrollo Agropecuario en Colombia', August 1990, p204, table 322.

7) The original statement of the plan is contained in: Presidencia de la Republica: 'Plan de Lucha Contra la Pobreza Absoluta y para la Generacion de Empleo - Informe al Senor Presidente de la Republica', December 1986 - June 1987, Bogota.

8) Psacharopoulos (1985) confirmed this with his findings on the different rates of return to primary education by continents, ranging from 34% in Africa to 12% in the most advanced countries. Source: quoted in Londono, 1990, p80.

9) This literature includes: Blau and Duncan (1967); Duncan et al (1972); Sewell and Hauser (1975); Portes (1982); Featherman and Stevens (1982).

10) The function of the military as an 'equalising' force in societies has long been recognised: see Lenski (1966) for a general discussion and Stepan (1971 and 1988) for a discussion of the well-documented Brazilian case.

11) This discussion relies heavily on figures produced by the DANE in Boletin de Estadistica, July 1990, no.448 p210.

Appendix 1 Fieldwork and Data

a) Fieldwork

In 1988 and 1989 I lived and worked in Colombia. During this time I carried out a review of the available literature on the poverty and income distribution profiles of Colombia, taking in published and unpublished material. I soon came to the conclusion that both were well traced up to 1978, the year of the end of Alfonso Lopez Michelsen's Presidency. Beyond that year there was a paucity of analysis, which seemed lamentable as the 1986-1990 administration of Virgilio Barco took a high-profile interest in poverty and low incomes - and the DANE, at the same time, devoted more of its resources to collecting data on them. It therefore seemed appropriate to delve into the official statistics, with a view to seeing if the poverty and income distribution trends could be brought up-to-date. An initial, and cursory, inspection showed that they could.

Further, existing publications hinted at the possibility that simple economic growth could have a lot to do with widely found improvements in the poverty and income distribution profiles from the 1930's through to the end of the 1970's. This led me to the 'Kuznets hypothesis', which posits just that - or at least that economic development, defined by GNP per capita, is characterised by decreasing income concentration.

With these thoughts in mind, I returned to London at the end of 1989 to begin a year long literature review in the British Library of Political and Economic Science, the library of the London School of Economics and Political Science. In this year I concentrated on understanding the theses of Kuznets and others as to the relationships between economic growth and inequality, and how they differed from one another.

Once this was done I embarked upon a fieldwork trip to Colombia, financed by the Central Research Fund of the University of London. The six month trip began in October 1990 and ended in April 1991. My remit was to trace the inequality trends from the late 1970's through 1990 and to look for the more important determinants.

During the trip I spent much of my time working in the Government Statistical Offices (known as the DANE) in Bogota and Cali. Here I was looking for official statistics which might give a clue to poverty and income distribution trends. Mainly, I looked at the results from the most recent Census undertaken (in 1985), the latest National Survey of Incomes and Expenditures (in 1984/85), the 1988 National Survey of Rural Households and the Household Surveys for the period, carried out annually. At the Head Office of the DANE, in Bogota, I managed to contact the various sociologists and economists in the research department, with whom I worked for a number of weeks, exchanging ideas and information. They kindly made unpublished information available to me, notably computer print-outs from an internal departmental project to 'cross' the two methods of measuring poverty - the NBI and the LP.

I also worked with universities in the country, specifically the 'Universidad del Valle' in Cali, and the 'Universidad Externado' in Bogota. In the first, I was kindly given access to the university's reference collection, which includes all the Colombian social science journals; and I worked with the coordinator, a sociologist, of a joint United Nations/DANE/Universidad del Valle project on rural poverty in the 1980's, Maria Bonilla de Restrepo. In the second, I was kindly given access to unpublished data from a project by staff of the Sociology Department on poverty among families in the poor neighbourhoods of Bogota.

During my time in Cali I worked with a number of different people and organisations:

i) the 'Carvajal Foundation', a large organisation - in fact, the philanthropic arm of Carvajal, one of the country's largest companies - devoted to eradicating poverty by aiding small businesses. On the 6th of December, 1990, I carried out an extended interview with the Director of the organisation, discussing, amongst other things, how best to assist the critically poor (the destitute) and whether the 'Carvajal Foundation', through its programme of help and advice to small businesses - which are invariably 'shops', commonly run from the front windows of houses in some of the poorest neighbourhoods - which have to have been operating for at least one year to qualify for assistance, was indeed doing so.

ii) officials in the Government Taxation Office, where I researched, during various days in March 1991, direct and indirect tax levels to gauge their effects upon poverty and income distribution.

iii) researchers at the Head Office of the Institute of Family Well-

Being (ICBF), the government agency responsible for monitoring nutrition in Colombia. During my four visits there in December 1990 they furnished me with details of their programmes through the 1980's, which were designed to assist the children of the poorest. The discussion of child poverty in Chapter 6 is partly a product of my time at the ICBF.

iv) the Director of Colombia's largest Bureau de Change ('Universal de Cambio'), which has its Head Office in Cali, in order to get an idea of the amount and significance of money transfers (the company's principal activity) into Colombia from, predominantly, the United States; and of the mechanisms, licit and illicit, available to launder drug-monies. This was done with a view to estimating the accuracy of figures from the Drug Enforcement Agency, the Colombian National Bank and others as to the importance of drug-money to the Colombian economy, and to aid a discussion, which appears in Chapter 6, of possible links between 'the drug trade' and inequality.

I carried out two extended interviews with the bureau's Director in Cali during March 1991.

v) Colombian and North American aid workers inside 'Agua Blanca', Cali's poorest district, in whose neighbourhoods live approximately one-third of the city's inhabitants. They toured some of the neighbourhoods once a week, on Monday afternoons, looking in on its poorest members, discussing their problems and needs with them and, often, providing much needed food and liquid. I accompanied them on these tours while I was in Cali, which was for approximately three months, between November 1990 and January/February 1991. I took detailed notes of all the tours and many photos and slides. In addition, I carried out extended, in-depth interviews with at least one person in each household we visited.

Specifically, during the course of the three-month period we visited thirty households, which included a representative cross-section of 'the poor' (see Chapters 2 and 5) and 'the critically poor' (see Chapters 3 to 5). I was particularly interested in discovering how the latter manage to survive: according to the results obtained down the years by the DANE, they do not generate sufficient resources to be able to avoid malnutrition and starvation, let alone meet other costs such as rent and medicines. These included the old living alone (5 interviews); the mentally and physically disabled (3 and 4 interviews respectively); the sick (6 interviews); and single-parent families, large and small, in which the parent was both unemployed and without education (3 interviews with small families - one or two children - and 3 with large families - 3 or more children). I was not able to construct a more formal sample-frame because of security problems in parts of the district: certain areas of the district were considered 'no-go areas' by the police, who advised me, on repeated occasions throughout my stay in Cali, neither to enter them nor to carry out interviews there. This was unfortunate, for these areas are also inhabited by poor and critically poor households and so my research would have benefited from interviews with household members there. As it is, the conclusions in the text regarding the 'survival strategies' of the poorest are limited to results obtained through interviews with individuals in areas representing only part - approximately half, according to the latest (Janaury 1986) map of Agua Blanca drawn up by the Municipal Planning Department in Cali - of the district.

The tours of the neighbourhoods were a very valuable and informative part of my fieldwork, for they gave me an opportinity to analyse, more critically, the literature on poverty and its causes and solutions. And knowing the regular aid workers - from the Catholic Church as well as from various national government and foreign agency programmes - gave me an 'entry' into the neighbourhoods, which meant that I was immediately accepted by all those people we visited and by everyone else in the respective neighbourhoods. On some occasions it was felt, by the regular aid workers, 'easier' not to explain why I was there - and so frequently I would be variously introduced as a visiting North American priest or a long-standing friend of one of the aid workers. Without this 'entry' it would have been both difficult and dangerous (in many of the neighbouhoods we entered neither the police nor strangers would venture) for me to have either observed or to have conducted interviews.

vi) the 'International Centre of Tropical Agriculture' (CIAT), which has its Head Office in Cali. This is a large research centre funded principally by the Kellog Foundation, the United Nations and the governments of the United States, Japan and Northern Europe. I was kindly given access to their library, which is exceptionally well-stocked with publications on Colombian economic and social trends. In addition, I worked, throughout the month of November 1990, with economists and sociologists at the centre, exchanging ideas and data on (rural) poverty and income distribution in Colombia and Latin America.

vii) local government officials - architects, planners, researchers - who furnished me, during frequent visits to the Municipal Office throughout my six-month stay in the country, with data and information on public transport subsidies, the structure of public utility charges and the overall state of the infrastructure in the south-western corridor of the country.

viii) the Director of 'The Human Ecology Research Foundation', based in Cali. The work of the Foundation was of interest to me because, as part of a longitudinal study on the health-status of the poor in Cali through the 1970's, they produced data which can be used to estimate social and economic mobility in Colombia (discussed in Chapter 2). I carried out, in November 1990, an extended interview with the Director, who kindly gave me access to all the Foundation's unpublished data.

During my time in Bogota, approximately three months, I also worked with a number of different organisations:

i) the Permanent United Nations Programme on Poverty in Latin America, which has its continental Head Office in Bogota. In the course of three visits to the Head Office in February 1991 I talked to researchers attached to the Programme and was kindly given access to unpublished data.

ii) the principal social and economic research organisation in Colombia, known as 'Fedesarrollo'. Its library and data bank are second-to-none for anyone researching into Colombian social and economic trends. The centre is privately funded. Its present Director, Miguel Urrutia, as well as being an ex-Energy Minister, is one of the principal authorities on Colombian poverty and income distribution. On 15/02/91 I carried out an extended interview with him, in which I gained a greater understanding of all aspects of my research, especially to do with possible causes through the 1980's of movements in Colombian inequality.

iii) the National Planning Department (DNP) - a government ministry - where I gained access to unpublished reports on urban and rural poverty.

iv) the national petroleum company (Ecopetrol) to research the influence of subsidised gasoline sold in Colombia upon income distribution. The financial section of the company kindly either gave me the relevant information or told me where I could get it. I also carried out, in the Head Office of Ecopetrol in Bogota on the 23 of April 1991, an extended interview with the head of the section concerned with gasoline subsidies.

v) a private research centre, known as INVAL, which for a number of years has provided consultancy work for the Colombian Government and the United Nations. Of late, it has been concentrating on the 'informal', or 'marginal' sector in Colombian cities, recently having attempted a head count of street traders. Its head is a sociologist, with whom I spent three very informative and stimulating days at the centre's Bogota offices (between 21 - 23 of February 1991 inclusive).

As well as the above, I was lucky enough to be in Cali in December for the 1990 annual conference of the Colombian Sociological Association -

held in the offices of the National Bank of Colombia! Here I made some invaluable contacts from all over Colombia and discussed my research at length with Colombian social scientists working in university and government departments.

b) A summary of the principal data sources made use of in the report.

The 1985 Census

The Census was carried out in October 1985. Its official title was 'The XV Census of the Population and the IV of Households'. A post-Census exercise by the Centro Nacional de Consultoria (CNC) to gauge the quality of the Census, using a sample of 28,000 households, found that coverage rates were low - 90.5% for urban areas and 73.7% for rural areas. However, the cartographic information used in this sample, especially for the rural areas, has since been questioned, on the grounds that it was not up-to-date. A subsequent exercise by the CNC, asking householders whether or not their household had been counted in the Census, found coverage rates to be slightly higher: 94.5% in the urban areas and 83.8% in the rural areas.

Coverage rates differ greatly across regions. The north-eastern department of La Guajira, for example, has a large indigenous population, many of whom are itinerant; counting and surveying such a population is more difficult than in, say, consolidated urban neighbourhoods. Other regions in which it is difficult to survey the population accurately include: a) those of low demographic density, which are likely to be of rugged terrain and to have very limited road access. These areas are also likely to have high indices of poverty, which implies that overall levels of poverty found from the Census results are underestimates; b) those in which guerrilla and/or drug-related violence is known to be common: for obvious reasons of security, personnel associated with the Census are loathe to enter such zones; c) those, predominantly urban, areas with high population growth rates as a result of immigration. The fact that the city maps used for the 1985 Census were the same as those for the 1973 Census meant that relatively new neighbourhoods, often 'invasions', were not always included in the former.

Something else which compromised the quality of the 1985 Census was that it did not immobilise the population, as the 1973 Census had done. This meant that a greater proportion of responses were from third persons, who may not, for example, have know the exact age of another member of the household or indeed have been aware of the precise nature of the intra-household family links.

Unfortunately for the purposes of this report, the 1985 Census, unlike those in 1967 and 1973, did not include a question on income, though it did ask all the necessary questions for us to be able to construct the NBI poverty index.

The 1984/5 Survey of Incomes and Expenditures

This survey was carried out by the DANE as the first step in the up-dating of the Consumer Price Index (IPC) for January 1989. Happily, the questions it asked on incomes and expenditures enable an income distribution profile to be constructed - for individuals and households. Its sample frame, though, was restricted to the principal (15) urban centres - excluding the cities of Santa Marta and Armenia - of the country, each with more than 100,000 inhabitants. The size of the samples chosen for each city was dictated by the requirement of the DANE to reach a confidence level for the estimates obtained of 90%, with a maximum permissible error of 5%. The final sample was of 28,704 households.

The 1988 Survey of Rural Households

This was carried out in November and December of 1988, with a sample of 7,104 households stratified across the four geographical regions of Atlantica, Oriental, Central and the Pacific. Its aim was to collect demographic and employment data for the rural areas, with a view, amongst other things, to estimating rural poverty levels.

The concept of 'rurality' used in the survey differs slightly from earlier surveys, such as in the five Rural-Urban DANE Household Surveys carried out between 1970 and 1974 and the 1978 Survey of Rural Households. In all of these, only the 'scattered rural populations' were included in the sample. The 1988 survey, by contrast, also included 'semi-rural' communities, specifically those with "houses and buildings constructed contiguously and delimited by streets; and with the presence of civil authorities", as well as communities characterised as "a consolidated, almost urban, area with houses constructed in a 'semi-disperse' manner; and with a place name which clearly identifies the settlement". (Source: Boletin de Estadistica, no.436, July 1989, p132. My translations).

As a result of the different sample frames, only the 'scattered rural populations' are directly comparable between the various surveys. The wider net of the 1988 survey is useful, though, in that it incorporates the expanding, semi-rural labour markets which have become increasingly important sources of residence and employment in 'rural' areas.

Household Surveys

At the beginning of the 1970's the DANE began a permanent programme of National Household Surveys, with the aim of collecting statistical data on the individual, the family and the household during the intercensual periods. Initially, the proposal was to construct a national sample of 12,000 households, to be surveyed every four months. Sadly, budgetary and technical restrictions prevented such an ambitious start.

As a compromise, the surveys were to be at four monthly intervals - in 1976 they became trimestrial - but the sample frame was restricted to the principal cities. The following were, and continue to be, the areas of interest: the general characteristics of the population (sex, age, civil status, family size); education (literacy, school attendance, educational level); the work force, taken to be those of 12 years and over (employment, unemployment, underemployment, occupation, occupational position, etc). Through the years, the Household Survey has come to collect data on other themes. These include migration, housing, nutrition, expenditures on food and the informal sector.

The Household Survey programme has helped to give the DANE valuable experience in data collection techniques and problems, such that it has come a long way since the Census of 1967, which has been roundly criticised for its poor quality (see, for example, Urrutia 1985). However, the programme could be improved, firstly, by including the rural and semi-rural areas in the sample. Secondly, by reducing the size of the sample, which at present stands at 30,000 households in each survey. A recent World Bank mission (1989) to Colombia stated that "[the DANE] does not need such a large sample to obtain accurate results". (p10). Indeed, considering the present budgetary problems being experienced by the DANE, the cost reductions from using a smaller sample would be welcomed.

Appendix 2 Measures of Inequality

The measures of inequality that have been used in the report are Income Shares, the Gini Coefficient and the Theil Index. Since none is a perfect measure of inequality, each one with certain specific merits, it is useful to employ them all simultaneously to determine the extent of inequality and the direction of change in inequality over time. As far as possible, this has been the approach in the report. Thus, in this appendix, which aims to give the reader an intuitive grasp of the different measures, the strengths and weaknesses of each measure will be discussed.

The **Income Share** measure slices the population into percentile groups, frequently deciles or quintiles, and then looks at the proportion of total income appropriated by each group. Taking quintiles, a value of 0.20 for each of the bottom 20% and top 20% would imply perfect equality or zero inequality, while values of zero and unity for the bottom 20% and the top 20%, respectively, would mean perfect inequality in the income distribution. Income shares permit us to focus on the impact of the development process over different ranges of the income distribution, in this way allowing a 'winners and losers' profile to be constructed. This is the principal strength of the Income Shares measure: it captures the whole distribution, or "the full arithmetical array." (Wiles, 1974. p.ix). It cannot, however, give a summary index of inequality; that is, an idea of the overall degree of income concentration in a population.

For this the **Gini Coefficient** is employed. It is essentially a formula to calculate the average of (income) differences. The origin of the Gini coefficient - first discussed in C. Gini (1912) - is probably the work of F.R. Helmert (1876), who discussed the ordinally equivalent measure, now known as Gini's mean difference. Formally, the Gini coefficient is the ratio of the area bounded by a Lorenz curve (see M. O. Lorenz, 1905) and the diagonal to the area of the triangle. The coefficient is 1 when all income is controlled by one person, and 0 when everyone has the same income.

As a summary measure of income distribution the Gini coefficient, or ratio, presents several difficulties. Firstly, because two different Lorenz curves may intersect, it follows that significantly different distributions, and therefore "societies of radically different social structure" (Wiles, 1974. p11), may yield identical Gini ratios. Secondly, the Gini ratio, because it is an average, is insensitive both to extremes and to shifts of a small percentage of total income from one group to another; such shifts may represent large income variations, especially for the lower-income groups. Its relative insensitivity tends to give it a limited variation across countries, which makes it difficult to identify statistically significant relationships. Thirdly, the boundaries of perfect inequality and equality are so extreme that meaningful changes in the level of inequality may correspond to only small changes in the Gini ratio, making it somewhat difficult to interpret.

Why, then, use the Gini coefficient at all, considering such a litany of limitations? Some researchers, invoking one or more of its drawbacks, do indeed decline to use it. This seems an overly drastic step, in view of how well-known and simple to calculate the Gini is; the first means that at least a rough idea of the degree of inequality in and across distributions can be gauged, the second that it is not a great sacrifice, in terms of time, to arrive at the Gini's value. Of course, the Gini will not tell you where the inequality is in a distribution, but for this we can use the Income Share measure.

Finally, the **Theil Index** (see Theil 1967, for a technical explanation of the Index). This, like the Gini, is a weighted index of income concentration, and so shares its strengths and weaknesses. Its particular strength, taken advantage of in this report, is that it can calculate the contribution of a subgroup in a population to overall inequality. For example, the extent to which inequality in a particular city contributes to overall inequality in all cities; and, equally, whether intra-city inequalities are more important in explaining overall inequalities in cities than inter-city inequalities.

The Theil's minimum value is zero (perfect equality) and its maximum value is 1.61 (perfect inequality).

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