

A FRESH APPROACH TO MEETING THE BASIC NEEDS OF THE WORLD'S POOREST BILLION⁺

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The problems of the world's poorest countries and the poorest people, some of whom reside in the more advanced developing countries, underlie the global issues on which negotiations are currently being launched between the industrial countries of the Northern hemisphere and the developing countries to their South. The strength of the case of the developing countries rests not only on their recently increased bargaining power but also, importantly, on grounds of justice and equity - on the need for the rich nations to undertake efforts that favor, rather than discriminate against, the poor countries. The justice and equity case for helping the vast numbers of the very poor is especially important if the publics in the countries of the North are to be persuaded that they should support the move toward greater sharing of power and income with the countries of the South.

How likely is it, however, that any "new international economic order" (NIEO) now in sight will enable the poorest countries with annual per capita incomes under \$ 200 to meet the most essential human needs of their poor majorities in this century? Given today's political and economic realities, do the poorest people stand to benefit appreciably if negotiations on proposals constituting a new international economic order reach some reasonable measure of agreement regarding distribution of wealth among nations? If not, then what more is required - and possible - to avoid a perpetuation and aggravation of the hunger, acute malnutrition, and other manifestations of extreme poverty, with their manifold adverse political and moral consequences?

These are complex questions for which there are as yet no detailed answers, but with the NIEO and other negotiations already under way, even a rough-cut presentation of the prospects and possible alternatives for reaching the poorest may be of value. The analysis that follows is intended both to serve this end and to spur further research and refinement. Two conclusions provide the basis for this presentation. The first is that no significant improvement is in sight over the next five years for the well-being of the more than one billion people now living in the approximately forty poorest countries, most of which are in Africa and South Asia. The second is that even a reasonably successful set of new programs along any lines now in prospect will not significantly affect the

+) Given the geographic focus of our journal, we have selected for inclusion only Mr. Grant's commentary on the experience of several Asian countries in meeting basic human needs. The main thrust of Mr. Grant's Pugwash speech, however, was his outline of a highly innovative proposal for a fresh international approach to overcoming the worst aspects of absolute poverty within the remainder of this century. This proposal is elaborated by the author in a forthcoming publication: "The World's Poorest Billion People: A New Approach to Basic Needs", which can be ordered from the Overseas Development Council, 1717 Massachusetts Ave., N.W., Washington, D. C. 20036.

well-being of the poor majorities in the poorest countries by the mid-1980s.

This paper explores the potential of international cooperation - through trade, development assistance, and other policies - to strengthen the political will for, and to lessen the political costs of, undertaking the measures required for there to be an effective address of basic human needs in most of the poorer countries before the end of this century. It suggests that such a potential does exist with respect to both middle income and low income developing countries through a cooperative effort utilizing trade (primarily of interest to middle and high income countries) and development assistance (primarily for the poorer countries) aimed at improving equality of opportunity of the disadvantaged within all states, rich and poor alike. The proposition is advanced that if those countries having the poorest billion of the world's population were to enter into a major cooperative effort within a reasonable financial framework with the countries having the richest billion to address the most essential human needs of those living in absolute poverty, most of the former countries should be able to achieve improvements in the lives of their poor majorities over the next generation as dramatic as those realized by the four countries (People's Republic of China on the Asian mainland, Republic of China on Taiwan, South Korea, and Sri Lanka) which have been relatively successful in addressing the most essential material needs of their people in the recent past.

The essential features of program are elaborated by the author elsewhere¹. Here it must suffice to assert that if the program proposed commitments were made - by both rich and poor - it is quite possible that within a reasonably short period, life expectancy in the poorest countries could rise by more than ten years, infant mortality could drop by more than half, literacy could more than double, and birth rates drop sharply. Stated another way, by the late 1980s this program could increase life expectancy by more than 10 years, lead to 10 million fewer deaths and 10 million fewer births annually than if present rates continued, as well as to significantly increased participation in the development process by the poor majority. Continued for another 10 years, the program could be expected to lead to a further reduction in deaths and an even greater reduction in births, result in average life expectancies of over 65 years, infant mortality under 50 per thousand births, a birth rate of 25 per thousand or less, and literacy rate of over 75 per cent in these countries. It could be designed in such a way as to accelerate growth in the poorest countries to the point where these programs to address the most essential human needs could be selffinancing (i. e., would not require further concessional external assistance) before the end of the century. The industrialized nations' shares of this cooperative effort could be readily financed out of the increased funds that would result if all advanced nations were to meet by 1980 the U.N. designated target of 0.7 per cent of GNP for concessional assistance.

Such a globally supported cooperative effort might have a timely and profound impact not only on the climate in which nations manage and negotiate other international problems of joint concern to all but also on the global standing and advancement of political and human freedoms that many now see to be in retreat.

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I. Present Prospects

There is no authoritative estimate of the number of the world's present four billion population who are living without the basic physical needs thought necessary to effectively sustain human life. At the time of the World Food Conference, the Food and Agriculture Organization (FAO) estimated that there were some 460 million people whose food intake was so limited that there was a high risk of their being either acutely malnourished or hungry for a significant part of the year². Other reasonable estimates are as high as 800 million. All told a figure of approximately one billion is probably within a reasonable margin of error for those under an absolute poverty line below which it is not possible to meet the most essential human needs³.

A substantial majority of these people live in some 40 poorest countries having a population that also approximates one billion. These countries, with the exception of Haiti, are located in Africa and in Asia, particularly South Asia which alone has a population of approximately 750 million people. Included in this are most of the Sahelian African countries and the Yemen Republics of the Arabian Peninsula. The balance of the very poor live in countries with incomes of \$ 200 per capita and more, with the largest concentrations being in Brazil and Nigeria. Inability to meet minimum physical needs is largely, but not necessarily, an accompaniment of extremely low income. People with a meaningful income are normally able to compete in the market place for their food and other essentials.

The current situation holds a particularly dangerous prospect for the poorest people in the developing nations. In most developing countries the benefits of the unprecedented growth in output of the past 15 years have, to an unexpected degree, largely bypassed the bottom third, and in some countries the poor majority of their populations. The mid- and late 1970s are for them an era of high food prices and of even more unemployment than the already high levels of the early 1970s. Not surprisingly, though not exclusively for these reasons, more open forms - and facades - of government have begun to crumble in many developing countries under the stress of growing internal tensions. In 1975, India and Bangladesh were the most notable examples.

Table 1 gives a notional idea of the world distribution of gross poverty and malnutrition in the early 1970s and a rough indication of alternative per capita incomes by the year 2000 under varying growth scenarios.

Clearly unless something significantly different happens in the development of the Fourth World countries than in the middle income developing countries to date, it is not realistic to expect most of the poorest countries to successfully address the problems of their poor majorities within the time span of the next 10 to 20 years.

The need for special treatment of the poorest countries with per capita incomes under \$ 200 in new and existing international programs for helping the developing countries is increasingly recognized in the rhetoric of international forums. These poorest countries have been growing more slowly than the more advanced developing countries and also have been more adversely effected by the recent

Table 1: Standard of Living

	Popula- tion (mill.)	Per Capita GNP (\$)	Life Expect- ancy (years)	Liter- acy %	1970 ⁺			1980 ⁺			Popu- lation (mill.)		
					Infant Mort. (p. 1000 births)	Death Rates (per 1000)	Birth Rates (per 1000)	Acutely Poor 1972 (mill.)	Under- nourished 1972 (mill.)	Per Capita GNP (\$)		Per Capita GNP (\$)	GNP Growth Rate %
High Income Countries (excl. Com- munist)	675	3100	71	98	15	10	16	100	28	4000	5000-	2 1/2- 4	850
Middle Income Countries (excl. China)	725	410	56	65	83	12	40	300	100	540	550-	3 1/2- 7	1350- 1050
Low Income Countries	1000	105	48	30	138	17	42	650	332	108	105-	2 1/2- 5	2250- 2100

+) 1980 figures and 1970 figures for population and per capita income from Robert S. McNamara: Address to Board of Governors of the World Bank Group, September 1, 1975, pp. 2-4 (Washington, D. C., World Bank Group 1975).

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sharp increases in costs for imported fuel, food, and manufactures. These countries also lack the creditworthiness that gives the higher income developing countries extensive access to loans from the Euro-currency markets.

Unfortunately, despite the rhetorical recognition of the need for special treatment of the poorest countries expressed in international forums, the negotiations now in sight do not hold out the prospect of a sufficient increase in resource flows by the some \$ 2 to \$ 3 billion annually required⁴ to enable their early return to the modest growth rates of the late 1960s and early 1970s, to say nothing of the much higher growth rates required if these countries are to make significant progress under present systems in advancing the well-being of their poor majorities. Even relatively successful negotiations for a "New International Economic Order" (NIEO) are not likely to result in major net financial benefits to the poorest countries. Most of the areas where progress now appears probable relate to trade and monetary aspects that are most likely to benefit the advanced developing countries (while on balance benefiting some of the poorer countries little if at all) rather than to the concessional resource transfers most needed by the poorest nations, which, even in more favorable times, were having great difficulty in meeting the minimum needs of the poor majority of their citizens.

The lack of progress among large groups of the poor in many countries promises trouble on many fronts quite apart from the most serious cost to the poor themselves. The strength of the developing-country case in their demand for a new international economic order rests on the grounds of equity as well as on greater bargaining power resulting from growing interdependence, but the equity argument is weakened considerably if the developing countries seem to be pressing for a greater share in international decision making and in global growth mainly to benefit their own elites.

The apparent failure of the western democratic capitalist and socialist development experience to meet some of the most basic human needs of most developing countries has led many, including both conservatives and liberals, to despair. It has caused others to show greater interest in the success of China and some smaller countries in addressing these needs. For all its other deficiencies, China appears to be successfully meeting the most basic needs for food, health, and education of the great majority of its 900 million nationals. Another consequence is a beginning international consensus that equity and not just efficiency must be adequately taken into account in future growth strategies and that development policy should be much more clearly directed first at the achievement of certain specified minimum standards of living and second, these are to be attained before the end of this century. This was the central topic of the World Employment Conference in June 1976 which had before it for consideration a specially prepared and comprehensive analysis entitled "Employment, Growth, and Basic Needs", prepared by the ILO Director General.

The ILO analysis described two alternative ways in which the basic needs of the poor could be satisfied within a given time horizon. One is through much more rapid overall growth alone, leaving the distribution to market forces. This was questioned to the point of dismissal as being unrealistic for most - and particularly - the poorest countries in the light of recent experiences in most countries which have achieved very rapid growth - which in itself is most difficult to achieve.

The second approach suggested was to raise the incomes of poverty groups faster than the average by a redistribution of income and productive assets as well as through growth. Such redistribution could be brought about through a combination of introducing consumption transfers that benefit the poor, changing in favor of the poor the relative prices of the products and labor services which they sell compared with the prices of the things they buy, introducing investment transfers to the poor and, finally, by redistributing part of the existing stock of capital assets to the poor through such means as land reform. The ILO Report notes that unless the first three are combined with progressive taxation and a redistribution of production assets, they may be ineffective.

The ILO analysis points out that the growth rates required under this second approach would be less high and normally be more realistic than under the first approach but, in the least elaborated understatement in the book, "there might be great difficulties, political and other, in implementing policies for distribution"⁵. Most "haves" are reluctant to give up relative power and income, particularly as in the poorer countries, such as India and Indonesia, the "advantaged" upper 20 per cent of income recipients includes virtually every factory worker and low paid peon in the government civil service.

Is there a way out of this impasse? The following discussion considers briefly the experience of those few poor countries which have had considerable success in meeting the most essential human needs, and all of which have involved a substantial redistribution of income and economic power.

II. Meeting basic needs: Four Asian case histories of relative success

As one examines the experience of the countries that entered the post-World War II development era with per capita income below \$ 200⁶, it becomes apparent that the People's Republic of China, the Republic of South Korea, the Republic of China (Taiwan), and Sri Lanka (typifying markedly different experiences) give evidence of success in meeting the minimum needs of the great majority of their citizens while per capita income figures were still low⁷. Others, including Tanzania and India, have had some important successes in meeting some needs in some geographic areas, notably Kerala in India⁸, but usually not comprehensively and not on a national scale.

Given the fact that twenty-five years ago economic and social indicators in the four countries mentioned above were comparable in many respects to those of other very poor countries, one only need compare their key social indicators, shown below, with those of other poor countries to establish the significant breakthroughs they have achieved.

A principal characteristic that distinguishes these four countries from the others is the special attention they paid to improving the lot of their poor majority, particularly in the rural areas, early in their national development efforts. Analysis of their case histories shows that China, South Korea and Taiwan all transferred significant productive assets from previously advantaged elites to poorer groups, and then effectively implemented policies to help the poor make use of these as-

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sets of increase their productive capacity. In Sri Lanka's case, a similar improvement of physical well-being and narrowing of the income gap has been achieved primarily through the tax-financed provision of improved and expanded governmental services. A major component of Sri Lanka's approach is a substantial grain price subsidy program which alone has a substantial income effect; for a paddy farmer with one half acre of land, for example, it represents about a 50 per cent increase in family income.

As one consequence of these policies, the three smaller countries have moved to a situation where the upper 20 per cent of income recipients, who at one time had some 12 to 15 times as much income as the bottom 20 per cent, now have only 5 times as much as the poorest. For comparison, the U. S. ratio is 8:1. In China the ratio is probably lower. This record contrasts sharply with the experience of most other developing countries over this period. In Mexico, for example, the ratio is approximately 16:1 and in Brazil about 25:1⁹. It also contrasts with the experience of the United States and Western Europe, whose income gaps widened at comparable stages of development.

A second consequence of these policies has been a plummeting in birth rates to a point where all four countries now have annual birth rates in the twenties for each one thousand of population, compared to the high thirties to low forties in most other developing countries in the \$ 100 - \$ 600 per capita income range. It is notable that in the three countries for which detailed data are available, birth rates started to decline sharply as the condition of the poor majority improved and well before the introduction of effective national family planning programs. Such programs were introduced later, in the mid-1960s, and are now contributing significantly to the continued reduction in birth rates in these countries. Health and education statistics for the three smaller countries are far more favorable than in other poorer countries.

The question then is: How did these four countries move so far and so quickly toward satisfying the minimum human needs of their citizens?

The People's Republic of China

In the case of China, these improvements in well-being have been accomplished essentially through two means. The first has been to greatly increase the output capacity of the average Chinese and his family through a reorganized system providing him with the improved organizational means, incentives and motivation to do so. The number of days worked by the typical Chinese peasant has doubled in the past 25 years as his off-season crop time, largely idle in earlier years, was mobilized for local investment purposes such as land levelling, irrigation works, road building and (more recently) rural-based industry from which the worker ultimately benefits. Large numbers of women also have been moved into the production work force with other means being found to provide child care and other services previously performed by the typical housewife¹⁰. Second, the Chinese have developed low-cost delivery systems for education and health services (many involving local participation) which now reach, in a reasonably effective manner, the great majority of the population. The concentration of the

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Table 2: Poor Country Indicators⁺

Country	Per Capita GNP		Life Exp. (years)	Infant Mort. (p. 1000 births)	Death Rate (per 1000)	Birth Rate (per 1000)	Literacy %
	1950 \$	1973 \$					
Chad	Under \$ 100	80	38	160	24.0	44.0	5-10
Bangladesh	"	80	36	132	28.1	49.5	22
Ethiopia	"	90	38	181	25.8	49.4	5
Pakistan	"	120	50	132	16.5	47.4	16
India (Kerala)	"	120(110)	50 (61)	139 (56)	15.7 (9)	39.9 (31)	28 (60)
Indonesia	"	130	48	125	16.9	42.9	43
Tanzania	"	130	44	162	20.1	50.2	15-20
Haiti	"	130	50	150	16.5	35.8	10
Bolivia	"	146	47	108	18.0	43.7	32
Sri Lanka	\$ 100-165	120	68	45	6.4	28.6	76
China	"	224	62	55	10.3	28.0	-
Thailand	"	270	58	65	10.3	43.4	68
Philippines	"	280	58	78	10.5	43.8	72
Taiwan	"	660	69	28	5.0	24.0	85
South Korea	"	400	61	60	8.8	28.7	71
	Over \$ 200						
Brazil	224	760	61	94	8.6	37.1	61
Colombo	239	440	61	76	8.3	40.6	73
Cuba	-	450	70	25	6.6	29.1	78
Mexico	397	890	63	61	8.6	42.0	78
United States ⁺⁺	3850	6200	71	18	9.4	16.2	98

⁺) Due to the weakness of data in many of the poorer countries these figures are more useful for general comparative purposes than for precise measurement. The 1950 per capita GNP figures are in 1972 dollars calculated by USAID. The social indicators, the average for 1970-1975, and the 1973 per capita GNP figures are from: The U. S. and World Development: Agenda for Action, 1976, by Roger D. Hansen and the staff of the Overseas Development Council (Washington, D. C., Overseas Development Council, 1976).

⁺⁺) United States per capita GNP at the time of the American Revolution is estimated to have been in the \$ 300 range in 1972 dollars.

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Chinese modernization and development effort over the past 15 years at the level of the county - which encompasses some 20-40 communes with a total population of 1/3 to 1/2 million - has both "spread" development around China and also has helped to keep some 80 per cent of the populace in the countryside, where food and minimal shelter are more easily available.

Although the People's Republic of China was committed to redistributing the assets of the rural and urban advantaged when it came to power in the late 1940s and large holdings (whether owned by landlords or prosperous peasants) were redistributed soon after the Communist take-over, it is interesting to note that China did not effectively address the minimum needs of its population until the early 1960s.

This occurred after it had jettisoned its initial capital-intensive, infrastructure-oriented development model, which placed a low priority on the development of the rural areas and the more than 80 per cent of the population that lived there. It was only then that a massive effort was launched to mobilize China's human potential and to keep it in the rural areas.

Taiwan (RoC) and South Korea

The starting point of the striking progress of the poor majority in both South Korea and Taiwan was in the rural areas, where a ceiling on farm size of 7.5 acres was introduced some 25 years ago and where the average farm is now slightly more than 2 acres. For several reasons, land reform, which was accompanied by development of a substantial net of farmer-support services - including credit, education, and health - was politically far easier to introduce in these two countries than in most others.

In South Korea, the principal land holders were Japanese who were repatriated to Japan following the end of World War II. Land once held by Japanese was re-distributed under American auspices in 1949; full-time tenancy was thereby reduced from 70 per cent to 33 per cent in one year. The value of the remaining land to landlords was greatly reduced by imposing a ceiling on rents equivalent of 33 per cent of the crop - far below the former range of 50 to 90 per cent. An additional land reform in 1950 completed the virtual elimination of tenancy.

In Taiwan, many of the Chinese retreating from the Communist takeover were particularly aware of a need to improve the condition of the peasantry to avoid repetition of Communist infiltration of the countryside that had occurred on the mainland. The government thus had strong incentives not only to distribute the substantial amount of land formerly held by the Japanese to tenant farmers, but also to redistribute the land held by the Taiwanese rural gentry, who were not part of the governmental power base, and who might have become a center of opposition to the wholesale preemption of power on Taiwan by the new arrivals.

During the same period that these land reforms were carried out, the governments began concentrating government educational expenditures on providing primary schooling for all, which was not the course taken by many other developing countries. This spread literacy widely throughout both countries. Only subsequently did economists learn that these reforms happened to be "good econo-

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mics", since in these people-plentiful, land-short societies forty 2.5 acres farms would - if supported by effective credit, education, health and other appropriate services - produce significantly more food, and employ far more labor than would a single 100 acre farm¹¹. It was also much later that experts began to recognize that this package could also have a powerful and favorable impact on the motivation for smaller family size¹².

Later, when Taiwan and subsequently South Korea industrialized, the fact that their principal potential markets were overseas required that these countries maximize the use of their only plentiful resource - labor - in order to be competitive with other world producers. Their success in utilizing their labor surplus was the principal reason for the explosive growth in industrial exports of both these countries to the point that Taiwan's exports now rival those of Mainland China and by far exceed those of India. Changes in land tenure and associated reforms to assist the small farmer greatly increased labor-intensive production in the countryside, thereby significantly increasing both employment and average family income. Under these circumstances of relatively full labor use, there was a major incentive for states to encourage universal education and health services. These, in turn, improved the quality of labor, an asset of great value to these nations. Finally, the availability of significant amounts of external aid during the critical early stages provided not only additional resources but - possibly even more important - funds for initiatives which in other countries were obtainable only by politically costly policies of income redistribution.

Sri Lanka

The dramatic improvement in the availability of essential goods and services to most of Sri Lanka's people over the past twenty years has been achieved more through the provision of improved and expanded governmental services and a food subsidy program than through the expansion of work and employment¹³, as was done in the East Asian countries. Although Sri Lanka, like India and Pakistan, for example, remains in the \$ 100 - \$ 150 per capita income range, its life expectancy (68 years), death rate (6.4 per thousand), and literacy (76 per cent) figures compare far more closely with those of higher-income South Korea and Taiwan, and are far superior to those of a country such as Brazil, whose per capita income is five times greater¹⁴. As can be seen from the following table, which covers the 1963-1973 period, a significant redistribution of income has taken place in Sri Lanka.

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Table 3: Distribution of Total Income and Social Benefits⁺
in Sri Lanka, by Decile Groups, 1963 and 1973 (percentages)

Decile Groups	Distribution among Households/ Spend. Units		Distribution among Person ⁺⁺		Adjusted Percentage Change in Average Per Capita Real Income, 1963 - 1973 ⁺⁺⁺
	1963	1973	1963	1973	
Lowest	2.0	3.8	3.5	6.1	+ 105.3
Second	3.8	5.0	4.6	6.3	+ 61.3
Third	2.7	6.1	5.9	6.8	+ 35.7
Fourth	7.5	6.6	6.7	7.4	+ 30.1
Fifth	6.8	7.5	7.3	8.0	+ 29.1
Sixth	7.6	8.2	8.2	8.7	+ 25.0
Seventh	9.5	9.9	8.7	10.4	+ 40.8
Eighth	11.1	11.9	10.7	11.3	+ 24.4
Ninth	15.0	14.9	13.4	13.2	+ 16.0
Highest	34.0	26.1	31.0	21.8	- 17.2

+ Subsidy on rice, losses incurred by public transport, free education and health services.

++ In this case, the decile groups are obtained on the bases of the number of persons in the household/spending groups. The more favorable ratios in these columns reflect the relatively smaller sizes of households in the poorer deciles.

+++ The deflator used to calculate real incomes is the same for all deciles and is the implicit price index derived from the Central Bank's estimate of gross domestic product at current and constant prices for 1963 and 1973.

Note: This table underestimates the real income decline of the rich, since data do not allow for tax payments by them. Tax rates in Sri Lanka are on a progressive scale, ranging from 7.5 per cent to 65 per cent.

Source: Hollis Chenery et al.: Redistribution with Growth. Oxford 1974 (Oxford University Press for World Bank and Institute of Development Studies), p. 278.

Particular attention has been paid over the past twenty years to ensuring the physical well-being of the average Sri Lankan through effective, low-cost education and health delivery systems for the entire population, together with the already mentioned subsidized grain supplement, which has averaged about two or more pounds of free grain per person a week. In addition, Sri Lanka has devoted more of its developmental budget than most countries to improving the rural areas. In contrast to the experience of the East Asian countries discussed above, it is only in recent years that land reform has been a major factor in Sri Lanka.

The budget expenditures of the Sri Lankan government on social services have been relatively high - averaging some 12-13 per cent of gross national product or 30-40 per cent of total government expenditures a year. In per capita terms, this amounted to approximately \$ 12 - \$ 13 per capita annually prior to the recent sharp increase in grain prices, and to about \$ 14 - \$ 15 per capita since then. This level of expenditures is nearly three times that of India or Pakistan for the same purposes and is a partial explanation of Sri Lanka's slow increase in GNP in recent years¹⁵.

Two important by-products of this package of programs have been the impressive slowing of the rural to urban migration - it has amounted only 1 per cent in twenty years - and a dramatic reduction in births. With some 80 per cent of Sri Lankans remaining in villages, shelter is more easily provided; supplementary foods (coconuts, bananas) are more readily available; and the relative security of the extended family is more accessible than in the urban areas. The birth rate had dropped by some 8 per thousand even before extensive family-planning services were introduced in the late 1960s.

Like the East Asian countries, Sri Lanka has had major, but considerably different, advantages in overcoming structural obstacles to helping its poor majority obtain minimum food, education, and health services. The first "advantage" was that Sri Lanka's greatest productive assets, the tea and rubber estates, were largely owned by foreigners or other politically weak minorities and could be taxed without effective protest at the polls. This was further facilitated by the fact that the tea-estate labor consisted of noncitizen Tamils from India who, being without political rights, were not in a position to check this draining off to corporate income that otherwise might have been made available to them in the form of higher wages. Also, since the bulk of the tea, rubber, and coconut production (in which so many members of the Sri Lankan elite had invested) was exported, and since imports of consumer goods were traditionally also large, the government found it relatively easy to generate tax revenues at the dockside.

Sri Lanka's major "advantage" was that both of its principal political parties received their effective public support from the Sinhalese Buddhists, who not only constituted most of the "poor majority" in Sri Lanka but also were its political majority in an effective parliamentary system. Prior to independence, a disproportionate share of Sri Lanka's economic, social, and political power was in the hands of English-speaking British, Tamil, Burgher (Euro-Asian), and Sinhalese Christian communities. Having had electoral experience since 1931 (Sri Lanka was Britain's first colonial experiment with democracy), both of the principal parties found by the mid-1950s that, to hold power, they would

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have to respond effectively to the needs and demands of the non-English-speaking Sinhalese Buddhist majority residing largely in the rural areas. Power shifted several times between these two parties over a twenty-year period. Although one was relatively more populist than the other, both were prepared to tax the upper 10 per cent (the local and foreign elites) to finance government expenditures aiming to alleviate the predicament of the poor majority. Under pressure to reach the greatest number of people with basically very limited resources (per capita income averaged only \$ 100 annually during much of the twenty-year period under discussion), the government has had to find relatively cost-effective means for meeting the minimum needs of a politically active majority. While it is a major drain on Sri Lanka's limited resources, an annual expenditure of less than \$ 15 per capita is a low figure for raising life expectancy from 43 to 68 years, and literacy from 30 per cent to over 75 per cent, in a period of some twenty years.

III. What can be learned from the experience of these special cases?

If mainland China, South Korea, Taiwan, and Sri Lanka - with a combined population of nearly one billion - could find ways to meet the most essential needs of their populations, then why cannot the other poorest countries, with approximately the same total population, do the same? To some, but only to some, extent, they can.

Part of the reason that ambitious land-reform, income-distribution, and food and health-care delivery programs on the scale of those carried out in the four countries mentioned have not been undertaken elsewhere is that planners in most developing countries were not sufficiently conscious earlier that existing programs were benefiting far fewer people than had been expected. Nor were they generally aware that appropriate programs addressing the equity problem in developing countries, such as directly helping small farmers, could actually accelerate (rather than retard, as had been thought earlier) their growth rates¹⁶.

The "success" stories discussed above suggest that, first, educational and health budgets should be expanded for the express purpose of improving the low-cost delivery of these programs and of more closely relating these services to the needs of the poor majority.

Second, the developing countries should further adjust their financial and economic policies so as to give preference to labor-intensive over capital-intensive industry (along the lines done so successfully in South Korea and Taiwan), and to support grassroots efforts at cooperative agricultural and industrial production.

Third, credit and other services for the small farmer, the small industrial entrepreneur, and small producer associations should be expanded and made more accessible; producers in these categories tend to be far more labor-intensive than the larger farms and industrial enterprises.

Fourth, research should be concentrated far more on meeting the needs of the small producer. Thus, if scientists were able to develop grain strains that

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were naturally nitrogen-fixing - as soybeans, alfalfa, and some other crops - this would eliminate the need for costly chemical means of restoring the soil's fertility in nitrogen and thereby also lessen the capital needs and risks which present such difficulties for small farmers.

Fifth, rural public works should be expanded to place some of the large numbers of unemployed and underemployed rural laborers in productive work.

Sixth, and this was extremely important in three of the four cases during their early years, in many countries a redistribution in capital assets, as through land reform, is a major means of enabling the poor majority to utilize their very large production capacity which is going to such waste in so many areas.

If taken together, these programs would, over a period of some twenty years, stand a good chance of lifting a sizable proportion - possibly a majority - from below to above the poverty "minimum human needs" line.

One important reason, however, why many countries have made slow progress in mounting more direct efforts to satisfy basic needs along the lines followed in the four case histories is that this would require a politically difficult redistribution of income and power. In the four special cases described above, assets were transferred from elite groups that were hostile to (or not closely linked with) the governments in power - elites that were not, as in most other poor countries, part of the power base of the governments effecting the transfer.

Effective land reform means taking away wealth and power not only from the rural landholders (including farmers of 15 to 20 acres in some countries) but also from many members of the urban elite who are in the civil service or in urban business but who share in family landholdings in the countryside. The latter are proving to be among the strongest political opponents of the effective implementation of current reforms - as is evident, for example, in the Philippines. If the advantaged are reluctant to give up income and power in the affluent societies of Western Europe and the United States, it is not very surprising that the privileged in the poorest countries - most of whom are still quite poor by Western standards - are even more opposed to such shifts.

Similarly, the early introduction of a universal education system capable of reaching the rural poor in India or Pakistan (or Mexico or Brazil) would normally be feasible only if significantly higher taxes were introduced to support a much expanded education budget - or if expenditures under the existing education budget allocation were redirected away from the secondary schools and higher education facilities in cities (where they are serving relatively small numbers of the advantaged children of civil servants, skilled factory workers, and others of the politically favored urban classes) and toward primary schools for the poor in the rural areas where most of their young population lives.

In all four cases mentioned earlier, the governments were fairly successful in transferring income and production assets from relatively advantaged groups in their societies to the poorer sectors - and were able to do so because they were not dependent on the better-off groups to any significant degree - if at all - for their political survival. However, this power - and will - had not been acquired easily, e. g., 20 years of civil war and the Japanese invasion in the case of

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Mainland China, the destruction of Japanese power and the intense fear of a repetition of the Chinese Communist take-over in the case of Taiwan and South Korea, and very special circumstances in Sri Lanka. These latter circumstances contrast sharply with the situation in most poor countries, where the elite, particularly those in the rural areas (where approximately 80 per cent of the people live), are sufficiently close to the basic power structure to block or deter any significant redistribution of their productive assets (primarily land) or income.

Thus for most of the regimes of the poorest countries, the political costs of undertaking major programs such as those discussed - either through the rapid introduction of meaningful land reform in combination with increased taxation of the relatively advantaged sectors of their societies or through sharply increased taxation alone - are so high as to make such initiatives very difficult. If India, for example, were to undertake a program similar to that of Sri Lanka, the additional cost would be approximately \$ 7 billion or approximately 10 per cent of its gross national product. This would require an additional tax of 20 per cent of all income received by the upper 20 per cent of income recipients - a category which includes not only industrialists but most factory workers and quite possibly the lower paid peons in the Indian civil service. A similar situation would apply in Pakistan, or Thailand. It would be the equivalent of doubling their tax burden for no immediate discernible benefit to them. This is a major reason why most of the poorest countries have been slow in extending education, health, and food programs to their poor majorities. Unless something significantly different happens, it is not realistic to expect most of the poorest countries to successfully address the problems of their poor majorities within the time span of the next ten to twenty years.

The challenge therefore is how to accomplish such progress in addressing the most essential human needs in other societies without the very special circumstances of the four already-discussed cases. A necessary but not sufficient advance is the beginning international consensus captured in the words of the concluding resolution of the World Employment Conference:

34. The conference finally requests that policies to meet basic needs become an essential part of the United Nations Second Development Decade Strategy and form the core of the Third Development Decade Strategy¹⁷.

Robert McNamara, the President of the World Bank, and others, including new policy statements in major bilateral aid programs, have been making statements moving increasingly in this direction for several years now, but it is important for the most far-reaching statement to have come from an international forum in which the developing countries are in a majority. Ultimately, the most difficult measures, those that will lead to a redistribution of economic and earning power, will have to be made by them. But can their leaders take the necessary measures without being overthrown by the already advantaged? From whence do the leaders in their countries get the political will - and muscle - to take the measures that will help the many but in the short run appear necessary at the cost of the relatively advantaged, many of whom already see themselves as too weak and poor?

IV. Toward a fresh international approach

There are two sets of interlocking concepts whose adoption warrants serious consideration if there is to be an effective world-wide address of basic human needs before the end of this century - an address required for national and international stability and by any meaningful standard of justice and equity.

One is to think in terms of a global cooperative effort to attack malnutrition and gross poverty everywhere; the latter, of course, being a relative concept and including gross poverty in the United States. A second conceptual frame could be that of a cooperative effort aimed at improving equality of opportunity of the disadvantaged within all states, rich and poor alike¹⁸.

Under both formulas, the primary emphasis of one set of proposals would be geared to the reform of international structures (trade, commodities, investment and monetary) which would be of particular interest to the middle and upper income ranges of developing countries (as well as to the advanced countries) and on the understanding that these countries would devote increased attention to improving the lot of their poor majorities. The primary emphasis of a second set of proposals would be directly related to advancing equality of opportunity (and alleviating poverty and malnutrition) for the poor majorities within the poorer countries through increased flows of concessional aid on better terms directly addressed to meeting the most basic needs of their poor majorities.

As indicated at the start of this article, the author elsewhere specifies a set of proposals under which developing countries in the poorest quarter of the world would set targets for meeting the most essential needs of their people within a specified time frame and the countries of the richest quarter of the world would commit themselves to increased assistance for those explicit purposes. It is amplified through answers to fifteen questions. In two decades - before the end of this century and by the end of the program - most of the countries participating in such an effort could attain per capita incomes of \$ 200 or more and bring about improvements in the lives of their poor majorities as dramatic as those realized within the same time frame by the four countries which have been relatively successful in addressing the most essential material needs of their people.

Surveys and polls indicate that increased concessional and other preferential treatment of the poor countries would be feasible and could be sustained if it focused on the poorer countries and were targeted explicitly to meet the basic needs of their poor majorities for health, education, food, and jobs which are essential to achieving equality of opportunity. It should be far easier to assist the middle-income countries primarily through removing the restrictions and discriminations in the workings of the international economic system which so seriously retard their efforts to increase their foreign exchange earnings. These countries need equality of opportunity far more than aid, and properly implemented many of these changes could be of major benefit to the developed as well as the developing countries.

The concept of greater equality of opportunity between and within developed countries has contributed greatly to the unprecedented progress of the post-

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World War II era. This concept has been the central core of the economic relationships between the industrial countries since World War II, and the concept of greater equality of opportunity for all citizens within countries has also been a central theme of advanced democracies over the past 25 years. The time may have come to advance this concept with the two-thirds of the world in the developing countries, and its consequences, while not always easy to adapt to, might prove equally beneficial.

Footnotes

- 1) The World's Poorest Billion People: A New Approach to Basic Needs, by James P. Grant (Washington, D. C., Overseas Development Council, forthcoming).
- 2) See Assessment of the World Food Situation background papers prepared for World Food Conference, November 1974 (E/Conf. 65/3 paras. 137-205, pp. 55-73).
- 3) See: Employment, Growth and Basic Needs: A One-World Problem. Report of the Director-General of the International Labor Office (Geneva 1976, ILO), which estimates that of the 1,800 million people in the developing market economies in 1972, 1,210 million were "seriously poor" and 706 million were "destitute" (pp. 20-23).
- 4) 1975 Organization für Economic Cooperation and Development. DAC Chairman's Report, p. 25.
- 5) Employment, Growth and Basic Needs: A One-World Problem, op. cit., p. 34.
- 6) This would exclude such countries as Cuba and Uruguay, which entered the post-World War II era with higher capita GNP figures.
- 7) North Korea and North Vietnam probably should be included with China but neither hard data nor extensive observational substitutes are immediately available.
- 8) The Kerala experience which bears many similarities to that of Sri Lanka, is described in detail in a recently issued study prepared for the U. N. Centre for Development Planning Projections and Policies (United Nations, New York) by the Centre for Development Studies in Trivandrum, Kerala. See: Poverty, Unemployment, and Development Policy: A Case Study of Selected Issues with Reference to Kerala (ST/ESA/29 United Nations, New York, 1975).
- 9) James P. Grant: Growth from Below: A People-Oriented Development Strategy. (Washington, D. C., Overseas Development Council, 1973).

- 10) "Rural Development in China 1949-1972 and the Lessons to be Learned from it", in: John G. Gurley, *World Development*, July-August 1975, page 462.
- 11) Grant, *Growth from Below*, op. cit.
- 12) William Rich: *Smaller Families Through Social and Economic Progress*. (Washington, D. C., Overseas Development Council, 1973).
- 13) For an instructive analysis of the Sri Lanka experience, see: *Welfare and Growth in Sri Lanka*. Marga Research Studies-2 (Colombo, Sri Lanka 1974, Marga institute). See also the discussion of Sri Lanka in Hollis Chenery, Montek S. Ahluwalia, C. L. G. Bell, John H. Duloy, and Richard Jolly: *Redistribution with Growth*. Published for the World Bank and the Institute of Development Studies, University of Sussex 1974, Oxford University Press, pp. 273-79.
- 14) Death rates dropped in Sri Lanka sharply from 20 per thousand in 1946 to 12-13 per thousand in 1950 (in considerable part due to malaria control), then to about 8 per thousand in the 1960s, and 6 per thousand during the mid-1970s. Birth rates decreased steadily from 40 per thousand in 1950 to 32 per thousand in the mid-1960s, at which time family planning was introduced; the birth rate in 1974 dropped to 28 per thousand. Literacy rates have improved at a similar pace; the number of those with no schooling dropped from 41.6 per cent in 1953 to 16 per cent in 1969-70
- 15) Two other important factors slowing Sri Lanka's growth in output for much of this period were the clearly adverse terms of trade for Sri Lanka's principal exports and weak development policies generally. Thus the country now receives less income from its tea than before, even though the volume of its tea export has increased greatly. The Marga analysis referred to in footnote 14 concluded that "the package of welfare policies was anti-growth and anti-development, not so much because it competed with the development program for scarce capital, but because it removed the incentives for growth and development in the very sectors (e. g., through low grain prices) in which investments were being made." Sri Lanka received far less aid during the 1950s and 1960s than South Korea and Taiwan; it was the only country to have American aid cut off for multi-year periods for violation of 1) the Battle Act, for bartering its rubber for Chinese rice in the early 1950s, and 2) the Hickenlooper Amendment, for expropriating the gas stations of two American oil companies without fully adequate compensation in the early 1960s. However, Sri Lanka has been saving on defense expenditures, sensibly spending only 1-2 per cent of GNP for these purposes as compared to the 4, 5, 8 and 10 per cent spent currently by India, South Korea, Pakistan, and Taiwan respectively.
- 16) For an analysis of the change in development concepts, as well as the general North-South equity issue, see Roger D. Hansen: "The Emerging Challenge", in: *The U. S. and World Development: Agenda for Action 1975*, op. cit.

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- 17) Summary Record of World Employment Conference, Geneva, 4-17 June 1976, International Labour Office, Geneva, p. 8.
- 18) See three recent OECD studies on the differing persistence of relative poverty in the advanced industrial democracies: Public Expenditure on Income Maintenance Programs, July 1976, OECD; Malcolm Sawyer: Income Distribution in OECD Countries, OECD Occasional Studies, July 1976; Education, Inequality and Life Chances, OECD Conference Proceedings, 1976. These note the differing effect of governmental income maintenance programs on the percent of population below the poverty line (both France and Germany spend approximately 12 per cent of their national product on income maintenance programs but France has 16 per cent and Germany only 3 per cent of its population below the poverty line. The poverty gap in OECD countries could be largely eliminated according to these studies if they only had the political will and determination to devote 1 per cent of GNP to this purpose.