

INSTITUTE OF SOCIAL STUDIES

Working Paper Series No. 249

**BEYOND INCOME DISTRIBUTION:  
AN ENTITLEMENT SYSTEMS APPROACH TO THE ACQUIREMENT PROBLEM**

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June 1997

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## ABSTRACT

The focus of this working paper is the problematique that lies beyond income distribution. Significantly, behind the same amount of income, we may find entirely different claiming positions. Looking beyond concrete claims, we see distinct sets of rights and duties which might be typified as *entitlement positions*.

Entitlement positions constitute the core of socio-economic security. Amartya Sen speaks of legal channels of acquirement. Acquirement is to be understood as the practice of getting access to the necessary resources and acquiring the goods and services needed. 'The acquirement problem', Sen has observed, 'is often neglected not only by non-economists, but also by many economists, including some great ones'.

This paper takes an entitlement systems approach to the acquirement problem. After a review of the state of the art in economic theory of income distribution entitlement systems analysis will be used as a response to the challenge of understanding the dynamics that lie behind human poverty. It is based on an effort to perceive the role of law in society in relation to institutional arrangements.

The significance of entitlement systems analysis will be demonstrated in regard to the problematique of development. Finally, a concluding section will focus on the test of operationalising entitlement systems approaches to the acquirement problem.



## 1. Introduction

...the distribution of income is a result  
of the entire social fabric.  
Samuels and Kelsey 1992

In orthodox economics income is linked to *productivity*. Hence, the major focus is *functional* income distribution, i.e. the determination of payments to factors following from their productive employment. Personal income distribution would follow from individual human beings' command of factors of production (land, labour, capital and technical and organisational know-how).

If *homo sapiens* were, indeed, a pure *homo economicus*, would that creature then be wise to focus all its energy on production and consumption, merely attempting to maximise profits and satisfaction respectively? This is, indeed, highly unlikely. In real life, as opposed to the hypothetical world of neo-classical economics, productive activities do not result automatically in income as a basis for claiming the goods and services one wants. Agents would be well advised to continuously keep an eye on the relative strength of their various claims. Behind income distribution are different claiming positions that tend to change with processes of production, distribution and consumption of goods and services. There are no pure economic processes. Ignoring cultural, legal, political and other factors might lead to serious flaws in our efforts to interpret reality.

Significantly, behind the same amount of income, we may find entirely different claiming positions. In terms of socio-economic security \$100 earned by a farmer who owns the land, for example, is structurally worth a lot more than the \$100 of a seasonal agricultural worker. Looking beyond the respective claims, we see different sets of rights and duties which might be typified as *entitlement positions*.

Entitlement is the possibility to make legitimate claims, i.e. claims based on rights. It is a function of both law and power. Power means opportunity, actual command. Law legitimises and hence protects in case of dispute.

It is the combination of law and power that makes entitlement such a precious affair. Much more than the occasional claim, the entitlement situation as such is an object of desire. People continuously try to improve their entitlement positions. Hence, more than a given state of affairs, entitlement too, is a *process*. It is part of social processes in society. There is, indeed, always an interrelationship between rights and obligations within a socio-cultural context.

While there may be income without any structural improvement of a person's entitlement position - drawing a winning lot, for instance, or wage earnings in purely temporary employment - the reverse can also obtain. A principal example is the tenured job, fully protected by modern labour law. It provides the employee with access to many facilities and allowances. Formally, a representation allowance, by way of illustration, is not income

but it entitles the beneficiary to make representation costs; this improves his entitlement position.

Introducing the qualification *structural* in regard to entitlement positions signifies a need to look beyond what people can acquire on the basis of their current rights and duties. Thus, a closer analysis reveals the operation of entitlement *systems*, i.e. regularised arrangements for establishing legitimate claims. It is in their positions in entitlement systems that people find socio-economic *security*.

At this point two relevant distinctions between types of entitlement systems may already be introduced. The first is *formal* as opposed to *informal* entitlement. Informal entitlement prevails in what economists call the informal or hidden economy. The latter term already indicates that the dominant *money metric approach* to measurement of welfare (Hanmer, Pyatt and White 1996b) faces serious difficulties here. Socio-economic security cannot be assessed, however, while disregarding the informal economy. This is generally realised in regard to Africa, but it also applies to other parts of the world. In the countries of Central and Eastern Europe, for example, the hidden economy is of crucial importance (Ekes, 1994). In formal entitlement positions the legal rules tend to be much clearer. Actual acquirement, however, may be more problematic than in the informal economy whose basic characteristic lies in the lack of restriction by institutional or systemic rules.

The second distinction is between *primary* and *subsidiary* entitlement systems. Subsidiary entitlement means that titles to claim materialise only after failure to acquire on the basis of rights that are operational with immediate effect. One example is social welfare for people who fail to get earnings from labour, another one is food aid. Subsidiary entitlement may be easily affected by the sociopolitical culture as expressed in the spirit of the time (*der Zeitgeist*). Hence, people prefer primary entitlement in the sense of having access to resources and rights to goods and services on the basis of their integration into the community rather than subsidiary entitlement as compensation for their marginalisation. In India, for example, the introduction of green revolution technology seriously affected the primary entitlement positions of the weaker groups in the rural areas. Subsidiary entitlement in the form of food coupons distributed by the state could not be regarded as a satisfactory compensation (Ramprasad 1990). Illustrative, too, is a shift in government thinking about poverty in South Africa: 'Previously the emphasis was on redistribution of incomes... closing the gap. Now the focus is on more jobs' (SA Institute of Race Relations, in Mogotlane 1996: 3).

It should be clear by now that among the three paradigms within which income distribution theory has been conducted, *productivity*, *exploitation* (Marxist theorising), and *appropriation* (Samuels and Kelsey 1991: 126), the entitlement systems approach relates to the latter. Appropriation theory attempts to find the 'factors actually at work which determine the distribution of income' (ibid.).

Indeed, the focus of this working paper is the problematique that lies beyond income distribution, i.e. *the acquirement problem*. The latter expression has been coined by Sen,

probably because the more current term 'acquisition' has obtained a different usage. Acquirement is to be understood here as the practice of getting access to the necessary resources and acquiring the goods and services needed. Sen speaks of 'legal channels of acquirement' (Sen, 1987, 8). 'The acquirement problem', he states, 'is often neglected not only by non-economists, but also by many economists, including some great ones' (Sen, 1986, 5).

Naturally, highlighting the acquirement problem does not imply that existing analyses of income distribution have become useless. Hence, any endeavour towards theoretical innovation should start with a review of the field.

Firstly, I shall assess methods of *describing* personal income distribution. Next, economic *theory* of income distribution will be examined with particular reference to issues of socio-economic security and structural acquirement. The section will be concluded with a brief examination of some relevant policy issues.

A general deficiency in 'orthodox' economics of income distribution appears to be the lack of insight in socio-economic processes at the micro-level. Entitlement systems analysis constitutes a response to the challenge of understanding the dynamics that lie behind human poverty. It is based on an effort to perceive the role of law in society in relation to institutional arrangements.

The significance of entitlement systems analysis will be demonstrated in regard to the problematique of development. Indeed, the entitlements dimension will be shown to provide crucial insight into the different implications of distinctive development strategies and policies.

Finally, a concluding section will focus on the test of operationalising entitlement systems approaches to the acquirement problem.

## 2. The state of the art

*It may be a matter of political economy  
as much as economics.  
Atkinson 1996*

2.1 *The description of personal income distribution* If orthodox economics implies a major focus on statistics and mathematics, current literature on personal income distribution notably reflects this trend. A first preoccupation is with money as a standard of measurement. There is an abundant range of inequality indices, curves and criteria which all require calculations in pecuniary values.<sup>1</sup> Remarkably, one author, noting that there is no 'best' measure of

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<sup>1</sup> In my perusal of publications between 1991 and 1996 I touched upon E- or S-Gini indices, second degree stochastic dominance in comparing income distributions (the Lorenz criterion) or, as a 'Rawlsian extension' of that normative criterion, third degree stochastic dominance (Davies and Hoy 1994), Lorenz and Engel curves, Theil decomposable indices for inter-country comparisons, transfigurations from nominal to real income inequality by using Laspeyres type price indices (Ruiz- Castillo 1994), lognormal extrapolations and income estimations (Cloutier 1995), different views on grouping bounds, notes on intra-quintile and intra-decile inequality, Atkinson indices of racial income inequality (Conrad

inequality and hence conclusions based on such concepts remain subject to doubts, then proceeds to study *axiomatic fuzzifications* of inequality measures as well as constructing *confidence intervals for the crisp conclusions of inequality indices*.

Inequality is studied in regard to regions, countries, gender, race, age, one-earner and two-earner households, the employment factor, annual as against life-time earnings, intergenerational and intra-family aspects, etcetera. Studying just the conclusions of all these descriptive and evaluative exercises, one is first struck by a notable degree of difference and disagreement in almost any section of the field. Was or wasn't income inequality increasing during the eighties, in which countries and with which exceptions to the supposed rule? <sup>2</sup>

For the student of development, there is, unfortunately, not much to learn.<sup>3</sup> However, outside the first world we find an interesting study of the distribution of wealth in three villages in Indonesia (Edmundson 1994), conflicting studies on income distribution in the Asian Tiger countries (e.g. Kronkaew 1994), and relatively much on China.<sup>4</sup> Again, in terms of explanation the studies are rather poor. Indicative is Howes' tautological finding that income inequality in urban China is low compared to other developing countries because the income share of the poor is relatively large and that of the rich relatively small (1993).

A major constraint lies in the unreliability of statistics in developing countries. Moll, in his paper *Mickey Mouse Numbers and Inequality Research in Developing Countries*, stresses this point particularly in regard to research on income distributional issues. He found, for example, that much of the evidence underlying the widely held belief that the distribution of income in Taiwan equalised greatly between 1950 and 1980 is flawed. His conclusion is that economists should be far more concerned about data problems in their research (Moll

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1993), a Lorenz ordering of Singh-Maddala income distributions (Wilfling and Kramer 1993) and so on and so forth.

<sup>2</sup> Typical is an exploration of the following question concerning income distribution in the United States: "How much of the increase in income inequality between 1992 and 1993 was due to changes in the economy and how much was due to technical changes in the Current Population Survey?" (Ryscavage 1995). The real question is of course: What happened to the personal distribution of income, by what causes and with which effects? The studies incline, however, towards pure descriptions and even then conclusions are rarely firm and doubts persist. One pretty strong piece of evidence is on sharply increasing household wealth inequality in the United States between 1983 and 1989 (Wolff 1994). Naturally, the years of such an analysis are determined by household surveys.

<sup>3</sup> Illustrative is a paper in the *Journal of Economics* which, based on consumption models with a permanent income hypothesis, finds a positive effect of increasing inequality on the consumption of motor vehicles and parts and services but a very small negative effect on the consumption of other goods (Fitzsimmons and German 1995).

<sup>4</sup> After an initial movement towards more equality in the first stage of the Chinese economic reform programme, apparently inequality in the distribution of rural income in China was later rising (Chai and Chai 1994). By 1988 it was about as unequal as in India (Khan 1993) while in housing asset holdings the wealthiest rural quintile owned 6.5 times as much as the bottom quintile (McKinley and Wang 1992).

1992). In the light of such problems it is not surprising that I found very little on personal income distribution in Africa. Statistics for SNA (Systems of National Accounting) are hardly available; household surveys are no longer carried out. One exception is an interesting study on Botswana published in two different journals, both in January 1993 (Valentine 1993 a and b). Household surveys were conducted in 1974-75 when agricultural production was at its best and in 1985-86 at a time of severe drought. Rural household real income remained constant, however. This is explained by an income-maintenance strategy made possible through *transfer entitlements* from private and public sources (drought relief). Here at least we find a notion of entitlement and a focus on distribution in kind.

Descriptive exercises are also undertaken in regard to global income inequality. A first problem in this connection is what exactly the statistics tell us. Notably, the United Nations Development Programme (UNDP) in their *Human Development Report (HDR)* of 1992 inform their readers that in global income distribution the ratio between the upper and lower quintiles (each some one billion people plus) may well be 150:1 while the 1996 HDR gives a figure of 60:1.<sup>5</sup> In regard to more reliable statistical studies the question is what the econometrics signify. An application of the Theil index of income inequality to data adjusted for purchasing power parity on 115 countries revealed, for example, a steadily declining worldwide level of intercountry income inequality between 1960 and 1985. A decomposition of the analysis shows, however, that aggregate inequality among regions was dominant as above intra-regional inequality (Levy and Chowdhury 1994). Doubtless, however, one major observation remains intact: Income inequality is at its highest at the global level.

Naturally, indices and definitions have to be based on fictions and assumptions. Problematic, for example, is the relationship between wealth and income. Thus, SNA income neglects capital gains while computing fictitious income in case of 'own occupied dwellings'. But although the normativity of statistical assumptions, choices for indices and ways of bounding groups is generally acknowledged, conventional economics still shows an almost exclusive tendency towards money metric exercises. Rather typical is the computation of the Gini coefficient, taking a value of 100% if all incomes are received by one person. Should

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<sup>5</sup> The figure in the 1992 HDR is an estimate based on correction of a figure that places the richest 20% in the richest countries and the poorest 20% in the poorest countries (34-36). The computations in the 1996 HDR are based on uncorrected data (13). The report emphasizes the *rise* in global inequality:

Between 1960 and 1991 the share of the world's richest 20% rose from 70% of global income to 85% - while that of the poorest declined from from 2.3% to 1.4%. So, the ratio of the shares of the richest and the poorest increased from 30:1 to 61:1. All but the richest quintile saw their income share fall, so that by 1991 more than 85% of the world's population received only 15% of its income - yet another indication of an even more polarized world.

The 1997 HDR gives a figure of 78:1, calculated upon the same basis as the 61:1 in 1996. It should be noted that all figures mentioned in this note are based on uncorrected US\$. Corrections for PPP (Purchasing Power Parity) would probably lead to reductions in statistical disparities.

that happen then some sort of distribution in kind would naturally follow, as, for instance, in the case of the patriarchs (Abraham, Isaac and Jacob).<sup>6</sup>

Some forty years ago Tinbergen noted a contrast between 'fairly satisfactory' description of income distribution and 'an unsatisfactory state in the area of interpretation' (Tinbergen 1956: 156). In regard to the first part of this statement one is struck today by a notable decline in the marginal returns of statistical sophistication and a highly unsatisfactory state of data collection in the developing world. But we shall now turn to theory to see if in that realm there has been significant progress.

*2.2 Income distribution theory* Of the three fields of income distribution theory - functional, categorical and personal income distribution - primary attention still goes to the former: the determinants of payments to factors of production as resulting from their productive employment. The relationship between functional distribution and personal distribution is either 'typically not spelled out' (Atkinson 1996: 1-2) or simply taken for granted.<sup>7</sup>

In theoretical investigations personal income distribution tends to be treated first and foremost as a macro-economic variable whose behaviour is to be studied in relation to other variables such as GDP, aggregate employment, or some index of inflation. What, for example, is the influence of wealth and income inequalities on inflation (Varoudakis 1995)? A major concern is, indeed, with the relationship between income distribution and growth, debating Kaldor's model (1956) as against Kuznets' inverted U-shaped pattern of initial increase and subsequent decline in inequality as real incomes rise (1955). Is inequality good or harmful for growth and the other way round?; those are the questions (e.g. Adelman 1995, Beckerman 1995, Letelier 1995, Perotti 1992, Persson and Tabellini 1994, Sarmiento 1992). In line with opposite theoretical views, empirical evidence, too, is of a rather conflicting nature. For the United States after World War II Ram found an uninverted U-curve (1991). Falkinger (1994) relates the issue to product diversity, arguing that if productivity grows proportionally to product diversity, an unequal distribution of income will have a positive effect on growth. Persson and Tabellini (1994) have brought the political factor into the analysis, stating, testing and confirming the hypothesis that inequality is harmful for growth particularly in democracies. Clarke submits empirical evidence that inequality is negatively correlated with growth in nondemocracies too (1995).

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<sup>6</sup> Exceptions to the money metric approach can be found in the *Journal of Income Distribution* and the *Review of Income and Wealth*. Highly interesting, for example, is a paper entitled *Is Money the Measure of Welfare in Russia?* that stresses the role of non-monetised resources under real existing socialism as opposed to a market economy (Rose and McAllister 1996).

<sup>7</sup> "Once prices and quantities are known, one's personal income is the product of the price vector and one's vector of factor services" (Odink 1992: 141).

Related to this debate is the issue of the effects of redistribution through taxation. It is argued that redistribution comes at a cost in aggregate income, but also the opposite view can be found (e.g. Hoff and Lyon 1994).

Naturally, judgements of existing degrees of inequality need criteria. For positivist orthodoxy, Rawls's *Theory of Justice* (1972) with its 'non-ideal' normativity came as a gift from heaven. Thus, the difference principle<sup>8</sup> got its place in the justification of rising inequality. Gallaway and Vedder, for example, argue that the increase in inequality in the United States during the eighties met Rawlsian standards of 'justice as fairness' because the poor did not lose ground but the rich gained more ground than the poor (1993). What is entirely lacking in such analyses is any notion of people's own perceptions: participatory approaches fall beyond the scope of economic orthodoxy.

Of all economists with a reputation in conventional circles it is primarily Jan Tinbergen who showed great concern with inequality in income distribution. Not surprisingly therefore, Atkinson devoted his Tinbergen Lecture for the Royal Netherlands Economic Association to income distribution (1996). Indeed, Tinbergen remains an important theoretician in regard to both the explanation of positive distribution (e.g. 1956) and the question of optimal distribution of income (e.g. 1992). Atkinson sees his supply-demand explanation of earnings differentials based on a race between technological development and education, as valuable starting point that needs refinement. (It seems rather illustrative that in income distribution theory refinement of a valuable starting point may have to wait for more than forty years.) In regard to optimal distribution Atkinson focuses on the idea of a basic income (see also Van Parijs 1992). While in Tinbergen's work the link between normative (optimal) and positive distribution - through studies of mechanisms of redistribution - is not always evident, Atkinson does analyse the practicalities of the basic income, including the politics of the exercise. In that respect his Tinbergen Lecture reveals a slightly heterodox tendency.

2.3 *Policy issues* We touched already upon expressions of concern with positive income distribution. There is a certain degree of apprehension, for example, with the effects of inequality on education and training (Atkinson 1996: 10).<sup>9</sup> Another worry regards employment. Will inequality result in less employment or is there a trade off between unemployment and wage inequality as some of the empirical evidence might seem to reveal (OECD 1994: part II, 2)? In case of more than just a coaccidental correlation could such effects of increasing equality be offset by the creation of more public sector employment

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<sup>8</sup> The 'difference principle' stipulates that inequalities can be tolerated only if they are to the greatest benefit of the least advantaged members of society.

<sup>9</sup> Reflecting the situation in the author's homeland Argentina, a theoretical model has been constructed to show that 'poor' people do not go to school, 'middle income' people attend public educational institutions and 'rich' people opt for private schools (Gasparini 1994).

(Atkinson 1996: 13)? The issue seems to be of rather marginal importance in relation to the employment question as such. Atkinson's investigation of the sources of the exceptionally large increase in inequality in the UK between 1975 and 1985 suggests that it 'could be decomposed arithmetically into around half due to the rise in earnings dispersion and a half due to the fall in the proportion of families with income from work from 80 percent to under 70 percent' (Atkinson 1996: 14). Indeed, the real issue is *jobless growth* rather than just the effects of (in)equality. Not less than 30 percent of the world's potential labour force is unemployed (ILO 1996) and hence gets no wage earnings at all, although their acquirement depends on these.

In regard to effects of inequality another issue is social discontent, socio-political stability and its consequences for the politico-economic environment and investment (Alesina and Perotti 1993). Such concerns encourage enquiries into the effects of certain policies on income distribution. It is rather clear, for example, that privatisation correlates with increasing inequality (Alexeev and Kaganovic 1995, Giuriato 1994, Ruhl 1993, Szekely 1995). Other objects of empirical research into correlations pertain to deregulation (Brenner 1991), commercialisation in agriculture (Minami 1994), trade liberalisation as against protectionism (with conflicting evidence for different parts of the world, see Fischer 1991), the bequest, inheritance and gift structures in private law, structural adjustment programmes (Van der Hoeven and Stewart 1993, White 1996), inflation (Silber and Zilberfarb 1994) and, of course, corruption.

Wong's conclusion that widespread corruption creates severe income distribution problems does not come as much of a surprise (1992). It shows, however, a certain awareness of the acquirement problem in the sense of undue enrichment. Indicative for a growing interest in this problematique is a book entitled *The winner-take-all society: How more and more Americans compete for ever fewer and bigger prizes, encouraging economic waste, income inequality, and an impoverished cultural life* (Frank and Cook 1995), that describes the development and growth of 'winner-take-all' markets. Siegfried, with different co-authors, set himself to an analysis of 'How Did the Wealthiest Britons Get So Rich'? (Siegfried and Roberts 1991), 'How Did the Wealthiest Americans Get So Rich?' (Blitz and Siegfried 1992), and 'How Did the Wealthiest Australians Get So Rich'? (Siegfried and Round 1994). Key notions are ownership of scarce essential resources, property development, exploitation of market disequilibria and the returns to scarce entrepreneurial and managerial skills.

Naturally, a major concern in terms of policy dilemma's is with the downside of processes of enrichment: exclusion and extreme *impoverishment*.

2.4 *The poverty problematique* More important than measurement of degrees of inequality in income distribution would seem to be an assessment of poverty. Here, one has to look beyond data generated on production and income and determine their significance for human beings. There is disagreement on the suitability of Gini coefficients as indices of poverty as against Sen's measure of inequality (Chaubey 1994), for example. The Human Development Report 1997 presents a *Human Poverty Index* (HPI), based on three variables: vulnerability to death

at an early age, illiteracy, and a less-than-decent standard of living comprised of a lack of access to health services, safe water and adequate food.

Of great sensitivity is the construction of absolute and relative *income poverty lines*, an exercise illustrative of the problem of converting everything into pecuniary values. To enable a clear determination of the number of people deemed to be poor both income in kind and basic needs (e.g. calorie needs) first have to be assessed and then transformed into pecuniary values. The measurement of poverty is of course extremely sensitive to the line chosen (Johnson 1996). In China, for example, the World Bank first raised the poverty line from \$ 0.60 to \$ 1.00 a day which raised the number of Chinese poor from under 100 million to over 300 million. Next, this poverty assessment lowered estimates of Chinese GDP per person measured on purchasing-power-parity (PPP) basis from \$ 2,500 to \$ 1,800. 'The world of statistics can often seem faintly unreal', the Economist notes (12th October 1996: 67). 'But the estimates put out by the World Bank and others matter because they affect the real world.' This is precisely the point. Poverty assessments serve as a basis for anti-poverty policies.

In 1996 the Netherlands government asked a team of economists of the Institute of Social Studies to evaluate twenty five *Poverty Assessments* that the World Bank did on African countries (Hanmer, Pyatt and White 1996b). The question was: 'what can we learn from these exercises?' One major conclusion of the study is rather disappointing: We can't learn much because there is something fundamentally wrong with those studies. Firstly, 'the various assessments use a bewildering array of poverty measures and it is only occasionally that two assessments use the same measure' (p.3). But more importantly, the reports get stuck in their money metric approach, producing percentages of poor people that tell 'us more about where the poverty line is drawn than the extent of poverty' (p.24).

The authors of this study also had to establish the contribution of the World Bank Poverty Assessments to an understanding of the dynamics of poverty in Africa. In this respect the reports had to be considered as being extremely deficient. The basic remedy envisaged is simply economic growth, requiring subsistence farmers to move into the market economy. In the light of evidence suggesting that even in the highly developed economy of the United States macroeconomic growth as such is not an effective anti-poverty tool (Blank 1991), this is a rather remarkable creed.

To get into a position for proposing anti-poverty measures it is necessary to move beyond the money metric<sup>10</sup> to *socio metric* methods, using participatory approaches to grasp power relations at the household level, including the dynamics of gender, assessing the assets base of the poor and looking into ways in which their rates of return might be increased: 'We conclude that analysis of the asset base of different socio-economic groups has to be combined

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<sup>10</sup> Critics of the money metric approach to poverty sometimes refer to the 'golden triangle' of field research of this nature, with the three lines running between the Office of the UN Resident Representative, the Ministry of Finance and the Intercontinental hotel.

with an understanding of how social relations effect the returns on ownership of these assets' (Hanmer et al.: 25).

What matters, in other words, is not static measurement of the extent to which an individual may be regarded as poor, but the dynamics of entitlement that lie behind poverty. In terms of policies the challenge is not poverty alleviation or relief but processes of empowerment.

We shall now examine how far entitlement systems analysis might assist in trying to understand socio-economic processes at the micro level. As stated already in the introduction, our attempt will be to look beyond income distribution while assessing the acquirement problematique. It is clear now that economics does have to contribute here - and hence some of the literature reviewed will have to enter into the analyses - but our study must be of an interdisciplinary nature. It is, indeed, a matter of political economy.

### 3. An Institutional Approach to Entitlement and Acquirement

*For I the LORD love law.  
I hate robbery and wrongdoing.  
Isaiah 61: 8a*

Life, in an economic-juridical sense, is a matter of making and taking claims. Thus, we may start our working days claiming access to a bicycle or motor car (usually with a little key) or to a train (usually with a ticket). We may then claim access to a building (an office or factory), and so forth. Apart from making such claims, we also have to accept claims. Normally these are undisputed. But in case of dispute people have to show that their claims are *legitimate*, i.e. based on entitlement.

*Entitlement*, as stated in the introduction to this chapter, is a function of both power and law. A right without power is not complete. The owner of a car, for example, becomes rather helpless once her vehicle has been stolen. Of course she may go to the police but as long as the command over her car has not been returned to her, she lacks a means of private transportation. Whether her formal right materialises in the form of realised claims depends on certain additional arrangements (e.g. insurance) and the relative strength of law in that society. Illegitimate power does give the possibility to claim but it lacks acceptability within the community one lives in and with that *security*. This is the position of the car thief. One might also think here of situations in which positive law is based purely on legalisation of power rather than processes of legitimation. Illustrative is the position of former rulers in the former German Democratic Republic. Living in a separate village for party leaders, their entitlements used to be above question. Six years after reunification, however, they received rather high prison sentences when the Constitutional Court in Karlsruhe ruled that the legal principle *Nulla poena sine praevia lege*<sup>11</sup> rests on the Rule of Law which comprises not just

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<sup>11</sup> No punishment without previous legislation

formal but substantial justice. Hence, a person responsible for 'extremes staatliches Unrecht'<sup>12</sup> could refer to the formal law on the basis of which he was acting, only as long as that type of state power actually existed (*Bundesverfassungsgericht*, 24 October 1996: 48-51). Apparently there are processes that can turn legality into illegality.

Entitlements analysis received a strong impetus through the work of Amartya Sen. In his *Poverty and Famines: an Essay on Entitlement and Deprivation* Sen tackles the problem of entitlement in regard to food. He explains some specific cases of famine by pointing at *entitlement failure*, rather than a decline in food availability (Sen, 1981). His further work, too, provides many illustrations of the need to move beyond pure calculations of aggregate economic variables.

Activities focused upon increasing productivity, imply change and change produces conflict in terms of rights and obligations. Entitlements analysis is a way of getting insight into such disputes. To understand this let us first take a juridical look at the acquirement problem.

3.1 *Law and society* In the library of the Harvard Law School an inscription proclaims: *Of law no lesse can be acknowledged than that her seate is the bosom of God* (W.F. de Gaay Fortman 1972: 16). Indeed, without law there would certainly be no personal security. Life would be reduced to pure robbery and protection against it, or, in the words of Thomas Hobbes, "The condition of man ... is a condition of war of everyone against everyone (*Leviathan* I,4). His *homo homine lupus est*<sup>13</sup> may be seen as a reaction to an adage from Caecilius Statius (219-166 B.C.): *Homo homine deus est si suum officium sciat*<sup>14</sup>. Law is, indeed, a way of making human beings realise their duties.

In situations in which there is no law, economic agents get faced with a dilemma between production and predation. It is interesting to note that even this question has been made subject to economic analysis, studying 'the appropriative interaction between a prey who tries to protect its own resources and a potential predator who tries to appropriate the resources of the prey' (Grossman and Kim 1994b). In another paper a two-person, two-period economy is constructed in which each person can consume, plant, transfer, or steal corn (Eaton and White 1991). Circumstances are found in which redistribution of wealth is Pareto optimal and increasing sanctions against theft are not.

Naturally, to protect regularised entitlement more is required than just sanctions on theft. In this connection, reference may be made to North, who stressed that where certain conditions for *path-dependent development* do not obtain, people tend to tune their economic activities towards (re)distribution rather than production (1990). Such redistributive activities

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<sup>12</sup> Extreme injustice committed under state authority

<sup>13</sup> Man is to man a wolf.

<sup>14</sup> Man is to man a god when he recognises his duty.

may manifest themselves in various different forms, including illegal behaviour. Indeed, the relationship between economic welfare and economic security appears to be quite complex, already in models of a purely theoretical nature (Grossman and Kim 1994a).

In modern days economic security requires primarily a well functioning state. At this point it may be useful to recall an important task of government in a free market economy, as conceived by Adam Smith: 'the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice' (Smith 1776: 540).

Through *an exact administration of justice* the state guarantees personal security in the sense of freedom from fear of violent attack against one's person or property. It should be realised in this regard that substantive law is only part of the legal system; other elements include procedural law, decision rules, personnel organisation and resources (Dror 1970). Law-declaring, law-enforcing and dispute settlement constitute, furthermore, only part of the regularisation of society. Other types of activities may result in the reconstruction or even unmaking of law. As Ghai has noted:

Law is not self-executing. It may open up possibilities, it may even facilitate changes and trends, but it is an instrument strongly susceptible to manipulation and neutralisation by other forces. To consider that the mere passage of a law has achieved its objectives is seriously to misunderstand the nature of law (1978: 123).

Law is, indeed, not a product, in the sense of a given set of rules and given procedures for their enforcement and for dispute settlement, but rather a process (Falk Moore 1978). Law is not a noun but a verb. It cannot be abstracted from its social context. The decisions people make are not only influenced by law but also by rivalry, social, religious or economic coercion, various types of inducement and collaboration. This is the perceptual background from which we shall now examine processes of implementing rights and duties.

3.2 *From rights to realised claims* Rights enable us, among other things, to participate in processes of production, distribution and consumption of goods and services. Economic rights represent 'the abstract acknowledgement of the legitimacy of claims to income and to participation in resource allocation' (Samuels 1974: 118). But the problem with rights is their relativity. One individual's rights are limited by another person's rights. Ownership, for example, is not to be regarded today as an absolute right 'to use and abuse' property but rather as a general presumption of entitlement on the part of the owner. Whether the owner's claims, indeed, will be realised, depends also on other people's interests and the possible protection of these interests through rights.

Behind different rights there are different interests. Rights legitimise claims only in so far as there are corresponding obligations on the part of others to respect these rights. This depends on the relative strengths of the respective rights. In a society that tries to settle

conflict through law, the conflicting interests are weighed against one another by some institution or person not part of the conflict, on the basis of norms.

Because of the general uncertainty as to the acceptance of a person's claims Samuels argues that rights cannot be regarded as pre-existing: 'The economic reality is that rights which are protected are rights only because they are protected; they are not protected because they are pre-existing' (Samuels 1974: 118-119). Here he confuses rights and effectuated claims as becomes further apparent in the sentence: 'Each present right is only one successful claim or expectation among others which did not materialize...' If, however, a claim does not materialise it does not mean that the person (A) had no (pre-existing) right. There was just something lacking in the conditions necessary for the materialisation of his claim. The problem may have been the existence of a conflicting claim by another individual (B) whose right had to take precedence. To say 'that for Alpha to have a right is for Beta to have a nonright, when both are in the same field of action' (Samuels and Kelsey 1991: 134) is a misunderstanding following from American legal positivism.<sup>15</sup>

Law, as we saw, is a process of continuous change in the way in which human behaviour is ordered through making and applying rules and settling disputes. Inevitably, legal rules are imprecise, requiring a non-mechanical application. This makes it impossible to determine in a normative and predictable manner which types of loss or injury to private persons should be compensated. The compensation problem, in other words, is theoretically insoluble (Samuels 1974, 1978, 1980).

Legal anthropologists have taken great trouble in trying to describe real types of legal order in terms of different distributions of rights and duties among individuals and groups. Such attempts are, however, bound to be frustrated by the radical indeterminacy of any type of legal order. The actuality of pre-existing rights does not imply a pre-existing legality since, as was pointed out above, one person's rights may collide with another person's rights or with public interests. Hence, Sally Falk Moore has proposed a conceptual framework that takes indeterminacy as the theoretical basis of social, cultural and legal relationships, an indeterminacy which individuals either try to exploit through 'processes of situational adjustment' or try to combat through 'processes of regularisation' (Falk Moore 1983: Ch.7).

Certainly, to have a title by no means implies to get one's rights actually realised. Rights are just *images* of power; to get a concrete claim realised certain action must be taken. Subjective rights, in other words, are generally *action-oriented*. This applies even more to rights of a subsidiary nature. Thus, there are many examples of people in destitute conditions

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<sup>15</sup> Samuels' view comes down to the belief that all subjective rights are merely fictions. This view was taken by Bentham who stated: "The word right is the name of a fictitious entity: one of those objects, the existence of which is feigned for the purpose of discourse, by a fiction so necessary that without it human discourse could not be carried on. A man is said to have it, to hold it, to possess it, to acquire it, to lose it. It is thus spoken of as if it were a portion of matter such as a man may take into his hand, keep it for a time and let it go again" (as quoted in Olivier 1973: 50). Today this view is taken by legal positivists, who refuse to discuss law in normative terms.

who do not succeed in acquiring the benefits intended for their welfare. Indeed, the problem of non-take-up of benefits is well known in the literature on social welfare.<sup>16</sup>

It is in these dialectics of law and power that people's entitlements get actually determined. We shall now examine various sources of structural possibilities to acquire.

#### 4. Entitlement systems

*There is no system in which each and every person decides his or her own wage/income.*  
Samuels and Kelsey

Sen's approach to the acquirement problem is based on individual entitlement while focusing on ownership:

In an economy with private ownership and exchange in the form of trade (exchange with others) and production (exchange with nature),  $E_i$  [the entitlement set of person  $i$  in a given society, in a given situation] can be characterised as depending on two parameters, viz. the *endowment* of the person (the ownership bundle) and the *exchange entitlement mapping* (the function that specifies the set of alternative commodity bundles that the person can command respectively for each endowment bundle). For example, a peasant has his land, labour power, and a few other resources, which together make up his endowment. Starting from that endowment he can produce a bundle of food that will be his. Or, by selling his labour power, he can get a wage and with that buy commodities, including food. Or he can grow some cash crops and sell them to buy food and other commodities. There are many possibilities... (Sen, 1981, 45-6).

What Sen describes here is the whole field of socioeconomic relations governed by private state law (principally property and contract). He disregards, however, the extent to which social order in society is based on interaction in and among organisations (Falk Moore 1983: 23). Indeed, the acquirement problem cannot be studied satisfactorily without a corporate focus. Individuals are members of various corporate groups. A corporate analysis is necessary to escape 'from the conventional Western juristic categories, which though very useful for some purposes, are more often than not narrowly addressed to a particular kind of property, a particular category of transaction, or a particular category of relationship, rather

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<sup>16</sup> A citizen who wishes to make use of her rights to a subsidy or welfare allowance has to cross at least five different barriers:

1. She should know that there is such a scheme.
  2. She should know where to get information about that scheme.
  3. She should overcome any embarrassment in collecting the information.
  4. She should be able to understand the information (the brochure) and to apply that to her own situation.
  5. She should fill in the forms while going through the whole bureaucratic procedure.
- One particular cause of trouble arises during the moment of applying. In an investigation into take-up of benefits in the Netherlands, Filet found that no less than 30% of the respondents were of the opinion that they had submitted a formal request for social welfare while the civil servants concerned felt they had just supplied information (quoted in Van Oorschot 1989: 9).

than to a social milieu in the round' (Falk Moore 1983: 25). A focus on the whole social environment reveals moreover, that people have not only rights but obligations as well, not only freedom but responsibility.

I discern four different entitlement systems:

1. Direct access to resources
2. Affiliation to institutions
3. Arrangements by the State
4. The international legal order

4.1 *Direct Resource-Connected Entitlement* The key-word in entitlement positions which are based on direct access to resources is the adjective *own*: his own land, her own labour, his own shop, her own knowledge, etc. Such ownership enables people to engage in transactions with others on the basis of rights and obligations. Indeed, property and contract constitute the juridical basis of such entitlement positions.

Here it is private law, as guaranteed by the state that is to provide security in the sense of "the predictive states of mind, the *expectations*, that result from assurances given by the law of property and contracts" (Karst and Rosenn 1975: 637). Thus a person who owns a piece of land may expect to be able to use its produce because society protects property, and a person who sells something under contract may expect payment because organised society has provided a regularised means of enforcing contracts. It is the law that enables individuals to make legitimate claims.

Unlike institutions with a 'real' existence, i.e. forming part of reality whatever their legal status may be, property and contract are not real things but legal constructions, conceptions created by law. As Bentham has put it: 'Property and law are born together and die together. Before laws were made there was no property; take away laws and property ceases' (De Gaay Fortman 1982b: 79).

Private law is based on individual freedom coupled with individual responsibility. It has developed mechanisms for weighing different interests against one another on the basis of universal rules which ought to be applied equally in equal cases. Thus it constructed a law of torts. Where other people's interests are harmed even an owner may act unlawfully and hence be condemned to restoration or at least compensation. Yet there remain many cases of damages without compensation because the action concerned was not considered to be unlawful (*damnum absque injuria*).

Direct resource-connected entitlement typically relates to a market economy based on freedom of enterprise and consumption and free exchange through a system of prices and markets. In such an economy there tends to be continuous change of which individual A, through the use of his rights, may benefit more than individual B. Thus, some people may see their wealth growing while others get into a state of poverty. It is not the primary function of private law to correct this. Beside freedom, though, it does accept equality as a legal

principle. This takes, first of all, a formal character (both partners in a contract are 'equal' before the law).

Through concepts like 'abuse of law' and 'undue influence' there has also been a growing attention for material inequality in the sense of inequality following from an unequal distribution of power. Principally, however, private law is not particularly well equipped to prevent substantial socioeconomic inequality from arising, nor to tackle the relative poverty resulting from such conditions (Langemeijer 1970: 41). It is, as Anatole France cynically remarked, the majestic equality of all before the law that prohibits the rich and the poor alike to sleep under bridges and to beg on the streets.

The debate in the British parliament in the early nineteenth century on the abolition of slavery presents an interesting example on the dichotomy between private law and public justice. While some members maintained that the masters must be compensated for the loss of their slaves Benjamin Pearson argued that 'he had thought it was the slaves who should have been compensated'. Samuels, who discusses this example in the framework of his analysis of the compensation principle, sees it as an indication 'of the need, in advocating public policy, of an ethical system, of a concept of justice' (Samuels 1974, 126 note 29). Although to some extent a 'socialization' of private law may well take place (De Gaay Fortman 1982a, 477-8) this type of law remains rather unrelated to social justice (Meijknecht 1987, 451). Its essence lies in the old Justinian precept *suum cuique tribuere* (giving everyone her due) in the sense of respecting existing rights rather than guaranteeing to people the entitlement that morally should be theirs. Modern systems of private law are of a 'universalist' rather than 'particularistic' nature. It is the market with its impersonal relationships, which calls for rules formulated in such a manner that they can be applied to everybody in a more or less predictable way. In case of dispute the idea is primarily to apply the rules pertaining to the case rather than restoring harmony. It is not so much the two individuals A and B (plaintiff and defendant respectively) but society as a whole that should be able to live with the decision in the case between A and B. Essential is a certain degree of legal security in the sense of predictability of legal decisions. For this purpose disputes are brought to a judiciary whose independence, impartiality and professional competence are considered to be essential. It is one of the tasks of lawyers to assist their clients in such a way that economic relations are embedded in a proper juridical setting. Thus, an adequate functioning of direct resource-connected entitlement in society requires much more than just a set of laws with jurisprudence.

4.2 *Institutional entitlement* As sources of entitlement, institutions may be seen as "semi-autonomous social fields". An institution is autonomous in the sense that it possesses its own rule-making capacities, and the means to induce or coerce compliance. It is only *semi*-autonomous as it is part of a larger social matrix which may invade into its autonomy (Falk-Moore 1983: 55-6).

An obvious example of such a *semi-autonomous social field* is the tribe which allocates access to the land together with entitlement to the fruits of its exploitation - usually under the chief's authority - at the same time expecting the fulfilment of various obligations. The (extended) family, too, is an important institution that regulates entitlement. But modern society, is full of such institutions as well, taking the form of associations rather than (primordial) communities.

Other institutions in which entitlement may be rooted are political parties, trade unions, schools, universities, sports clubs, churches and other religious organisations. Business organisations, too, tend to function as entitlement subsystems. As was shown already, a job usually means much more than just a transaction in which labour is hired for a certain price (*locatio/conductio operum*). Within enterprises people are likely to acquire substantial and complicated entitlement positions. Socio-economic security - the feeling of being protected against economic threats and risks - is derived from the relationship to such institutions.

While attempts may be made to rule modern institutions as Weberian bureaucracies, dispute settlement within such organisations tends to be of a more *particularistic* nature, i.e. it considers an individual's place in the system not so much on the basis of general rules, but according to her own relative authority within the association and the particular nature of the relationships in which she finds herself.

For different categories of people, peasants for example, in a certain area, or workers in a certain industry or people in the informal sector in a certain town, analyses might be made of their entitlement basis. This is, to a large extent, a matter of organisations, their relative power and their external and internal arrangements. In her paper on *Law and social change: the semi- autonomous social field as an appropriate subject of study* Falk-Moore presents such an analysis of the production of expensive ready made woman's dresses in New York:

The key figures in this part of the dress industry are the allocators of scarce resources, whether these resources are capital, labor, or the opportunity to make money. To all of those in a position to allocate the resources there is a flow of prestations, favors, and contacts, producing secondary gains for individuals in key positions. A whole series of binding customary rules surrounds the giving and exchange of these favors. The industry can be analyzed as a densely interconnected social nexus having many interdependent relationships and exchanges, governed by rules, some of them legal rules, and others not. The essential difference between the legal rules and the others is not in their effectiveness. Both sets are effective. The difference lies in the agency through which ultimate sanctions might be applied. Both the legal and the non-legal rules have similar immediately effective sanctions for violation attached. Business failures can be brought about without the interventions of legal institutions. Clearly, neither effective sanctions nor the capacity to generate binding rules are the monopoly of the state (Falk-Moore, 1983, 79).

Thus, an analysis of institutions as bases of entitlement and commitment should focus not so much on rules *per se* but rather on the sources of the rules and the sources of effective inducement, coercion and claiming. This appears to be largely a matter of networks and

people's position within these. In this respect, *marginalisation* may be regarded as a process of outplacng people in the sense of disconnecting them from effective networks.

One institution that does get an increasing attention among economists concerned with income distribution, is the family. Often, the standard of living of individuals does not depend so much on the income they themselves earn as on the total income of the household to which they belong and how the household organises the use of its income. In the light of intra-household gender relations the term 'organises' might be seen as a euphemism here. It is, indeed, through gender analysis that the public/private divide in economic analysis is gradually being broken.

4.3 *State-arranged entitlement* Today, access to health-care, education, police protection and other collective goods is largely regulated by the state. State law produced for this purpose tends to be of an instrumental character in the sense that it is supposed to support and promote policies for collective action. Processes of socio-economic collectivisation are based on interdependence within modern economies (De Swaan 1988: 13).

The state not only gives, it also takes, through various forms of taxation. Thus, it rearranges entitlement. Policies for this purpose are, however, not always easily accepted. People may try to circumvent laws by changing the situation on which their treatment by the state was supposed to be based. In reaction to increased taxation, for example, they may attempt lifting up the level of their deductible costs. One might call this *fiscalisation* of behaviour. It results in side law (*ius obliquum*) in the sense that not the intended effects of instrumental law but rather *unintended effects* predominate. A similar situation may arise in cases of subsidisation. People may try to fall into the category that would entitle them to a subsidy although clearly this subsidy was not intended for the likes of them. As an example we may mention subsidised housing of which persons in higher income categories manage to benefit. The opposite occurs when people in the lower income categories do not succeed in acquiring subsidies intended for their benefit (see above, footnote 16).

Indeed the modern State does not restrict itself to provision of collective goods; it also tries to implement policies on income distribution. To this end citizens are classified into different categories entitled to receive support, such as 'minimum incomes' or 'people living below the poverty line'. For administrative purposes such classifications have to be translated into legal categories. For reasons of distributive justice the definition of one social category leads to definitions of other categories that would otherwise get into an unfair position. Thus in the Netherlands in the 1980s thirteen different categories of 'social minima' had been defined. Schaffer speaks in this regard of 'the irony of equity' (Schaffer and Lamb, 1981). A bureaucratic measure in order to achieve equity results itself in new inequity that is corrected with a new bureaucratic measure, etc. Apart from financial problems - a high degree of taxation requires strong government and even then there will be increasing attempts at circumvention - bureaucratization constitutes a major constraint to state-arranged entitlement. There appear to be clear limits to the effectiveness of central administration.

Instrumentalist policies tend to be faced with not just side-effects and attempts to 'circumvent' intended entitlement reductions but also with a simple reluctance to obey the law. Thus, apart from a formal (official) sector and an informal ('circumventing') sector, an evading sector (black market) comes into existence. As a result it becomes rather difficult to analyse, let alone direct, processes of entitlement.

A general problem with state-arranged entitlement is its *subsidiary* nature. Subsidiary entitlement may easily be interpreted as charity. Actually, in practice there are no 'acquired rights' in the sense of a permanent and standing guarantee of entitlement by the state. New notions such as 'deregulation', 'privatisation' and 'no nonsense' may result in new policies with direct effects on the entitlement situation of certain categories of people. Indeed, state-arranged entitlement makes people dependent on those who are in a position to use (or manipulate) state-power. This becomes particularly problematical in situations of a *corruptive* nature in the sense that the whole process of declaring and enforcing State-law and settling disputes is misused for purposes other than their public-political aims. Where the distribution and organisation of power is of a highly personal nature - networks of patron-client relationships - the introduction of new authority for public officials might merely promote corruption. Corruption, in a general way, may be defined as the misuse of office. In terms of legal sociology it may be regarded as the combination of universalism in theory with particularism in practice. This way of putting things makes clear that some degree of corruption is bound to exist everywhere.

Obviously, state power may be used not merely to establish separate *state-arranged* entitlement systems but also to intervene in entitlement positions in general. To prevent undue intervention in private and corporate entitlement relations, corruption or, worse, tyranny, state power has to be depersonalised. The binding of all power, including that of the state, to law - 'not might but right' - is a first principle of the *Rechtsstaat* (a state ruled by law). Other such principles are democracy in the sense of accountability and substitutability of those executing state power, and a judiciary independent from the executive.

In a *Rechtsstaat* administrative law takes three different forms: law legitimising the execution of state power, instrumental law aiming at certain policy effects and law guaranteeing the rights of citizens in processes of collective action. Often these three different aspects can be found in the same Statute. As an example we may mention the field of environmental protection. The State should have power in this field, that power ought to be used for certain specified purposes and where it is used there should be guarantees for residents whose entitlement in terms of rights to health and well-being would be affected. Generally, in such an area of public policy, entitlement is arranged through a specification of duties including certain obligations on the part of the State. In a state ruled by law citizens may demand that these be maintained.

4.4 *The international legal order* National economies get increasingly affected by international economic integration. There are regional as well as global *supra-state* trade arrangements<sup>17</sup>. These have the character of structured interventions in people's entitlement positions - affecting prices, for example - rather than assuming the nature of entitlement systems in their own right.

There still exists a striking dichotomy between economic globalisation and the lack of global political control. What *The Economist* noted in 1930 is still true today: 'our achievements on the economic plane of life have outstripped our progress on the political plane to such an extent that our economics and our politics are perpetually falling out of gear with one another' (11 October 1930: 652). Conceptually, the foundation of a universal intergovernmental organization for peace and development may, indeed, be characterised as one of the few 'breakthroughs in twentieth century politics, regardless of how successful it has been in practice' (Bassin 1994: 1), but world government remains an illusion. While in a national context processes of social development could correct economic inequality and social imbalance, globally we lack such mechanisms. To global processes of *jobless growth*, for example, there are no global socio-political answers.

Yet, in one respect the international legal order directly affects entitlement positions: *Human Rights*. Human rights constitute a fundamental rights-based protection of human dignity. In a moral sense they are founded upon the general principles of freedom, equality and solidarity (brotherhood). Their specification in the *Universal Declaration of Human Rights* - generally considered as part of international customary law and hence globally binding - as well as various covenants, protocols and conventions of the United Nations may be seen as an attempt to bind power, including the power of the national state, to certain legally defined norms. Both civil and political rights - the 'basic freedoms' - and social and economic rights imply subjective rights and corresponding duties.

A supranational process to guarantee human rights to individuals effectively exists only in Europe. It is true that states are under a general obligation to respect and promote human rights but procedures to enforce their realisation by unwilling governments are of a political rather than judicial nature. In terms of individual entitlement people are dependent primarily on specification particularization) and positivisation (transformation into positive law) by the legislative, the executive and the judiciary as institutions of their national state. In that way, as an entitlement system human rights are of another character than the three types of entitlement systems mentioned above: They ought to get their proper place within national state-law.

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<sup>17</sup> In a previous working paper (De Gaay Fortman 1990) I confined this discussion to global human rights. It was Chris Kortekaas who drew my attention to *supra-state* arrangements affecting entitlements (see Kortekaas and De Gaay Fortman: 1995).

The dependence on national states in regard to implementation puts those who lack citizenship - refugees, for example, or stateless people - in a particularly weak position to enforce realisation of their human rights.

This is not to say that as a source of entitlement human rights are insignificant. Notably, it is not only the State but other institutions as well which may threaten as well as implement human rights. Binding the execution of power to a common (universal) morality of basic human dignity, translated into subjective rights and freedoms that should trump other rights, constitutes the essence of the human rights idea. Wherever power is executed and disputes arise, human rights may influence such processes as well as their outcome. 'The language of human rights', Justice Bhagwati has observed, 'carries great rhetorical force ... At the level of rhetoric, human rights have an image which is both morally compelling and attractively uncompromising' (Bhagwati 1989: 1). It is, particularly, the judiciary which may play an important part in translating this rhetoric into normative decisions. Judges tend to reason in an *evaluative* manner, not so much oriented towards goals but rather towards norms (Graver, 1989, 60). They judge facts in the light of set norms while balancing various values against one another (e.g. social justice versus economic effectiveness, equity versus legal security). In processes of evaluating different interests in the light of norms human rights may play an important part. In his speech to a human rights seminar in the Caribbean in 1989 Justice Bhagwati cited several cases in which human rights have been positivised by the Indian judiciary (e.g. free legal aid for criminal defendants, as a result of interpreting Articles 2 (3)(a) juncto 14 (3)(d) of the International Covenant on Civil and Political Rights).

Judicial activism in the positivisation of human rights is possible only where the judiciary is independent, creative and committed to human rights. But even then these rights will not lead to actual entitlement if law does not rule. It appeared to be difficult, for example, to implement the Indian Supreme Court's condemnations of bondage in outlying areas in which feudal landlords rather than the law were in control.

It is indeed in the institutions of society that human rights find their protection. In the area of civil and political rights it is now widely acknowledged that one should not expect their realisation in political structures of a dictatorial, let alone tyrannical nature. But economic and social rights, too, are more than just 'instructions' - whatever, in a juridical way, that may mean - to national states. These rights are not simply a matter of subsidiary arrangements by the state; they may play their part in all processes of entitlement. What is the meaning of a right to food or a right to housing, for example, in relation to property rights? In his *Poverty and Famines* Sen relates how during a famine in Bengal people were starving on the pavement of well-stocked food shops (Sen 1981: 63). Police protection was used here to prevent rather than promote a realization of the right to food.

The meaning of human rights is not just in a vertical relationship between legal subjects and the state; they also have a horizontal significance in the relations between people. What strikes in Sen's example is the apparent passivity, not just of those suffering from entitlement failure but also of government actors and other economic agents concerned.

Notably, the human rights idea is more duty-oriented than is often realised; what matters is not just one's own rights but the rights of all these other human beings. This gives these rights a substantial role in processes of entitlement despite their dependence on the State when it comes to particularisation and positivisation. Through their influence on entitlement human rights necessarily enter even the realm of economics.

Finally, before concluding this section, I wish to emphasise that naturally, these entitlement systems never operate in any pure form. In reality economic agents are faced with mixtures of entitlement subsystems. In our efforts to analyse what is happening to people's entitlement positions in processes of change, it may help, however, to disentangle such subsystems while interpreting each of these in the light of our understanding of the entitlement system to which it shows resemblance. In the next section this will be illustrated in regard to development.

## 5. Entitlement and Development

*Do not attempt to do us any more good.  
Your good has done us too much harm already!*  
Sheikh Mohammed Abduh (1890)

It is, particularly, in regard to *development* that the relevance of an entitlement systems approach to the acquirement problem manifests itself. This term has the connotation of improvement of a *structural* nature. But what should be structurally improved? We discern three different meanings:

- (1) The development problematique is of an economic nature. Development implies improvement of the *economic structure*, restructuring the economy in such a way that with available resources at least people's basic needs can be satisfied. The challenge is *to increase productivity*.
- (2) The development problematique is of a *macro-political* nature. What should be improved is the *economic order*, i.e. the distribution and way of control of economic power. The challenge is *to reduce dependency*, both internationally and within the national economy (a dominant private sector).
- (3) The development problematique is of a *socio-cultural* nature. What should be improved is the *social order*, particularly the opportunities for people to achieve better living conditions through their own decisions and their own efforts. The challenge is *individual and collective empowerment*.

Clearly, we here have three different interpretations of the acquirement problem under conditions of structural deficiency. Each of these three notions of development will now be reviewed while paying special attention to questions of entitlement.

5.1 *Development as increasing productivity* In the industrialised countries productivity has increased greatly through division of labour and specialisation with technological advancement based on the exploitation of economies of scale. A process of intensification of agriculture, industrialisation and urbanisation has resulted in significant increases in average living standards. Even when it is conceded that there is no automatic trickling down process ensuring the elimination of poverty, the first challenge in this view remains to increase the cake before trying to share it fairly.

In the Western world this has resulted in a development strategy based on free enterprise, open competition and a market economy. It implies, as was shown above, direct resource-connected entitlement within the framework of a universalist legal system.

In their case book on *Law and Development in Latin America*, Karst and Rosenn show the problems arising with the introduction of a universalist legal system in a society with a predominantly particularistic legal culture (Karst and Rosenn, 1975, 638-9). In Latin America it appears to be difficult for the universalist system to find any proper place at all, since personal connections still tend to triumph over a system of rules. This situation has its roots in the way the rules were introduced and applied in the colonial period. In a study of the colonial heritage of Latin America, Stein and Stein conclude that 'To the elite law became a norm honoured in the breach. To the unprivileged, law was arbitrary and alien, therefore without moral force' (Karst and Rosenn, 1975, 701).

The institutional requirements of a market-oriented development strategy should not be underestimated. It implies a general transition from production-based to exchange-based entitlement. This requires a stable currency so that both in calculation and in actual exchange entrepreneurs stand on firm ground. For that purpose a high degree of independency on the part of the Central Bank should be assured. Furthermore, there should be a properly trained and independent judiciary making sure that disputes likely to increase with a transition from a subsistence to an exchange economy are settled in such a way that society can live with it. Of course, the freedom of the market economy cannot be a freedom to reap another person's harvest or to transfer another person's harvest to one's own stores. It is a freedom within the boundaries of the law. In implementing this law, society is more reliant on general respect for law and order than on the establishment of courts and bailiffs. Indeed even the market economy requires much more than just a set of laws; there has to be a mentality of professional honesty and integrity. This applies particularly to book keepers, auditors and managers, who constitute an especially significant group in the market economy.

In terms of entitlement some more problems are likely to arise. Specific attempts to modernise the economy often fail because traditional structures of entitlement have been neglected (Schott, 1980). Where the entitlement structure changes from institution-based to direct resource-based entitlement, processes of marginalisation of the weaker members of the community are likely to take place. Generally, as we saw, processes of direct entitlement may result in structurally increasing inequality. People may easily lose their access to land and/or capital goods while getting into the position of 'the unprotected worker' (Harrod, 1987). In

Latin America this has been the fate of the indigenous population in processes of agricultural commercialisation: from subsistence peasants to subsistence workers. In India the introduction of green revolution technology has seriously affected the entitlement positions of the weaker groups in rural society.

In terms of productivity the subsistence economy suffers from a serious flaw: lack of productivity. Hence, "to bring subsistence farmers into the market economy" as the World Bank sees it, seems to be a natural development strategy. But subsistence production does mean production-based entitlement, and that eliminates the problem of distribution. It is, indeed, generally accepted today that in reality automatic 'trickling-down processes' do not operate. Seers, for example, has thoroughly explained why GNP can grow rapidly without resulting in any reduction of poverty, unemployment, and inequality, while certain types of growth may actually cause social crises and political upheavals (Seers 1972: 22). In his study of development strategies and the rural poor Saith came to the conclusion that 'if the required employment and food balances are violated, the process of growth in any egalitarian institutional environment is likely to have regressive distributional consequences' (Saith, 1989, 43).

With its money metric approach orthodox economics already faces difficulties in just measuring the value of subsistence production and hence subsistence income (Van Heemst 1984). Consider Usher's shock when he visited Thailand and noticed a major contrast "between what I saw and what I measured". He had computed statistics of real national income "showing people in Thailand to be desperately if not impossibly poor". What he saw, however, was a people "obviously enjoying a standard of living well above the bare requirements of subsistence". He decided to believe his eyes rather than his figures: "...there must be some large and fundamental bias in the way income statistics are compiled...Something is very wrong with these statistics" (Usher 1968). Other observations confirm this point (De Gaay Fortman 1980: 112-113).

It is not just the value of subsistence production that tends to be underestimated but the legal systems in which it is embedded as well. In his paper with the appealing title *Why the 'haves' come out ahead* Galanter has pointed to four factors explaining practical inequality in a society based on the principle of legal equality: the different strategical positions of parties, the role of lawyers, institutional facilities and characteristics of the legal rules themselves. In developing countries those who lost their traditional access to the law while not knowing how to manipulate the legal system will be particularly active in 'lumping' (skipping) the law (Nader and Todd, 1978,8). 'This is done all the time by 'claimants' who lack information or access or who knowingly decide gain is too low, cost too high (including psychic cost of litigating where such activity is repugnant)' (Galanter, 1974, 124-5).

Although in a state of continuous marginalisation, traditional institution-based entitlement is not always irrelevant. Schott, for one, has given a number of examples of failures in development projects in Ghana due to ignorance of traditional entitlement structures (Schott, 1981). It is important to regard customary sources of law not so much as possible

constraints to processes of modernisation but rather as guarantees against growing inequality and marginalisation. If traditional institutions really have to go, then they should be replaced by new entitlement processes, also rooted in firmly built institutions. Indeed, there appear to be substantially negative consequences of a process of continuous marginalisation of traditional (customary) law. On the other hand we do come across situations of what may be called a small capitalistic nature in which peasants use new market opportunities while their entitlement basically remains within the sphere of traditional law (De Gaay Fortman, 1990, 240).

With a change in the entitlement structure people have to be made aware of their new rights. (The loss of old rights will be evidently noticed.) A second problem is their access to a new system of settling disputes. Those who often profit from the imposition of centralised universalist law are the legal and paralegal professionals. 'Those who often suffer are the preliterate, the illiterate, the common people closest to urban centres - people whose indigenous systems of law are sabotaged under pressures of modernization' (Nader and Todd, 1978, 2).

In developing countries the marginalisation of traditional institutions has generally resulted in a vacuum in the sphere of 'meso-structures' or to use a revived expression, 'civil society'. There is a lack of strong, properly functioning institutions in between the macro-bureaucracies of states and giant corporations and the micro-structures of more or less extended families. In development processes in the sense of attempts to increase a country's productive potential, the transition is often from institution-based entitlement to direct resource-based entitlement. To prevent a growing inequality and resulting patterns of poverty, development policy might rather attempt to find transitions from traditional institution-based entitlement to entitlement processes rooted in new institutions. Since institutions cannot be satisfactorily imposed upon people from above; this implies more *participatory* types of development, as will be discussed below (5.3).

*5.2 Development as reducing dependency* Dependency is viewed primarily in an international context, as 'a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected' (Dos Santos, 1971, 271). Efforts in the seventies to correct this situation by creating a New International Economic Order (NIEO) have not met with much success. Significant changes in the distribution of power are rarely achieved at the conference table. Within the national economies of the newly independent countries a remedy was sometimes sought in control of the dominant sectors (the export oriented enclaves) by the state. Such state-oriented development strategies were regarded as necessary in the struggle against 'neo-colonialism' and 'neo-imperialism'.

In attacking the power of the Transnational Corporations (TNCS) these strategies have not been very successful. Usually, the TNCs could maintain their power (including the possibility of expatriating profits) through management contracts. The creation of state

corporations and parastatals did, however, affect processes of entitlement. A new type of institution-based entitlement came into being: membership of the ruling political party or other forms of affiliation to the institutions of the State that entailed special forms of access to collective goods and services and State-connected sources of income.

A state-oriented development strategy may not only transfer a major part of the economy to the collective sector, it may also manifest itself in price manipulation through taxation, subsidies, incomes policies and price control. For agricultural commodities, prices may be set directly, using monopoly marketing boards. Of course these policies directly affect entitlement. Those who generally benefitted from such development policies were mostly the urban consumers; those who suffered tended to be the rural producers. The latter could react by avoiding the law or by 'lumping it'. Where producer prices are subeconomic a lot of produce will tend to be sold in black markets.

Tanzanian land reform after independence presents an interesting example of avoidance of new laws rearranging entitlement. As early as 1962 President Nyerere expressed his concern with freehold tenure:

The government of the one-party state must go back to the traditional African custom of land-holding. That is to say a member of society will be entitled to a piece of land on condition that he uses it. Unconditional or 'freehold' ownership of land [which leads to speculation and parasitism] must be abolished (in Rosen 1978: 19).

The new policy resulted in a new land law in which title was dependent on appropriate land use, defined to mean cultivation by the fifth year of occupancy of five-eighths of the land leased. In order to avoid losing their titles, absentee land-owners now planted long-term crops such as coffee and citrus but then left them untended, thus failing to increase local food production. Under the new law land could still be sold, but with the consent of the government, and Valuation Officers had to establish the value of the improvements. Those officials were, however, also responsible for the collection of transfer taxes. Since these taxes increased with the value of the land, there was a constant tendency to upgrade that value with little regard for actual improvements. Rosen analyses this situation in his review of law as an instrument of development and concludes that:

... despite the claim that private ownership would be brought to an end, the rights of Tanzanian landholders probably remain as great after the passage of the new land laws as before. Landholders still have the right to develop their land through the use of wage labor and to sell that land for profit. The new laws may have decreased the farmers' security in the land but their ability to transfer land has changed less than have the procedures for alienating it (Rosen, 1978, 20-1).

The reason for this legal reform was the fear that the continuation of freehold after independence would result in the formation of a class of African landlords. Instead, another elite has emerged: the new bureaucrats (Ergas, 1979).

The problem with public officials in Africa is that their attachment to their office is often in terms of personal entitlement rather than legal and moral obligations. The term 'personal' should not be understood as 'individual' here. These civil servants live in constant awareness of their communal obligations but those are not the same as civil duties (Jackson and Rosberg, 1985, 52).

Unfortunately, most African states can be described as marginal in the sense of lacking internal legitimacy. 'The national realm of open, public politics that usually existed for a brief and somewhat artificial period before and immediately after independence has withered and been supplanted by personal power, influence, and intrigue in most sub-Saharan countries' (Jackson and Rosberg, 1985, 52). The problem is not just the 'softness' of state institutions but their total lack of relevance except in regard to entitlement for those instrumentally attached to them. Indeed, in societies in which knowing one's rights matters less than knowing one's friends state-oriented strategies for development are bound to fail in terms of both productivity and equity. State power becomes the *dominant social good* in the sense that those who have it "can command a wide range of other goods" (Walzer 1983: 10). Under such conditions economic development gets seriously hampered while politics takes the form of a fierce fight for state-arranged entitlement positions.

In modern society state-arranged entitlement is, of course, inevitable. A general problem in socioeconomic processes involving state-arranged entitlement is, however, that rights and obligations are not as closely connected within the same structures as is usually the case in other entitlement systems. Particularly in the provision of social services a separation of benefits and contributions cannot be avoided. This drawback is likely to be of lesser significance when the supply of collective goods is a result of genuine processes of collective action based on a general awareness among the citizenry that protection against the risks in question is in the public interest (De Swaan, 1988). In developing countries, however, such goods are often imported in the same way in which individual goods get to the local market. While colonial rule meant rather thinly spread administration (Killingray, 1986, 413), the marginal state inherited at independence has now got overburdened with tasks for which it never received the proper political, legal, economic, social and cultural equipment. In Africa, this constitutes a major constraint to development.

Where development policies result in undesirable effects on primary entitlement often the reaction is not to rethink development but rather to look for compensation in state-arranged schemes of subsidiary entitlement. With a relatively strong state such schemes may meet with some degree of success (see, for example, Kohli 1989 on a 'Food for Work Programme' in West Bengal) but marginal states are bound to fail in achieving both efficiency and equity in this way.

In reaction to the marginality of some states in developing countries two different tendencies may be observed. The first is a 'structural adjustment programme' as requested by international financial institutions such as the World Bank and the International Monetary Fund. Deregulation and privatisation, however, require not a soft but a strong state, as

experience in Western industrialised countries has demonstrated. This is less paradoxical than at first sight it might seem to be since, as was already observed, a market-oriented development strategy implies a number of important institutional demands. If deregulation is simply regarded as a return to nineteenth century capitalist *Gesellschaft*-types of law it would merely 'help to legitimate a legal order based on social and economic inequality' (Hepple 1988: 165).

A second type of reaction to the paradox of the overburdened marginal state has been the replacement of state-arranged entitlement by new frameworks administered by non-governmental development organizations. The snag here has been noticed by Saith, in relation to rural poverty:

Arising from an increasing awareness of the inability of the official delivery systems to reach the poor, who have virtually no representation in them, there has been a general drift towards reliance on the institutional form of the non-governmental development organisation as a device for affecting this transfer of official or other resources. Bootstrap operations and self-help schemes abound and are intended to provide an appropriate institutional framework for generating a reoriented pattern of development. However, these schemes even collectively constitute a very minor change ... In addition, virtually all such NGDOs carefully circumvent most structural issues to do with the organisation of labour as a collective countervailing force, or to do with access to laws (Saith, 1989, 53).

Although the last observation might be regarded as an exaggeration, Saith certainly has a point here. Where processes of entitlement require collective action for the provision of collective goods, NGDOs tend to be poor substitutes for state institutions. Often the sphere in which they operate is one of particularism, with power rooted in relations to foreign donors rather than in social relations directly involving the 'target groups'. The typical role for NGDOs is in the construction of civil society (the 'meso-structures') in an economy in which division of labour, specialisation and exchange gradually take the place of subsistence production. Thus they would, indeed, contribute to institution-building albeit of a different nature than in the provision of collective goods and services.

Non-governmental organisations cannot solve the problem of dependency where national states are weak, nor can they replace the state in its function as guardian of personal security (Rothschild 1995: 80). Effective supranational authorities based on processes of not only economic but also political integration could. But for most developing countries such institutions have not yet been formed. Hence, the decline and fall of marginal states remains a cause for concern.

5.3. *Development as empowerment* In socio-economic policies three different notions of poverty may be discerned. First, poverty is regarded as *abnormality*, as a deviation from the 'normal' pattern, as a disturbance of law and order. Hence, poverty would have to be isolated from the rest of society. The poor are the rebels, actual or at least potential. In former ages this view resulted in the construction of 'poor-houses' or 'work-houses', where the poor were

being forced to work. Today we may think of certain suburbs or shanty-towns that have got the character of ghettos. Because these places cannot be completely cut off, the rich feel they also have to isolate their wealth from the poor by big walls, dogs and guards. On an international level this is done by a rigorous visa policy combined with a thorough protection of the borders ('fortress Europe').

A second way of looking at poverty is to regard it as *need*. The poor are the needy, the destitute. They should be helped. Of course, they should themselves cooperate in the process of 'aid to the poor'. Thus, poor people should concentrate on their basic family needs. In the thirties, in England for example, this view led to quite some discussion on the question of what poor people really needed. Naturally, the first change in their own consumption pattern should be to avoid pubs. Beer is not good, but also newspapers are not really necessary, and what about birthday presents? Some relief workers felt these should also be avoided, others regarded birthday celebrations as part of basic needs.

The point is that in this second view poverty is regarded as a phenomenon of an absolute nature. Why do we sometimes see television antennae in slum areas with undernourished children? Because television is part of modern society and needs are of a social rather than individual nature. This insight results in a third way of viewing poverty: as *social injustice*, as a consequence of socioeconomic exploitation and, in a modern context, *exclusion*. Indeed, processes of exclusion of some groups of people - as manifesting themselves at practically all levels: the labour market, education, health etc. - are not unrelated to processes of advancement. As Elliott has argued, "both exclusion and downward mobility, which are no more than the processes of relative and absolute impoverishment, are most frequently the reverse image of the enrichment of another group" (quoted by Gore 1994: 14).

Thus, poverty is primarily relative, rather than absolute. The poor are victims of unequal patterns of distribution of power. Poverty, basically, is a matter of inadequate positions in entitlement systems. An unequal distribution of power is rarely corrected from above, as a kind of favour. It can be rectified only through *emancipation* of the poor themselves or, in other words, 'development from below'.

Indeed, law often has to be seen as a constraint to efforts towards *inclusion* rather than as a resource for the poor. *Laws grind the poor and rich men make the law*, goes a 17th century song quoted by Hill (1995). Indeed, Sen concludes from his analysis of famine that "The law stands between food availability and food entitlement". It has led him to work on *strategies of entitlement protection* (Drèze and Sen 1989). The question is, indeed, whether, in the words of Keynes, men should always die quietly? He believed not: "For starvation, which brings to some lethargy and helpless despair, drives other temperaments to the nervous

instability of hysteria and to a mad despair" (Keynes 1920: 213). Illustrative in this connection is the old Dutch parable of the 'beggarman' and the 'nobleman'.<sup>18</sup>

Entitlement, it may be recalled, is a matter of both power and rights. Since power is unlikely to be properly distributed from above, it has to be acquired from below, through cooperative action by those who lack entitlement. Karst and Rosenn's discussion of Bolivian land reform in 1952-53 is entitled *Land Reform First, Then Law*. 'Effective land reform in Bolivia occurred when the *campesinos* occupied the great estates, ejecting both owners and administrative foremen' (Karst and Rosenn 1975: 650). This land reform was followed by a great deal of legal activity arising out of the peasants' desire to stabilize the situation by acquiring proper titles. In Latin America this is still a prevailing 'development' strategy among the poor. Thus, in 1996 some hundreds of people illegally occupied land as squatters in Sao Paulo and started an (in the end successful) struggle to get their titles recognised.

Thus, emancipation-oriented strategies for development primarily aim at social rather than legal change. For those involved in 'self-help' action against positive law it is important that they can base themselves upon a universally accepted morality. It is here that human rights may play an important part, especially social and economic rights such as the rights to work, food, health, education, clothing and housing.

In Roman law we find a specification of an economic right in the rule 'Nemo de domo sua extrahi debet' (Nobody should be ejected from his own house). Acceptance of the right of squatters to occupy a building kept empty for purposes of speculation, such as has become legal practice in the Netherlands, goes a great deal further in positivisation of a right to housing. Thus, economic and social rights may have an impact beyond the policies of the state while influencing social and economic relations among people. This is termed their 'horizontal operation'.<sup>19</sup>

A first step in any entitlement-oriented development strategy remains *conscientisation* in the sense of promoting people's awareness of their human rights. But the real challenge is to build institutions in which realisation of these rights finds its guarantees, in the first place through unionisation of the poor. Empowerment requires a thorough grounding of entitlement in well-functioning institutions. Development appears to be indeed, first and foremost, a matter of institution-building and institution-strengthening. In the first period of development cooperation - the fifties and sixties - this view used to have a certain influence on policies of

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<sup>18</sup> While passing the nobleman's land the beggarman asks him: 'Whose is this land?' 'It is mine', is the answer. 'And how did you get it?', the beggarman continues to ask. 'Well, I inherited it from my father'. 'And how did he get it?' Well, he inherited it from my grandfather'. 'And he?' 'From my great-grandfather', is the answer. 'And he?' So they go on and on until they come to a great-great-...-great-grandfather who lived in the middle ages. Here the nobleman has to reply: 'He fought for it!' 'Ah', says the beggarman, 'shall we fight for it again?'

<sup>19</sup> For a horizontal functioning of social and economic rights, those who claim on the basis of these rights clearly have to take action. Through action first, and acquiescence to the new situation later, a pre-existing illegality may be turned into legality.

international agencies such as the World Bank. During the later seventies and the eighties 'no-nonsense politics', 'the new realism' and 'supply-side economics' resulted in significant changes in development policies. Entitlement analysis may support a return of development policy to its core: *institution-building*.

## 6. The challenge of operationalisation

*What we cannot formalize,  
we simply do not see.*  
P. Krugman

In development policy the three different views on development as described above are found in various mixtures, although development as empowerment of people ('alternative development') has never been at the forefront. But since the eighties, the major focus is clearly on productivity. Etatist development collapsed in 1989 together with the Berlin wall. It has also increasingly been realised that plan and market cannot be mixed in the same way in which a woman, in Marx's metaphor, cannot be a bit pregnant. Thus, we also saw a collapse of confidence in the parastatal enterprise. While naturally a market sector of the economy can coexist with a state sector - the so-called *mixed economy* which is the prevailing type of economic order everywhere - , it is not very helpful to attempt integrating market elements into the planning system or vice-versa.

Yet, evidence such as brought forward in this chapter also suggests that growth, even if structural, is not the right instrument to attack and prevent poverty. It is particularly in two major areas of policy that we notice fundamental deficiencies of a purely productivity oriented development strategy: structural adjustment and transition.

The first, then, is structural adjustment. Its effects in regard to poverty were already mentioned above. Elson examined structural adjustment models theoretically from one particular entitlements perspective, *viz.* gender. She concludes that these models, besides having closed their eyes to gender, are also blind to everything else beyond their macroeconomic perspective (1995). Hence, not without reason UNICEF has advocated qualifying structural adjustment programmes *with a human face*. In practice this leads merely to policies of a remedying nature, rather than a fundamental change of the model itself.

The second area in which pure growth-oriented strategy meets with obvious drawbacks is transition. A radical transition from centralist socialism to a market-oriented economy was in itself inevitable. But, while there is no workable substitute for *markets* as a system for coordinating production, distribution and consumption of goods and services, one should realise that it is not markets which are delivering output; markets just set the rewards for productive activities (Maital, 1993). Taking the transition process in Russia as an example here, neither Yeltsin nor Gorbachew, seemed "to appreciate that increasing economic efficiency is merely a means to an end, and that end should be an improved standard of living

for the average Russian citizen. Successful economic reform requires more than closing down unproductive factories" (Goldman 1992: 76).

The first three years of reforms in Russia resulted in a process of mass impoverishment that brought the share of the population with an aggregate per capita income below the officially set subsistence minimum to about 30 percent, of which 5 percent starving (Tchernina 1995 131). This frightful trend of *reverse development* still persists. What went wrong? "It was a mistake to plunge head down into the water, as we did in January 1992", commented Prime Minister Chernomyrdin on the preference for authoritarianism expressed by the Russian voters in the parliamentary elections of December 1993. "Where in the reform programme do we find the human being?", wondered Tatiana Zaslavskaya, a sociologist who criticised the Soviet economic system in a famous report of 1983. Reforms in Russia have failed so far because people were unprepared for them, because they were imposed from above, because there was no integrated approach to the economic, political, legal, social, cultural and psychological aspects of transition and because they lacked subtlety and graduality (De Gaay Fortman and Tarifa 1995).

It is held here that an entitlement systems approach to the challenges of transition would have prevented two major mistakes. The first difference is that its focus on the human being would have resulted in a more gradual implementation of reforms. The point is that liberalisation not just sets the stage for the market but also causes a major shock to the operation of entitlement systems: from state-arranged to direct resource-connected. The second error is a failure to properly assess the nature of institutions. The state under centralised socialism is entirely different from the capitalist state. Here we touch upon a basic mistake in transition processes from a centralised command economy to a free market system. In real existing socialism, there is already a state, is the idea, but it is just too big. What is needed beyond liberalisation of trade and finance is deregulation and privatisation. But even in the already functioning market economies deregulation means in effect re-regulation. As Hepple has observed:

The common future of the modern trends to deregulation is not that state intervention is made to disappear so as to revive a lost ideal of the 'pre-intervention' state. It is rather that the priorities of an interventionist state, and its methods have been changed. Instead of giving priority to state policies such as the protection of tenants or of individual employees, the overall objective of the state has been redefined as being the *revitalisation* of the profit-based market economy. Business men and others are being freed from legal responsibilities which might prevent them from responding effectively to changes in the market. The return to markets of freely contracting individuals responding to the price mechanism (generally on the basis of private ownership) does not mean an absence of legal intervention. On the contrary, it means an unprecedented increase in the regulation of society by the mechanisms of private law (1988: 165-6).

In fact, deregulation without re-regulation and privatisation without ensuring competition just meant enrichment of a very small number of people and impoverishment for the rest.

So the challenge remains to put the entitlement systems approach in practice. Operationalisation appears to be rather problematical, however, as becomes apparent in failures to implement combined strategies of growth (of productivity) *and* redistribution. It

should be noted here that redistribution is usually regarded as a matter of correcting the outcome of the economic process as it would have taken place without intervention. It is, in other words, seen as a matter of justice in the sense that an intolerable outcome of the economic process should be accommodated through corrective mechanisms. In practice, however, this appears not to be easy. In Brazil, for example, a development strategy based on three stages - first *productivismo*, then *redistributivismo*, and finally *desenvolvimento social* - always kept stuck in the first phase (De Gaay Fortman 1981: 106). The 'relative and absolute impoverishment induced by the increase in productivity', as she saw it, provoked Irma Adelman to a strategy of *redistribution before growth* (Adelman 1979). But politically a programme of land reform, for example, before any major development in the agricultural sector appears not to be easy. The same applies to *redistribution with growth*, as advocated by Jolly (1975).

The point is that any focus on the acquirement problem implies a *qualification* of growth. Policies for increasing productivity have to be checked right from the start on their entitlement effects. But how to convince economists, and with them politicians, that an entitlement systems approach has to become operational?

Orthodox economics, as we know, understands only one language: mathematics. Krugman, for example, recognised the need for a translation of his theory on economies of scale through construction of mathematical models based on all sorts of bold assumptions. This has been successful in the sense that it is now widely realised that "the production of goods and services tends to take place under conditions of economies of scale" (Hilhorst 1996: 1). Sen's effort to start similar exercises for entitlements analysis ( $F_j$ , as maximum food entitlement of group  $j$ , given by  $q_j p_j / p_f$ , etc., Sen 1981: 50) may have helped to legitimize entitlement among our orthodox colleagues. However, Gasper is right when he observes that entitlements theory is not a causal model (1993: 709), and hence it should not be presented as such.

Although we may make progress in a further systematisation of entitlements analysis, we should realise that the approach will have to remain, in essence, qualitative. (As is true for ecological approaches, no matter how much advance is made in exercises like green accounting.) Entitlements analysis requires a socio metric approach based on participatory methods of finding out what is happening in the life of human beings.

Such analysis is, however, not something new. In development policies gender effects, for example, are checked more and more in advance, and the same applies to environmental effects. More generally oriented entitlements analysis could learn here.

Thus, the challenge remains to move forward towards analyses that look beyond money values and even income distribution, interpreting costs and benefits in a wider normative sense as affecting the full human being and the communities in which she lives.



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