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NOTES ON INCOME DISTRIBUTION AND REDISTRIBUTION
STRATEGY IN LATIN AMERICA

By

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1. General approach

In these notes an attempt is made to examine the objective conditions and basic assumptions on the basis of which to formulate income distribution and redistribution policies that should orientate in the present-day Latin American economies, and to contrast them with the situation prevailing in the industrialized capitalist countries.

Income distribution policies are considered to be those which are aimed at or bring about changes in the conditions determining the "original" distribution of income. What are known as redistributive policies merely involve subsequent changes in that distribution. Logically enough, it is not a question of watertight compartments and, in practice, mixed policies may be identified.

The aim is to derive from this contrast the strategy and tactics of a distributive and redistributive policy with a distinctly progressive bias suited to the real situation in Latin America.

In opening this discussion it is useful to emphasize the interdependence between the three basic elements of policy formulation: the diagnosis, the objectives and the instruments.

The importance of the diagnosis is obvious since the idea is to modify specific situations, which are those underlying the nature of the change to be introduced. It is therefore necessary to identify these situations, and the alternative project, i.e., the objectives,

^{1/} This paper is an advance partial and preliminary report on research which is being carried out by ECLA and in which the writers are participating. In any case, the writers assume sole responsibility for the ideas expressed therein.

/which will

which will inevitably have a strong value content. "Progressive income distribution" is similar to the story of the giraffe: it is hard to describe it accurately but everyone recognizes it.

Lastly, the instruments are designed to give life and body to the objectives. Needless to say, the three aspects - particularly the objectives and the instruments - are closely interdependent.

2. The diagnosis, objectives and instruments of income redistribution policy in the developed capitalist countries

The redistributive philosophy of the "supra-developed" countries is rooted in a diagnosis-reality which has taken definite shape in recent years: high absolute levels of income; "special cases" of by-passed sectors (old people, minorities against which there is discrimination, etc.); homogenized economies which are highly flexible in responding to changes in the demand system; a high level of organization of practically all social groups in defence of their basic interests, which responds to the similarity of their objective places in the production system. An important result of this situation has been the fact that wage-earning groups, far from directly questioning the existing order in those countries, have exerted redistribution pressures through trade unions or wage claims.

Hence, from those conditions emerged the redistribution-oriented objectives, which, it must be recalled, were considerably influenced by historical circumstances, such as the Depression of the 1930's and the fear of its repetition in the post-war period.

/In short,

In short, the main sources of concern, rather than being connected with the distributive structure,^{1/} are:

(a) the attention given to the employment problem and the general rate of economic activity;

(b) socio-political concern with respect to the most urgently "needy situations".

Clearly, the first point practically covers the basic claims of the broad majority. Accordingly, the objectives referred to in paragraph (b) involve only a subsequent modification of the original distribution and represent the purely corrective character of the measures implemented. Briefly, they are not intended to affect the structural bases of the original distribution and relate to a "monetary image" of redistribution which by taking away purchasing power from the high-income groups seeks to distribute it among the less favoured sectors, changing in the process the composition of demand and, as a direct result, the structure of supply.

^{1/} "On the whole, therefore, it seems legitimate to conclude that for the bulk of the population the patterns of primary income distribution is only slightly modified by government action. Structural changes - such as the falling share of agriculture in manpower distribution, and the reduction in self-employment generally - have probably had a more important influence on dispersion of final household incomes than government policies. One reason for this may be that the reduction of inequality (except at the extremes) has not recently been a significant objective of policy. Another reason may be that the combined effects on income distribution of the various forms of government action are rarely regarded as integrated parts of a single policy." Incomes in Postwar Europe: A Study of Policies, Growth and Distribution (Economic Survey of Europe in 1965: Part 2, United Nations), chap. 6, p. 41.

Fiscal instruments constitute the pivot of what might be called conventional redistribution policies.^{1/}

Progressive taxation and public expenditure, including that destined to finance social security, were the main instruments used and were effective in achieving the limited objectives in view.

3. Main structural characteristics of the particular situation in Latin America

The situation in Latin America shows some structural characteristics which contrast decisively with those found in the central countries.

The first is undoubtedly the so-called heterogeneity of its production apparatus and, consequently, of its social system. This is not the place to determine what historical factors have been responsible, ever since the colonial era, for the gradual establishment

^{1/} Referring to the United States, Galbraith says that "on the fact itself - that inequality is of declining concern - it is only necessary to observe that for some fifteen years no serious effort has been made to alter the present distribution of income. Although in the semantics of American liberalism there is often a tactful silence on the point, since nothing so stirs conservative wrath, the principal public device for redistributing income is the progressive income tax. Not since World War II has there been a major effort to modify this tax in the interest of greater equality". The Affluent Society (Cambridge, Mass., The Riverside Press, 1958), p. 82.

of these conditions.^{1/} Suffice it to recall that the "outward-directed growth" phase accentuated the original disparities through the irregular and discontinuous spread of technical progress. This led to the simultaneous existence and inter-action of many forms of production linked to an equally wide range of social working and ownership relations. As pointed out in a number of studies, recent development patterns have maintained and in some cases accentuated the disparities in productivity, which are the most easily quantifiable expression of structural heterogeneity.^{2/}

The basic hypothesis suggested here is that this heterogeneity constitutes the main "original" factor of the distribution structure in Latin America, which obviously means that to overcome this basic circumstance is a prerequisite for any significant modification of the distribution system.

1/ See Armando Di Filippo Raíces históricas de las estructuras distributivas en América Latina, chapter of the study directed by Aníbal Pinto, Distribución del ingreso y políticas distributivas y redistributivas en América Latina.

2/ See, inter alia, the study by Aníbal Pinto entitled Concentración del progreso técnico y de sus frutos en el desarrollo latinoamericano (Trimestre Económico, No. 125) and El modelo de desarrollo reciente (Trimestre Económico, No. 150).

The "dimensions" of heterogeneity

To support this affirmation it is useful to bear in mind the "dimensions" of structural heterogeneity which are most relevant to the present analysis.^{1/}

The first dimension involves the structures of production in which a multiplicity of technical processes may be seen in operation; the order of these ranges from the "primitive" (even pre-Colombian) forms of the subsistence economies to achievements similar to those of the developed countries. The acute imbalance of productivity associated with these different "types" constitute an intrinsically structural conditioning factor of the imbalances resulting in the distribution of output.

To give a brief idea of the per capita product (and possibly income) imbalances which create this situation, a few background data may be given.

As may be seen if the phenomenon is considered in overall terms (see table 1), productivity per employed person is 29 times higher in the "modern" stratum than in the "primitive".

This comparison, however, does not show up the much sharper contrasts which may be observed if the differences between the sectors of production are compared. It may be noted, for example, that average productivity in "primitive" agriculture (of real importance in Latin America as a whole) was worth the equivalent of 205 dollars per year, while that of the modern stratum of manufacturing was 9,800 dollars and of mining 15,606 dollars,

^{1/} The intensity shown by the forms listed below naturally varies in the different countries, e.g. the features of structural heterogeneity in Argentina are much less accentuated than in Brazil. The common historical root of all these societies, however, especially as regards the nature of their international economic relationships, permits this type of generalization to some extent.

/i.e. the

i.e. the productivity differential is 48 times in the first case and 76 times in the second case that of "primitive" agriculture.

These contrasts may be related to those found in an analysis of the personal distribution of income of the main groups into which the population is normally divided (see table 2).

As may be seen from the above-mentioned table, the level of income of the top 5 per cent is 39 times greater than that of the poorest 30 per cent. Although a direct comparison of the data cannot be made, it is useful in any case to draw attention to the fact that the differences from the point of view of productivity levels (or if preferred, the heterogeneity of the machinery of production) are much more acute than the comparison of the levels of personal income indicates. ^{1/}

The technically most advanced modes of organization increase the physical productivity of work, and thus substantially improve the relative situation of all the groups connected with them - workers, owners or entrepreneurs.

High labour productivity in the activities of what is known as the "modern sector" is usually accompanied by a large scale of operation, expressed in two different forms. First, the concentration of a relatively high number of persons (in absolute terms) in the labour force may be observed; in the industrial sector, this may be several thousands per unit of production. Daily interaction in the course of the activities of production is an objective factor which conditions the possibilities of organizing these groups for common purposes. This conditioning factor is an immediate product of the concentration of technical progress.

Secondly, the large scale of operation contrasts in some instances with the relatively small size of the Latin American markets, and generates a capacity of production susceptible of

^{1/} See the end of this article for additional data in tables 1 and 2.

capturing a decisive quota of the markets concerned. This results in oligopolistic and oligopsonistic situations.

In contrast with this situation, as one descends the scale (and usually the productivity too) of the enterprises, the "market quota" which they can capture and the level of prices at which they can sell are strongly affected by the capacity of expansion of the modern enterprises. Consequently, the low absolute wage levels of the backward strata constitute a condition for their economic survival. The extreme limit of this situation is to be found in the artisan-type forms of the "primitive sector".

As may be observed, the imbalances in productivity associated with a large scale of operation and a privileged position vis-a-vis the market, not only allow the generation but also the retention of the results of increased technical progress. Other factors, which will be considered below, may be added to these.

It is useful and pertinent to link up the foregoing phenomena with employment - which has merited so much attention lately.

From the qualitative point of view, it is obvious that the situation of the fully employed will mainly depend on the technological context and the market position of the activities in which they are employed. This is apart from and certainly above the workers-capitalists dispute.

It is equally clear that any distribution consideration should be based on the obvious fact - which is not always brought to the fore - that the unemployed and the underemployed are the "latest victims" of the problem. To put it briefly, apart from the earlier point about "structural location", there is the more elemental and cruder fact of being established somewhere and in an accepted form as a member of the effectively active population.

Although the employment angle will not continue to be specifically dealt with from now on, it should be repeated that we consider it to be a primordial matter, although we think that it will be seen more clearly in the general context of these observations.

/The second

The second dimension concerns the nature of the social relationships characteristic of the different strata of production.

In this dimension three basic aspects may be distinguished in which the above-mentioned structural heterogeneity may be equally well seen. These aspects involve working relationships, ownerships relationships and the bargaining power of the different social sectors. The modalities to be seen in these three areas, which are obviously mutually inter-dependent, are clearly reflected in the scheme of distribution concerned.

(i) As regards social relationships at work a range of different mechanisms may be observed from the manorial system of assimilating and retaining the labour force in the typical latifundium-minifundium complex to the mass impersonal work contracts perfected in the "modern" sector of these economies. In the first case, the attachment to authoritarian forms which predetermine the final distribution is predominant, while in the second may be seen the predominance of the capitalist-"bureaucratic"-type relations which invades both the public and the private sectors.

At the lowest end of the scale, especially in the main urban centres, the growing proliferation may be observed of other groups of workers who are not subject to stable links of working relationships and who consequently engage in "own account" small-scale middleman activities at the retail level or provide low-standard and low productivity personal services, often sporadic.

(ii) As regards ownership, its influence on the scheme of distribution of the social product extends to various planes. In the first place, as is obvious, the exercise of ownership confers a right to take over part of the income generated by the productive process of the economy. Two things are of particular interest here. One is the degree of concentration of such rights. The fewer the holders, the greater the unequalizing effect. The other is the margin or percentage of the overall income which is absorbed by these holders. The higher the quota, the greater the effect.

/Secondly, it

Secondly, it is of importance to take into account the indirect effects of the concentration of ownership. It confers a group of advantages in the area of the economy itself (greater solvency to obtain various credits and guarantees, valorizations deriving from the inflationary processes, etc...) and in the social and political fields (social prestige and possible political power).

In Latin America, the stratification of owners of productive assets shows relatively sharp "jumps", which represent the discontinuities at the technological level and on the scale of the units of production. It is plausible to suppose that in the "modern" strata a fairly large percentage of the total value of the assets available is concentrated in the hands of a relatively small number of holders, contrary to what is currently supposed. Furthermore, the "distribution pyramid" of the productive assets must widen sharply at its base which is occupied by the artisan and small enterprise sector, where the stock of capital per owner is small and the numerical base of the members large. The latifundium-minifundium complex illustrates a similar situation in rural areas.

(iii) Lastly, as regards organizational capacity and bargaining power, parallel contrasts may be observed, partly associated with the two foregoing aspects, but also dependent on other related factors.

As regards wage and salary earners in the modern sector, their greater "quota of power" for negotiating better living conditions is based on various assumptions. In the first place, a greater organizational capacity in the defence of their basic interests is to be seen; this is based on the above-mentioned concentration of workers and employees and on the improved knowledge of and data regarding the objective position to which they have access by virtue of the economic solvency of their organizations and the "metropolitan scenario" in which they spend
/their lives.

their lives. This leads to an increased pressure capacity in the search for multiple conquests in terms of social security, firmly based on the greater economic "resistance" of the above-mentioned organizations when manifestations of force are required. Thirdly, the establishment of a trade union bureaucracy is to be observed; this is highly "professionalized", and in permanent contact with the institutions of public authority, whose controlling agencies are normally also concentrated in the same cities.

At the other extreme of the scale of progression, the opposite features are to be observed. The labour force shows little capacity for organization owing to its fragmentation into a multiplicity of small units, to the low economic solvency of its organizations and to the few contacts (especially in rural areas) with adequate data and advisory services. This means a lower pressure capacity and consequently little bargaining power.

As regards the world of owners and entrepreneurs, the "quota of power" to attain their economic ends has changed with the modes of development, including relationships with the exterior, which have characterized the different stages of the process in Latin America.

At the same time, these changes have had well-defined projections on the trends of the economic policy and the varied advantages which these have exercised on different groups in each representative period.

At a certain point, the external demand for primary products strengthened the objective position of the sectors and groups involved in this trade and channelled government stimuli towards certain mining and agricultural activities, thus favouring the owners in these areas.

Dating roughly the 1930's, other sectors took the van and it was then their turn to make the most of this position and be the main beneficiaries of the favours provided by the state. To these movements were added impulses from foreign investment and international credit.

/As may

As may be observed, the positioning of the entrepreneur-owner group in the scale of distribution has been closely linked with the trends of the development process and with the consequent orientation of the economic policy. Taken from another viewpoint, all this shows up clearly the pressure capacity - increasing or declining - of the groups connected with the activities which have been dominant at each moment.

The third dimension is connected with what is known as the power structure and is basically to be found at the political level.

The institutional order which sanctions and guarantees the modalities and the operation of the power system, ^{1/} has favoured the sectors of the owners, professionals and bureaucrats (linked by training and interests to the owner sector) and to the organized groups of the working world. Those, however, who generally remain outside the political context and have least weight in the apparatus and the orientations of the state are precisely the sectors of least productivity and least organization, and include a large part of the peasantry and of the urban "periphery".

It is not necessary to repeat here the considerations already made in the review of the structural heterogeneity of the system of production and the different aspects of the social relationship. It is sufficient to point out that according to the national peculiarities of the case, various situations of greater centralization or decentralization of power may be distinguished; these have a distinct influence on the profiles of distribution, especially for their effect on the planning and trend of economic and general policies.

^{1/} For greater conceptual clarity, the concept of power could be defined in this context as "the probability which a man (or a group of men) possesses to impose his own will on an action of the community, even in face of the opposition of its other members". Max Weber, Economía y Sociedad (F.C.E., 1969), Vol. II. pp. 682.

/It should

It should be clearly understood that this is a rough outline of real situations because there is no perfect symmetry between the three "dimensions" which have been mentioned. On the other hand, as has already been noted, national historical peculiarities lead to specific structures or economic situations which result in more or less sharp dissociations. As an example, the unleashing of a "rapid, drastic and mass" process of agrarian reform may be considered which grants a capacity of organization and negotiating power to farm labourers which far exceeds their objective situation in the structure of production. Something similar may occur where political activity leads to the assimilation of the urban periphery in the overall process.

Despite the above reservation, emphasis should be laid on the interdependence of the situations emerging at each of these levels. To use the Myrdal's expression, it could be said that the links observed make up a process of "cumulative circular causation". Expressed in other terms, those persons best situated in the structure of production are also habitually those who most manifest social relations and political weight tending to defend their interests, thus reinforcing the advantages brought by their objective positioning in the process of production.

4. Basic general objectives which should orientate the action strategy

In connexion with the features described above, some idea should be given of the basic lines making up an overall strategy in answer to the situation referred to in the three dimensions of the diagnosis, i.e. the structure of production, basic social and economic relations and "positions" and the power structure.

The first line of action tends towards a reduction of the extreme technological disparity which is objectively behind the other forms of structural heterogeneity. The relatively homogeneous dissemination of technical progress to all the regions and sectors requires above all a radical increase in productivity in the

/backward strata

backward strata of each sector of production. It should be understood that this does not mean that all activities should reach the same level of productivity, but it does mean that existing differences should be reduced, and that all activities should take part in a continuous process to improve productivity.

On the other hand, it is obvious that in many cases (e.g. urban activities providing personal services, middleman services at the retail level, small holders, etc., with very low productivity) their elimination within a certain time-limit (which may be long) as a consequence of the compulsory process of concentration in productive activities of greater scope, may be envisaged.

Another case or option which should be borne in mind is that of agriculture, where a substantial "reabsorption" of the labour force by related "agroindustrial" activities, which previously did not exist, may be envisaged; this is in addition to the necessary displacement of a part of the redundant labour force to other higher productivity activities.

A second line of action deriving directly from the previous one aims at changes in the social relations which directly affect the form and magnitude of primary participation in the social product. Basically, the objective is to eradicate the semi-coactive forms of labour relationships and the different forms of exploitation in marketing, credit and other operations, which further deteriorate the status of the "by-passed" groups. The decentralization of bargaining powers means, among many other facets, extending to all members of the community access to organizations capable of exerting "competitive pressure" in defence of their basic economic interests vis-a-vis other private interests and the public powers. The soundness of this process depends on the actual extent of such participation and the independence of these bodies in adopting decisions. A rich field

/of experiment

of experiment and analysis opens up in connexion with the organization of new forms of co-participation, as regards not only the benefits but also the management of the various activities concerned. It is clear, moreover, that some of these changes will to a large degree constitute a projection of those which ought to take place in the spread of technical progress.

The third line of action is merely an extension at a different level of the above-mentioned changes. In essence, it is aimed at the decentralization of the power structure and the democratization of social and political forms of participation.

Without repeating here the previous reflections about the primary forms of organization and participation, it is useful to recall the above observations about the symmetry of previously differentiated levels. In some countries, such as Chile, decentralization in the political sphere may have gone ahead faster than on other planes. Conversely, in other countries - for example, Argentina - political representation has perhaps continued to be more restricted than the representation attained at other levels. These contrasts indicate the differences in the matter of priorities in social action and, consequently, in income distribution measures.

/5. Different instances

5. Different instances of practical instrumentation

The first action front is at the level of general basic instruments which influence original or primary distribution. They are what should be called distribution instruments proper.

As regards the concentrated distribution of technical progress, there is no doubt that the key instrument is investment policy, understood in a broad sense as an intensive re-allocation of all types of human and material resources. This includes, inter alia, the energy and communications infrastructure, the equipment required, forms of production organization, the contribution of professionals and technical specialists, and training of the labour force.

Investment policy implies, on the one hand, the removal of certain basic structural obstacles and, on the other, the availability of sources of supply of the many resources concerned. In practice, the feasibility and scope of investment policy are largely dependent on these two factors.

As regards the removal of obstacles, the structure and exercise of ownership will probably demand changes conducive to the establishment of new forms of ownership, either by expanding the sphere of public ownership or by creating other systems of a collective or co-operative nature. Given the general conditions described above, however, it should be understood that these changes - in so far as they relate to distribution policy - are not ends in themselves, but are means for establishing an institutional basis that will favour or facilitate a more equitable system of distribution. Moreover, the "fairer" distribution of land ownership or its take-over by the State, for example, is an intelligible measure only if it is accompanied by the integration of the favoured rural worker in channels of access to credit, technical advisory assistance, marketing and other machinery of socio-cultural and political participation capable of modifying previously existing social relations.

/As regards

As regards the sources of supply, it is clearly necessary to take advantage of the surplus resources produced by the "modern" sector and by what might be called the "excessive income" of all the favoured groups, whether of the modern sector or of other activities. It must be kept well in mind, however, that this policy is in no way intended to eliminate or restrict the higher levels of productivity. Therefore the intention is not to bring about a technological halt or "freeze", as has sometimes been misunderstood, but to "convert" this sector's production capacity in terms of other possibilities of use dictated by the new scale of social priorities.

As argued in a study on the subject, "the idea is to 'convert' this sector so that its potential, instead of primarily serving the demand of a minority and the claims of a 'caricature' of an affluent society, will be used to transmit the sector's progress to the rest of the economy; to raise the level of by-passed population centres, areas or sectors; and primarily to meet the pressing needs of the broad low-income sectors.

"There are many simple but eloquent examples of this: steel can be used to build skyscrapers or office premises or to manufacture agricultural implements or machinery; the motor-vehicle industry can produce expensive cars or lorries; cement can be used for great mansions or irrigation works or roads, etc. The idea, we insist, is not "one or the other", but rather a substantial modification in the proportions assigned to the different uses".

Obviously, the restructuring of investment policy should have an important effect on the system of relative prices. In short, the aim would be to modify the existing price system by means of productivity increases chiefly in those activities which, because

1/ Aníbal Pinto, La Heterogeneidad Estructural. Aspecto Fundamental del Desarrollo Latinoamericano (mimeographed document enlarging on the version published in Trimestre Económico N^o 145).

of the nature of the goods and services they produce, have a more manifest direct or indirect impact on the basic needs of the population.

It should be noted that this policy or approach contrasts sharply with the traditional or "populist" position of a mere administrative control of prices of essential products, which for the most part has proved self-defeating because of the depressive effects on supply (or productivity levels) in the activities concerned.

If we introduce here - through the back door - the formerly predominant question of employment, we shall realize that this basic instrument - i.e., investment policy - in both its scale and its orientation is geared to the central aspects of the problem: first, to the effort to make the objective positions in the production system homogeneous; and, secondly, to the relation between the intensity of those efforts and their direct and indirect repercussions on the "general" demand for manpower.

Needless to say, such reorientation involves and requires no less radical changes at the level of social relations and the political power system. Accordingly, what we have called the first action front necessarily entails the attainment of the objectives identified in the above analysis of this question. In other words, it is not possible to conceive of appreciably diminishing or eliminating the aforementioned heterogeneity (the basis of inequitable income distribution) unless social working relations, levels of organization and participation, access to power mechanisms, etc. are modified at the same time or even beforehand. As will be understood, these objectives are also basic instruments of distribution strategy, although of course they are important in themselves.

We shall have to be forgiven for such "telegraphic" treatment of this instrumental level. It is due partly to the restricted context of the presentation, but in greater part to the fact that more thorough interdisciplinary work is required to deal with the matter.

/The second

The second action "front" refers to a group of instrumental tactics in which elements of distribution proper are associated with elements of redistribution. Mention should be made here of those relating to education, health and housing policies.

Of the three areas mentioned, there is no doubt that education plays a role which may be qualitatively differentiated by its capacity to influence progressively, and in varying degrees, the three dimensions of the diagnosis. This influence is particularly clear on the level of social relationships and political participation. Health and housing policies may also introduce changes of real significance in the material base of the mode of life of the backward strata.

It is, however, important to emphasize at this point that not all expansion in these and other social services necessarily has a progressive influence on future distribution. This will depend both on the form and the intensity of the use of the respective instruments.

As may be easily understood, for these policies to exercise a sensitive and definitely progressive influence, they should fulfil certain primordial conditions: the margin of resources mobilized should be substantial; the services provided should give a clear preference to the "poorest", and their cost should be mainly financed by the "richest".

None of these requisites appears to have been fulfilled in a coherent manner in the experience of Latin America. While a considerable expansion of these services has been recorded (in any case it is difficult to compare this with the expansion which has taken place in other types of expenditure promoted by the new standards of consumption), it is just as true that it has chosen to favour the middle and upper groups in the social scale, and from another viewpoint the urban populations. On the other hand, the financing of this expenditure has depended on clearly regressive tax systems. Consequently, it is not at all out of the way to maintain that instead of alleviating the inequality of distribution, they may have aggravated it.

/The third

The third action "front" is connected with the most typical elements of redistribution, which basically imply transfers of income and the granting of specific goods and services. The different forms of social security constitute the main nucleus of this group of mechanisms. The selective manipulation of tariffs in the provision of public services should also be included under this heading.

What has already been said about the social position of the main earners and tax-payers is again applicable, and it is easy to observe the inadequate orientation of the tax machinery and the regressive nature of its effect at the social level.

6. Placing of the salaries policy

It will certainly have been noted that the salaries policy has not been included among the various instruments mentioned.

This has been a deliberate omission, and the main reason for it is that we have not reached a final conclusion as regards the place of this instrument in some of the levels of action.

If the position and importance of salary movements in the developed economies are taken as reference, it will possibly be deduced that they have probably been primordial in conserving a relatively constant quota of the wage income in the face of the increases in productivity. It appears to be well established, however, that they have had no major effect in the sense of modifying the structure of distribution. There exists ample documentation on this subject which it is not relevant to review at this moment. ^{1/}

The situation in the Latin American type countries is very much more complex. Of course the fact has already been adequately recognized and assessed that only a part, and nearly always a minority, of the masses, or if preferred of the poor, is under a

^{1/} Among other publications, mention should be made of op.cit. Income in postwar Europe: A Study of Policies, Growth and Distribution. Economic Survey of Europe, 1965, Part 2 (ECE-UN).

classic-type wage system. The large majority of those who are in the stratum of the 50 per cent with least resources are peasants, small holders and own-account workers. As is evident, they are definitely outside the system of established and readjustable wages.^{1/}

This one consideration is sufficient to understand that there is a substantial limitation on the instrument in question, and in addition to clarify what other means should be used to modify the depressed situation of this group.

The foregoing observation should not by any means be taken as an underestimate of the importance of the struggle to defend and increase real wages. Its importance indeed far transcends the mere economic consideration. It appears clear, however, that this transcendence is not basically related to the major problem of distribution except inasmuch as wage claims would allow the organized section of the working class to fight to conserve their share in the income generated by the activities in which they work, or prevent it from being eroded by phenomena like inflation.

Merely as a speculation, it is possible to envisage the conditions which would be necessary for a wages policy to be really distributive, i.e. a policy which would succeed in altering the original distribution. The first condition would be based on the fact that the process would cover all or the majority of the "non-owner" sector and that there would be some basic equivalence in the real situation of this majority. The second would consist in the fact that the pressure for the real increase of wages would be persistent and last a relatively long time. This third requisite would be connected with the possibility that the favoured body would have sufficient pressure capacity to frustrate the

^{1/} As may be understood, there are large-scale differences between the Latin American countries. The description corresponds to a typical Latin American country than, for example, to those of the River Plate.

multiple forms of cancelling out or reducing the real increases obtained, e.g. the counteracting effects of price increases.

A group of circumstances very different from and contrary to those described would create a situation in which the wages policy would be merely redistributive, in the sense of obtaining temporary advantages in favour of some groups (those with most bargaining power) and leaving in a disadvantageous situation not the owner group and its ramifications but the rest of the population.

In such cases it is possible to suppose that changes may even take place in the proportion of the overall income retained by the wage-earning and non wage-earning sectors; but apart from the statistical illusions which may be the "cause" of such changes, there are other more important facts. On the one hand, they may be due to other instruments handled together with the policy of remuneration, e.g. strict price controls, obligatory reduction of profits, expropriation of private assets, etc. On the other hand, the lasting ability of these expedients to bring about a new structure of distribution will always be matter of doubt.

7. Relationships and priorities

It is almost unnecessary to state that the three lines of action described above are closely interrelated and, in practice, should reinforce one another. None of them, therefore, should be underestimated.

At all events, there is no doubt that the elements of the strategy are not all of exactly the same importance. Moreover, the basic aim in our approach is that the value placed on these elements should be substantially modified, with particular attention to those influencing structural factors which, in our opinion, are the determining factors of the original distribution of income and also of wealth. Conversely, it might be maintained that the efficacy of redistribution instruments proper and of "mixed" instruments (educational, health and housing services),

/apart from

apart from their own requisites, depends on how well directed and far-reaching are the changes carried out in the first line of action.

It is easy to understand that a clear-cut decision in this respect has a powerful effect on the options regarding the allocation of resources for the purposes in view.

Undoubtedly the predominant trend - or populist bias - of distribution policies inclines the balance in favour of expedients which are calculated to have the most immediate and visible effect. To correct this trend - which obviously has a strictly political motivation - is not an easy task and requires patient and sustained effort in the way of general education and the creation of an awareness concerning this question.

To contribute towards the attainment of this goal is the principal objective of these introductory lines. To paraphrase a common expression, we would say that it is a matter of placing distribution policies the right way up and not upside down, which in this case would be the final most obvious manifestations of a process instead of the roots of a deep and complex reality.

Apart from many foreseeable objections, we are not unaware that a well-known objection is bound to be raised: that this examination and re-examination of diagnoses, objectives and instruments is splitting hairs, because the crux of the whole matter is the political circumstances which dictate the choice of options.

At this stage nobody would ignore this reservation, but the real point is that in order to create or change political circumstances and, still more, to make these changes feasible, it is vitally important (although by no means enough) to have a clear idea of why and how the action is to be undertaken. This would seem a key factor for the success of any political enterprise. Otherwise, it may reasonably be feared that there will be a divergence towards different forms of populism or towards certain "monastic" images which may be in flagrant contradiction with historical and social reality in many countries.

Table 1
 LATIN AMERICA: AVERAGE PRODUCTIVITY IN DOLLARS AT 1960 PRICES PER EMPLOYED PERSON
 BY STRATA WITHIN EACH SECTOR AND POPULATION PERCENTAGES, END OF 1960'S

	Total			Modern		Intermediate		Primitive		Relation of productivity between modern and primitive strata in each sector
	Percent age of population employment	Average productivity in dollars at 1960 prices	Percent age of employment	Average productivity in dollars at 1960 prices	Percent age of employment	Average productivity in dollars at 1960 prices	Percent age of employment	Average productivity in dollars at 1960 prices		
<u>Total</u>	<u>100.0</u>	<u>1 371</u>	<u>12.4</u>	<u>5 909</u>	<u>47.7</u>	<u>1 124</u>	<u>24.3</u>	<u>203</u>	<u>29</u>	
Agriculture	42.2	694	6.8	4 830	27.7	830	65.5	205	24	
Mining	1.0	6 484	38.0	15 606	34.2	1 420	27.8	246	63	
Manufacturing	13.8	2 517	17.5	8 938	64.9	1 400	17.6	220	41	
(a) Industrial	7.7	4 168	28.1	9 800	71.9	1 960	-	-	-	
(b) Artisan-type	6.1	419	4.1	1 760	55.9	470	40.0	220	8	
Construction	4.5	1 116	24.8	2 322	64.9	800	10.3	203	11	
Basic services	5.5	2 174	25.0	4 276	71.6	1 530	3.4	220	19	
Trade	10.1	2 731	14.0	8 990	76.1	1 990	9.9	340	26	
Other services	17.3	1 283	16.2	2 713	70.5	940	13.3	160	17	

Sources: Estimates taken from La mano de obra y el desarrollo económico de América Latina en los últimos años, ECLA, E/CN.L2/L.1 (Annex).

Table 2

LATIN AMERICA: PER CAPITA PERSONAL INCOME IN THE
DIFFERENT SOCIAL AND ECONOMIC STRATA, 1970

(Dollars at 1960 prices)

Income percentiles	Dollar
30 per cent of the population with the lowest incomes	73
Next 50 per cent of the population	273
Next 15 per cent of the population	940
Top 5 per cent	2 815
Overall average	440

Relation of incomes: The level of income of the top 5 per cent is 39 times higher than that of the poorest 30 per cent.

Source: ECLA estimate on the basis of official statistics.

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice. This not only helps in tracking expenses but also ensures compliance with tax regulations.

In the second section, the author outlines the various methods used for data collection and analysis. These include surveys, interviews, and focus groups. Each method has its own strengths and weaknesses, and the choice depends on the specific research objectives.

The third section delves into the statistical analysis of the collected data. It covers topics such as descriptive statistics, inferential statistics, and regression analysis. The goal is to identify patterns and trends in the data that can inform decision-making.

Finally, the document concludes with a summary of the findings and recommendations. It highlights the key insights gained from the research and provides practical advice for implementing these findings in a business context.