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[Review of the book *Income Distribution in Less Developed Countries*]

Abstract

[Excerpt] This book by R. M. Sundrum, a professor at the Australian National University and former director of the World Bank, is a compilation of issues, ideas, and data on income distribution in less developed countries (LDCs). Each chapter or section has something meaningful to say, and for this reason the book bears careful study. However, no overarching theme or approach is apparent, so the reader is likely to come away with numerous small lessons about distribution and development but few larger conclusions.

Keywords

development, economic growth, income distribution, poverty, less developed countries, LDCs

Disciplines

Economics

Comments

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Income distribution in less developed countries.

By R. M. SUNDRUM. London and New York: Routledge, 1990. Pp. xiv, 327. \$69.95. ISBN 0-415-04805-2. *JEL 91-0960*

This book by R. M. Sundrum, a professor at the Australian National University and former director of the World Bank, is a compilation of issues, ideas, and data on income distribution in less developed countries (LDCs).

Each chapter or section has something meaningful to say, and for this reason the book bears careful study. However, no overarching theme or approach is apparent, so the reader is likely to come away with numerous small lessons about distribution and development but few larger conclusions.

Sundrum seeks to give a "comprehensive review" of the burgeoning recent literature on income distribution in developing countries. (By "income distribution," he means to take account of the entire shape and position of the distribution, although at times he slips into treating "distribution" as synonymous with "inequality.") Unfortunately, the literature survey is neither comprehensive nor particularly recent. For instance, a review of studies on the historical evolution of inequality in the developed world should include the books by Williamson and Lindert on long-term changes in the U.S. and the U.K. However, these do not appear in Sundrum's bibliography. As for recency, most of the data presented and most of the studies reviewed by Sundrum come from the 1970s. The lessons of the 1980s are all but ignored—a problem for a book being marketed in the 1990s.

What, then, has Sundrum covered? Part I presents "The Statistical Approach." In it, he reviews what is and is not included in data on income distribution, how inequality and poverty indices are constructed, what we have learned about cross-sectional patterns and historical changes in inequality and poverty, and what we would need to do to measure the dynamics of income distribution. Many important points are touched on here.

Part II reviews theories of income distribution, among them, theories of income distributions as random variables, the classical theory of functional income distribution, and Lewis' dualistic theory. Recognizing that the classical theories deal with factor prices and factor shares but not with the fraction of people deriving incomes from each factor of production, in subsequent chapters Sundrum delves into incomes from land, from labor, and from capital. Unfortunately, a reader of these chapters comes away without knowing an important finding which has emerged from numerous decomposition studies; this is that most overall income inequality is accounted for by inequality in the distribu-

tion of *labor* incomes, and it is therefore incumbent upon us to analyze the demand for and supply of different types of labor in different countries. Instead, Sundrum concludes the analytic part by presenting an accounting framework which relates the structure of production to income distribution.

Part III turns to the policy objectives and implications. Chapter 14, which is concerned with policy objectives, is best read *before* reading the rest of the book. After all, how can one evaluate the data without knowing what objective one is interested in attaining? The remainder of Part III deals with two kinds of policies—regulatory and redistributive. The problem is that Sundrum does not cast the policy analysis in the context of an overall objective. Although he claims (p. 305) that "the most serious problem facing LDCs from the distribution point of view is the widespread extent of absolute poverty" (a view which I share), most of his policy attention is devoted to the reduction of inequality.

There are many nuggets of valuable information to be uncovered in this book, both by specialists in the income distribution field and by novices. And there is another reason for having a look at this book: the photograph on the dust jacket of a developing country man with developed country accoutrements is a marvelous piece of work.

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WILLIAMSON, JEFFREY AND LINDERT, PETER. *American inequality*. NY: Academic Press, 1980.

P Economic Systems

After the waste land: A democratic economics for the year 2000. By SAMUEL BOWLES, DAVID M. GORDON, AND THOMAS E. WEISSKOPF. Armonk, N.Y. and London: Sharpe, 1990. Pp. xv, 269. \$32.50, cloth; \$15.95, paper. ISBN 0-87332-644-X. JEL 92-0359

In their 1983 book *Beyond the Waste Land*, Samuel Bowles, David Gordon, and Thomas Weisskopf traced the course of the U.S. econ-