

Theodore W. Schultz. *The Economics of Being Poor.* Oxford: Blackwell. 1993. ix+340 pp. + Index. Hardbound. £ 40.00.

Improving the material conditions of the poor has been the main focus of economic policy formulation for the past fifty years or so. Thus, in this connection, a vast body of literature has been published which deals with such issues as identifying the poor and suggesting remedies to alleviate their lot. The book by Theodore W. Schultz deals specifically with the economics of the poor.

The book is primarily a collection of articles the author wrote over a forty-year period (1950–1990), and these have been published previously in a number of leading economic journals. The articles have been grouped under three headings: “Most People Are Poor”; “Investing in Skills and Knowledge”; and “Effects of Human Capital”. The articles basically deal with the concept of human capital. There is a logical sequence to the articles that make up this book; the poor are identified and steps are then suggested to improve their standing. Issues such as women’s economic emancipation and the demand for children are highlighted in the collection of articles dealing with these two subjects. By investing in themselves through education, the poor raise their level of skills, and thus their level of wages/salaries, allowing them to enjoy higher standards of living.

Of particular importance in Part I of the book, “Most People are Poor”, is a chapter on the economics of poverty in low-income countries. Schultz links the poverty of the people living in the developing countries with the state of agriculture. Low incomes from agriculture are held to be largely responsible for the large number of poor in such countries. The author states, however, that there is enough potential in the agricultural sector to generate increased production of food, thereby raising income levels not by following the conventional path of raising agricultural output through increased applications of energy and intensive use of crop land but by improving the health status and educational attainment of the people. In other words, significant changes can be brought about in agricultural production by investing in human capital.

Schultz also discusses the issue of foreign aid in helping the poor to escape from their lowly condition. His conclusion is that the benefits of aid have not reached the intended beneficiaries, i.e., the poor living in the rural areas. This is important from the perspective of policy, which should be redesigned or reformulated to help those who require such assistance.

However, although Schultz identifies most of the major factors that are responsible for the poor being poor, one omission does stand out. This relates to the land tenure system, which in most developing countries is in need of reform. Thus, a suitable land reform policy along with investments in human capital would serve as a sustainable base for economic development. South Korea, Japan, and Taiwan are

examples of countries which have instituted successful land reform policies coupled with substantial expenditures on education and health, in the process building up their human capital base.

It is interesting to note, however, that Schultz takes a swipe at those economists who bring in institutions and count on their role in the value of human capital. If institutions have to be included when analysing human capital, then it is necessary to integrate them into economic theory by identifying two key concepts. First, what is the value in economic terms of the functions that an institution performs? Secondly, once this has been identified, does this help to set up an equilibrium framework? Again, the author cautions that in a state of dynamic growth disequilibrium rather than equilibrium is the norm. The questions that then need to be asked pertain to whether there is any movement towards equilibrium or away from it. Is this equilibrium stable? And if so, can it be strengthened? These are all pertinent questions to which answers need to be found.

Schultz also examines other interesting topics such as the value of human time, children as an economic good, and women's demand for economic justice. All three topics are very contemporary and have a significant policy impact. For example, with a consistent rise in living standards, and with increasing participation of women in the labour force, the demand for children may decrease as it has in the developed world; and thus bring about a decline in the birth rate, which, in turn, may affect the rate of population growth.

To sum up, the book by Theodore Schultz is an immensely good read. The writing is concise and the expression is economical. And although, as mentioned earlier, the book is a collection of articles written over a forty-year period, yet it is refreshing to peruse the material once again; the book as a whole provides a solid foundation for understanding the intricacies of human capital formation. Now in book form, the articles have certainly become available to a wider audience. A paperback version would be ever more serviceable to that end, as the price of the hardbound one is well out of the reach of the average buyer. This caveat apart, one would unreservedly recommend this book to all serious students with a particular interest in education and health, or in investment in human capital.

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