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Inequality, Democratization, and De-Democratization

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Reversions from democratic to undemocratic regimes have often occurred historically and continue to occur frequently. Both increases in categorical inequality across a regime’s subject population and declines in the insulation of public politics from categorical inequality tend to de-democratize regimes. A general account of democratization and de-democratization yields a series of conjectures concerning the processes by which changes in categorical inequality threaten democracy.

Contrary to the comforting image of democracy as a secure cave into which people can retreat forever from the buffeting of political storms, most regimes that have taken significant steps toward democracy over the last two centuries have later de-democratized at least temporarily. A surprising number of regimes that actually installed functioning democratic institutions then returned to authoritarianism (Arat 1991; Diamond 1999; O’Donnell 1999; Przeworski et al. 1997, 2000). In 20th-century Europe alone, after all, Greece, Italy, Germany, Spain, Portugal, and Vichy France provide visible, violent examples. Over the last half-century, Latin America has added Argentina, Bolivia, Brazil, Chile, Ecuador, Guatemala, Honduras, Panama, Peru, and Uruguay to the roster of democratic reversals. Despite the democratic jubilation that greeted the exit of the Soviet Union from state socialism, levels of democracy actually receded after initial rises in Russia, Belarus, and much of central Asia (Freedom House 2002). De-democratization remains a possibility everywhere in the world.

Many analysts, from Aristotle onward, have thought that inequality threatens democracy, both because democratic politics as such rests on some presumption of equality among participants and because intense inequality encourages its beneficiaries to subvert or opt out of democratic politics. This paper forwards that intuition by laying out conjectures on interactions between inequality and democratization. It builds on three recent efforts: to provide a general account of categorical inequality and its changes; to provide a general account of democratization and de-democratization; and to apply the account of democratization and de-democratization to European experience between 1650 and 2000 (see, e.g., Tilly 1998, 2000a, 2000b, 2001).

Durable categorical inequality refers to organized differences in advantages by gender, race, nationality, ethnicity, religion, community, and similar classification systems. It occurs when transactions across a categorical boundary (e.g., male-female) (a) regularly yield net advantages to people on one side of the boundary and also (b) reproduce the boundary. Although forms and degrees of categorical inequality vary dramatically across times and places, all large human populations have always maintained substantial systems of categorical inequality.

All governments, democratic or otherwise, inevitably intervene in the production of inequality. They do so in three distinct ways: by protecting the advantages of their major supporters; by establishing their own systems of extraction and allocation of resources; and by redistributing resources among different segments of their subject populations.
populations. Compared to undemocratic governments, broadly speaking, democratic governments offer protection to advantages received by larger shares of their subject populations, create systems of extraction and allocation that respond more fully to popular control, produce more collective benefits, and redistribute resources in favor of vulnerable populations within their constituencies more extensively (Bunce 2001; Goodin et al. 1999; Przeworski et al. 2000).

These very activities, however, involve democratic governments in perpetuating some kinds of categorical inequality. Most obviously, they devote extensive effort to maintaining boundaries—and differences in benefits—between their own citizens and citizens of other countries. But to the extent that they secure property and existing forms of social organization, they also sustain the inequality already built into property and existing forms of social organization. Governmental maintenance of inheritance rights, for example, passes racial and ethnic differences in wealth from one generation to the next (Spilerman 2000).

In order to pinpoint causal connections between inequality and democratization, we must locate democracies with respect to other types of political regime. Political regimes consist of relations (a) between governments and political actors under those governments’ jurisdiction that interact regularly with those governments and (b) among the political actors. All regimes locate somewhere along each of these dimensions:

1. *governmental capacity*: extent of government agents’ control over resources, activities, and populations located routinely within the government’s territorial jurisdiction
2. *breadth*: proportion of the total population constituting or participating directly in political actors that interact regularly with the government
3. *equality*: the extent to which people who do participate in such political actors have similar access to agents of government
4. *consultation*: the degree to which political participants exercise binding collective control over governmental agents, resources, and activities
5. *protection*: the extent of shielding of political participants from arbitrary action by governmental agents

Regimes vary from low to high capacity. They also vary in the extent to which they install protected consultation, the combination of breadth, equality, consultation, and protection. Imagine each dimension as varying from 0 (lowest) to 1 (highest). We can call regimes that experience high levels of protected consultation “democratic” and those that experience low levels of protected consultation “undemocratic.” In democratic regimes, to be more precise, relations between citizens and agents of government score high on the multiple of breadth, equality, consultation, and protection.

Those distinctions allow us to simplify by adopting the crude classification of Figure 1. As of the year 2000, high-capacity undemocratic regimes included China and Pakistan, low-capacity undemocratic regimes Sierra Leone and Haiti, low-capacity democratic regimes Botswana and Jamaica, high-capacity democratic regimes Germany and Japan. Obviously both capacity and protected consultation are matters of degree: no government has ever controlled all the resources, activities, and populations within its territory, and no real regime has ever come close to full breadth, equality, consultation, and protection. The classification clearly leaves some regimes dubious or intermediate: Exactly where, for example, should we locate today’s India, Israel, Argentina, and South Africa? But Figure 1 serves reasonably well as a map of
the space within which students of democratization and de-democratization are trying to locate trajectories and specify explanations.

Regimes distribute unevenly within the space. Very few low-capacity democratic regimes exist, for two reasons. First, establishment and maintenance of democratic institutions depends on some minimum governmental capacity to provide protection and check egregious challenges to democratic practice. Second, low-capacity democratizing regimes have commonly succumbed to conquests, revolutions, or military takeovers that have, in turn, produced higher-capacity governments. The more frequent long-run trajectory of democratization runs from low-capacity undemocratic to high-capacity undemocratic to high-capacity democratic government.

My proposed general explanation of increases and decreases in protected consultation features relations among three sites of social interaction: categorical inequality, trust networks, and public politics. Comparison of French, British, and other European experiences between 1650 and 2000 leads me to the working hypothesis that crucial changes in social relations underlying democratization take place in those three sites and their interactions. In the course of democratization, the bulk of a government’s subject population acquires binding, protected, relatively equal claims on a government’s agents, activities, and resources. In a related process, categorical inequality declines in those areas of social life that either constitute or immediately support participation in public politics.

Networks of trust? A significant shift occurs in the locus of interpersonal networks on which people rely when undertaking risky long-term enterprises such as marriage, long-distance trade, membership in crafts, investment of savings, and time-consuming specialized education. Such networks move from evasion of governmental detection and control to partial reliance on government agents and presumption that such agents will meet their long-term commitments. “Partial reliance” need not connect individuals directly to governments; the connections may run through parties, unions, communities, and other organizations that in turn rely on governmental ratification, toleration, support, or protection. People start investing family money in government securities, yield their sons to military service, seek government assistance in enforcement of religious obligations, organize mutual aid through publicly recognized labor unions, and so on.
Reversals de-democratize: when trust networks proliferate insulated from public politics, their proliferation saps state capacity, reduces citizens' incentives to collaborate in democratic processes they find costly in the short run, weakens protections for the bulk of the citizenry, and increases the opportunities of the rich and powerful to intervene selectively in public politics on their own behalf. If, for example, a separatist religious elite forms, its compact size and internal coherence give it the means of pursuing its own interest without supporting the government's more costly collective enterprises.

Only where positive changes in trust-network integration, inequality insulation, and internal transformations of public politics all intersect does effective, durable democracy emerge. Reversals in any of the three—for example, organization of public political blocs around major categorical inequalities—promote de-democratization. The explanatory problem, then, is to specify how, why, and when rare democracy-promoting alterations of categorical inequality, trust networks, and public politics coincide.

The solution to that problem lies in specifying processes that promote changes in and among categorical inequality, trust networks, and public politics. Let us group the crucial processes under those headings:

**Segregation of public politics from categorical inequality**
1. equalization of categories in the subject population at large
2. buffering of public politics from categorical inequality

**Integration of trust networks into public politics**
3. dissolution of insulated trust networks
4. creation of politically connected trust networks

**Alterations of relations between citizens and governmental agents**
5. broadening of political participation
6. equalization of political participation
7. enhancement of collective control over governmental resources and actions
8. inhibition of governmental agents' arbitrary power

We can, of course, break down these broadly specified processes into finer causal mechanisms. Mechanisms that promote segregation of categorical inequality from public politics (process 2 above), for example, include reduction of privately controlled armed forces, formation of politically active coalitions that cross-cut categorical inequality, and wholesale increases of political participation, rights, or obligations (e.g., through territorial accessions) that cut across social categories (Tilly 2000a). For present purposes, however, the argument will come across more clearly if we stick with more general processes.

My most general claims follow. First, at least one of the processes under each of the first two headings (categorical inequality and trust networks) and all of the processes under the third heading (relations between citizens and governmental agents) must occur for democratization to ensue. Second, reversal of any of the eight processes promotes de-democratization, the decline of protected consultation. The argument as a whole, therefore, proceeds from specification of necessary conditions for democratization and de-democratization—the three clusters of processes and their reversals—to enumeration of mechanisms that promote or reverse the crucial processes. The point of this paper is not to spell out the whole analysis, but to close in on the interplay of
categorical inequality and public politics. Although I have tried to make them consistent with existing knowledge of inequality, democratization, and de-democratization, the conjectures that follow are not self-evidently true. Some of them are surprising. If true, furthermore, they have strong implications for the future of democracy. Here are the conjectures:

- **Without compensating changes in governmental activity, increasing categorical inequality within the subject population decreases breadth, equality, bindingness, and protection of agent-subject relations and thereby de-democratizes regimes.**
  Increases in categorical inequality expand the incentives and means of inequality's beneficiaries to subvert or opt out of democratic processes by creating advantageous particular relations to governmental agents, shielding themselves from onerous obligations, intervening directly in governmental disposition of resources, and using their governmental access to extract more advantages from unequal relations with nongovernmental actors.

- **Similarly, increasing inscription of existing categorical inequalities into public politics decreases the equality, breadth, bindingness, and protection of agent-subject relations and thereby de-democratizes regimes.**
  Both organization of major political actors around the boundaries of significant categorical inequalities and enactment of rules for political participation that correspond to such boundaries—especially if excluded parties are those whom existing categorical inequalities already disadvantage in general—undermine protected consultation. In Western political regimes, categorical differences by nobility, religious status, gender, race, and property ownership have supplied the primary bases of inscription in these regards, but elsewhere ethnicity and kinship have figured as well.

- **Accordingly, diminution of categorical inequalities within the subject population and/or increasing insulation of public politics from existing categorical inequalities, all other things being equal, democratizes regimes.**
  To the extent that all the processes under discussion operate symmetrically, this principle follows logically from the previous two.

- **Well-being of subjects, on average, increases under democratizing regimes partly because political insulation from inequality is a good in itself and partly because political voice is a good in itself.**
  On average, people who experience equitable treatment from their governments and/or have direct say in governmental operations gain more satisfaction from politics and display greater willingness to bear burdens for the common good (Frey and Stutzer 2002; Levi and Stoker 2000).

- **To the degree that democratizing regimes act to reduce categorical inequalities, to insulate public politics from those inequalities, and/or to blunt the effects of those inequalities on basic living conditions such as housing, medical care, and food, they increase the likelihood of their own survival as democratic regimes.**
  Populist democrats would like this argument to be true, and there are at least fragments of evidence to encourage them (Przeworski et al. 1997).

- **To the degree that democratizing regimes act to reduce categorical inequalities, to insulate public politics from those inequalities, and/or to blunt the effects of those inequalities on basic living conditions such as housing, medical care, and food, they also increase the overall well-being of their subject populations.**
This attractive principle is an article of faith among populist development specialists (see, e.g., UNDP 2001:17), but for precisely that reason it needs much more careful empirical scrutiny (see also Arat 1991; Fogel 2000; Sen 1992).

- Such interventions take two overlapping forms: (a) exercise of collective control over value-producing resources and the networks that operate them; (b) redistribution of value produced by means of those resources.

Regimes qualify as social-democratic to the extent that they engage and coordinate both strategies of intervention.

- Up to a relatively high point, rising governmental capacity increases the likelihood and impact of beneficent interventions.

Low governmental capacity reduces the efficacy of both regulatory and redistributive efforts. But at very high levels of governmental capacity, runs the reasoning, the opportunity and incentive for governmental agents and other beneficiaries of existing categorical inequality to ally in diverting state power to their own advantage rise irresistibly.

- Although, in the past, controls over coercion, labor, animals, land, commitment-maintaining institutions, and/or machines have played the major part in generating categorical inequality (hence obstacles and threats to democracy), over the next century, clique controls over financial capital, information, media, and scientific-technical knowledge will become increasingly significant as causes of categorical inequality, and hence as obstacles and threats to democracy.

Already we see considerable signs of shifts in these directions, although their effects on democratization remain to be measured.

- Currently, democratic regimes that do not exercise new collective controls over financial capital, information, media, and scientific-technical knowledge and/or redistribute value produced by them will therefore risk de-democratization and hence a decline in their subject populations' well-being.

This does not mean, to be sure, that regimes can forget about coercion, labor, animals, land, commitment-maintaining institutions, and machines, all of which will continue to figure in the generation of categorical inequality in different parts of the world. But existing barriers to degradation of democratic politics by means of controls over coercion, labor, animals, land, commitment-maintaining institutions, and machines will not suffice to block the effects of financial capital, information, media, and scientific-technical knowledge. Limiting the impact of new inequalities on public politics will constitute one of the 21st century's great challenges for democrats.

If these conjectures are correct, sunny optimism about the durability and inevitable advance of democratization seems utterly misplaced. Just as past democratization has always occurred through struggle and has frequently suffered reversal, the path ahead contains many an obstacle in the form of new inequalities and their political consequences.

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Does Electoral Democracy Boost Economic Equality?

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Inequality is a constant in political life, but its salience in political discourse rises and recedes. As the first decade of the twenty-first century draws to a close, talk of inequality is clearly increasing. Public and private institutions have created a wave of new units to track (and possibly shape) inequality’s trends. Social scientists across a broad range of disciplines have taken unprecedented interest in explaining inequality’s origins, trajectory, and effects.

The current frequency of inequality talk stems in large part from inequality’s stubborn persistence. Inequalities of all sorts seem ubiquitous, despite the nearly worldwide advance of electoral democracy and despite (what were until recently) steady and sometimes spectacular rates of economic growth. What can we learn from these seemingly mismatched trends?

Inequality is more easily discussed than defined. Though the term has its roots in mathematics, it is not a concept that lends itself easily to precision. Inequality indicates difference, but human beings can differ in infinite ways, and many important differences may not be quantifiable at all. For present purposes, it might be best to define inequality as the condition of being unequal as regards the command of any resources deemed valuable for human well-being. These resources might include physical strength, political rights, wealth, income, or even qualities that are only indirectly observable, such as ambition. The inequalities that are most politically meaningful are those that are judged to be normatively problematic, producing disadvantages and advantages deemed
undeserved by significant sections of the society in which they are embedded.¹ Political theorists may write about “inequality” and “equality” per se, but empiricists almost inevitably write about inequality with modifiers. Empiricists write about political inequality, gender inequality, economic inequality, and the like. These modifiers distinguish the domains in which differences are deemed meaningful.

Because inequality is not one-dimensional, there is no reason to assume that all of its many forms must change in concert. Many of inequality’s dimensions are linked, but they are not fused and will therefore have evolutionary dynamics of their own. We should not assume that different forms of inequality will change in tandem or even that they will change in identical directions if they do change.

We should also avoid the assumption that trends in inequality and poverty will change simultaneously. Current discussions of inequality often merge the concepts of economic inequality and poverty. Yet these concepts differ in consequential ways. Economic inequality is a measure of the distribution of material resources that emerges from the ranking of all the economic actors in a unit of interest according to the amount of material resources that they possess. The unit of interest could be as small as a single household, or as large as the entire world economy. In countries (the units that we study most often), the ranked actors include the rich, the poor, and everyone in between. The gradients of economic inequality are as numerous as the differences in the income and wealth of the actors surveyed. Adding to economic inequality’s complexity, the gradients almost always involve a two-direction comparison: Each actor has both less than and more than others (except for the single actors with the very most and very least).

Where economic inequality exists, all actors are “unequal,” but where poverty exists only some actors are “poor.” This fact has profound political implications, as we shall shortly see in our discussion of democracy, but for now it is important for marking the significant distinctions between economic inequality and poverty. The concept of poverty forces us to divide human beings into one set of people who live below an arbitrary standard of capability resources we set for definitional purposes and another set of people who live above that standard. Of course, we draw distinctions between levels of poverty. Scholars and policy makers distinguish, for example, between basic and extreme poverty, defining the latter as “poverty that kills.”² But the concept of poverty in vernacular political discourse is often, if not usually, dyadic. The concept derives, rightly or wrongly, from a materialist distinction between the poor and the non-poor. Economic inequality has no comparable dyad, and since the range of inequality within the ranks of the non-poor can be vast, changes in poverty trends may be independent of trends in economic inequality. Poverty can rise or fall and leave economic inequalities among the non-poor unchanged or moving in an opposite direction. This is precisely what we are witnessing in much of the world today.
Distinguishing between various sorts of inequalities, as well as between economic inequality and poverty, enables us to forge a better understanding of how each might be affected by democracy. The advance of democracy entails, by definition, a decrease in political inequality. Yet the egalitarian principle of one citizen, one vote that lies at the foundation of any democratic project does not guarantee advances in equality outside the limited realm of political leadership selection. The relationship between an advance in political equality and an advance in equalities of other sorts is wholly contingent on what leaders at the top of democracy’s hierarchies choose to do or not do.

The sources of this contingency derive from democracy’s very meaning. Democracy “is a system of governance in which rulers are held accountable for their actions in the public realm by citizens, acting indirectly, through the competition and cooperation of their elected representatives.” As a system of governance for “the public realm,” democracy has no intrinsic association with either the private realm of the family or the private realm of the economic market. Yet inequalities of many sorts derive precisely from these private realms. The extent to which democratic rulers extend their powers into these realms depends directly on the rulers’ individual choices and indirectly on the expressed choices of the citizens who (in theory at least) hold these rulers accountable. Righting inequalities under democratic systems of governance is thus extremely difficult because it requires collective action in multiple arenas, by both elite and mass actors. Sometimes the champions of a particular form of equality manage to take effective collective action (the farmer-worker coalitions behind social democracy in the Nordic countries provide an example), but often inequalities follow their own dynamic, independent of whether electoral democracy exists.

The same generalization holds for electoral democracy and poverty. Whether democratic leaders choose to combat poverty depends on a range of factors beyond regime type. Democracy is antithetical to certain forms of political inequality, but has never been antithetical to poverty or to inequalities of other sorts. Adam Przeworski is right when he reminds us that the emergence of democracy “was a political revolution but not an economic one.” The trends in economic inequality and democratization that we have seen since 1990 may not be mismatched after all.

**Troubling Trends**

There has never been a period in history when so many individuals could exercise the right to vote. The spread of electoral democracy since 1990 has been especially impressive. According to Freedom House, in 1989 only 41 percent of the world’s countries could be categorized as electoral democracies. By 2005, this figure had risen to 64 percent.
Has this positive pattern of regime change affected levels of economic inequality in predictable ways?

A great deal of important scholarship suggests that the rise of democracy should lead to a fall in economic inequality. Since at least the time of Aristotle, scholars and political actors have associated the extension of political rights with the redistribution of material resources. In the nineteenth century, foes of extending the right to vote often warned that the newly enfranchised poorer classes would use their ballots to pillage the rich. Scholars have shown that the expansion of the franchise was, in fact, accompanied by a decrease in material inequalities, and more recent and highly influential work has framed democratization itself as a redistribution game. Acemoglu and Robinson argue that because “democracy is pro-majority” and “even possibly pro-poor,” its “redistributive nature” constitutes its “main threat.” They assert that there is a “greater tendency for redistributive policies in democracies” than in nondemocracies, and even that “new democracies appear to have been more redistributive than mature democracies throughout the 20th century.”

How have young democracies behaved in terms of redistribution since the 1990s? Overall, the long-term trends appear disappointing from an egalitarian perspective. The term “appear” deserves emphasis because figures measuring economic inequality are notoriously problematic. Cross-country comparisons and aggregations can be misleading because countries use different means of assessment. Even within the same country, time trends are often difficult to trace because inequality is not assessed on a regular basis and because the assessments that do exist often reflect a geographic (usually urban) bias. Finally, scholars debate not only how economic inequality should be measured but which forms of inequality matter most for the way that people live. Measurements of economic inequality might be based on individual or household income, gross or disposable income, land tenure, land-to-wage ratios, rent-to-wage ratios, or daily caloric intake. They might include or exclude pensioners, the unemployed, the homeless, those who work in the informal sector, and those without any earnings.

Despite these complexities, there seems to be fairly wide agreement that economic inequality has increased in most countries since the 1990s. How does the seemingly immutable persistence of economic inequality affect young democratic regimes in developing and postcommunist countries? This question has no single or definitive answer because the effects of economic inequality vary from one country to the next, depending on a wide range of factors, including the qualities of political leadership which, of course, cannot be predicted. Nevertheless, experience and current research suggest two conclusions. The first is that persistently high economic inequality harms the quality of democracy in profound ways. The second is that even persistent economic inequality does not, in itself, constitute an insurmountable barrier to democratic
durability. Economic inequality is a potential threat to the durability of democratic institutions, but the conditions needed to actualize its threat potential are not often present. Although there is reason to think that advances toward economic equality increase the probability of democratic survival,9 democracies do not require advances in economic equality to endure. On the contrary, electoral democracies have endured despite extremes in economic inequality lasting for generations.

Economic Inequality and Democratic Quality

Inequality’s negative effects are myriad and their connections to the quality of democracy are profound. The effects of economic inequality on political equality have been documented in a great deal of scholarship. It hardly needs stating that the wealthy have a disproportionate influence over what policies are made and how they are implemented.10 Even in the United States, a long-established democracy with relatively egalitarian social norms, a raft of convincing research shows that public policies more often reflect the preferences of the wealthy than those of the average voter.11 But the documented effects of income inequality go beyond what has come to be known (in a curiously understated way) as “imperfect representation.”12 In its extreme forms, economic inequality has been linked to bad attitudes, bad behavior, and bad government. Scholars claim that it has a strong negative effect on political interest,13 and that it boosts support for populism, personalism, human-rights abuses, and the acceptance of authoritarian rule.14

Economic inequality is also associated with a broad range of behaviors that erode the quality of democracy. These associations do not hold in every country or for every group, but they are numerous and consequential. Scholars have linked economic inequality to decreased electoral turnout, depressed political engagement, and higher rates of crime, including homicide.15 Economic inequality is also associated with political polarization, which is thought to hamper the trust and willingness to compromise on which deep democracies depend. If economic inequality overlaps with ethnic or religious identities, entrepreneurial political elites can frame their identity groups as doubly disadvantaged and thereby increase the likelihood of divisive ethnic mobilization and even armed conflict.16 As Amartya Sen reminds us, the “coupling” of economic disadvantage with “social humiliation” can be lethal.17

The association between economic inequality and bad government takes multiple forms. It has been linked to influence peddling, judicial weakness, the failure to provide public goods, and the general erosion of the rule of law.18 Increasing inequalities of income and wealth divide a democracy’s citizenry, making preferences more diverse. This increases problems of agency and accountability and gives elected politicians incentives “to play some voters off against others.”19 The perverse incen-
tive structures produced by high levels of economic inequality may help to explain why many economists have concluded that high levels of inequality hamper long-run economic growth. The bad governance so frequently associated with high levels of inequality often creates a bad investment environment.

If the effects of high economic inequality are as deleterious as current research suggests, we must ask ourselves, first, whether current levels of inequality might soon be reversed, and second, whether the failure to reduce economic inequalities will threaten democratic durability.

**Reversing Economic Inequality**

The prospects for reducing economic inequalities are mixed. On the one hand, the world financial crisis might drive inequalities down even without concerted government action. A good deal of the recent rise in economic inequality was driven by the enrichment of people in the top income deciles. If their assets and income drop more than those of other groups, inequality will drop too. Additionally, actors who seek to mobilize a broad coalition around redistribution will be advantaged by the current, crisis-induced media attention to the wealthy. That said, there are still several formidable obstacles to the creation of viable redistributionist coalitions.

First, despite newly elevated levels of inequality talk among journalists, academics, and policy makers, ordinary citizens generally do not frame the reversal of economic inequality as a top political priority. They prefer instead to focus on their own economic situation. And while they may not consider existing economic inequalities fair, they typically distinguish between economic inequality and poverty, and prioritize poverty reduction by a substantial margin.

Whether the current world financial crisis will change these rankings remains to be seen. Yet the most recent evidence from the developing world shows that people consider poverty a much more pressing problem than inequality, and that in most of the developing world, a surprisingly small percentage of the public ranks inequality as a pressing problem at all. In the latest Afrobarometer survey of 18 countries, poverty outranked inequality as a pressing political problem by a multiple of 20. Opinions in Asia are similar. In Latin America, the comparable ratio is 8 to 1, with only 1 percent of respondents ranking inequality as the “most pressing problem.” Mobilizing people around the issue of income inequality rather than around the issues they deem more pressing will prove challenging.

A second and related obstacle to forming redistributionist coalitions comes from the fact that economic inequality (unlike poverty) has sincere and revered defenders. The idea that differential rewards provide incentives for productivity and innovation is intrinsic to capitalism, and vast numbers of people in democracies of all sorts embrace this view.
The most recent wave of the World Values Survey, conducted between 2005 and 2008, found that the number of people agreeing that “we need larger income differences as incentives” actually exceeded the number of people agreeing that “incomes should be made more equal” in 11 out of 16 developing and postcommunist democracies. The only country surveyed in which more than half the respondents favored the statement that “incomes should be made more equal” was Romania. In countries as diverse as Brazil, Bulgaria, Indonesia, Mali, Mexico, Moldova, Peru, Poland, South Africa, and Thailand, fewer than 40 percent of respondents preferred the statement “incomes should be made more equal,” to the statement endorsing income differences as incentives.

Of course, counterelites could conceivably reshape public opinion and change priorities, but this takes skill, time, and resources that may be hard to come by. It would also involve undercutting the emphasis on equality of opportunity which, according to Ronald Dworkin, Judith Squires, and others, has eclipsed equality of outcome in the popular imagination. Equality of opportunity complicates the crafting of redistributive coalitions because it undercuts arguments that economic inequalities might be “undeserved.” Coupled with the widespread belief that economic inequalities are functional, equality of opportunity provides an attractive alternative to calls for rapid material redistribution and does much to strengthen the ideational barriers to forming a winning redistributionist coalition.

The current financial crisis may raise the profile of economic equality as a policy priority, but programs for economic redistribution may still prove hard to forge. Indeed, they may be even harder to formulate today than in the past. This is not simply because there may be less to redistribute. Changes in the sources of economic inequality have raised a third barrier to redistribution. When economic inequality derived principally from the ownership of land, programs for redistribution could be forged around the issue of land reform. This was extremely difficult in itself, and it still proves difficult today, but to the extent that today’s inequalities derive from more mobile capital assets and from human capital (as is increasingly the case) viable formulas for redistribution may be even more elusive. Human capital cannot be redistributed at all. Capital assets can be redistributed, but this is risky business in a globalized economy where capital is mobile and at least some of the voting public is aware (often through first-hand experience) of the implications of capital flight.

A fourth barrier to forming redistributionist coalitions emerges from changes in the nature of organizational life. Trade unions in most countries are not what they once were, and unswervingly redistributionist socialist parties have become rarer as well. In many democracies, moreover, religious organizations have come to occupy major sectors of organizational space and to be the focus of the collective action of both the
advantaged and the disadvantaged. If recent evidence of an inverse cor-
relation between religiosity and support for government social spend-
ing can be generalized, this alternative organizational trend may also
diminish political pressure for redistribution. People may simply use
religious associations as safety nets and pray for a brighter future.

Finally, forging a winning coalition of “the unequal” is intrinsically
difficult because inequality cuts two ways. Those in the middle of a
society’s wealth-distribution curve may be wary that the zeal for redis-
tribution will affect not only the rich, but themselves as well. Wealthy
elites (who are now quite likely to control media networks) can re-
inforce this wariness and frame redistribution as a slippery slope. In
any case, recent research has suggested that democratization is not a
redistribution game at all—that is, it is not about “whether the median
voter is going to soak the rich” but rather “about whether all voters
can obtain impartial protections from the state against violations of
contracts and property rights.” If this is true—that is, if democracy
is more about “rights” than about redistribution—then democracy too
may hamper the formation of broad coalitions favoring redistribution.
It may also help to explain why democracy and economic inequality
have coincided for so long.

Reformers throughout the world will (and should) attempt to use the
financial crisis as an opportunity to promote a redistributive agenda. But
we should not underestimate the attitudinal and institutional barriers to
reducing economic inequalities. Even if a broad coalition for redis-
tribution can be crafted, weak state capacity may hamper policy imple-
mentation. Redistributive schemes will be stymied without significant
improvements in law enforcement and in state capacity more generally.
Recent studies have shown, for example, that when it comes to dispos-
able income the dramatic differences between Latin America and West-
ern Europe are due, not to dramatic differences in gross income, but
rather to differences in what is left after taxes and transfers. Improved
state capacity is essential to any redistributive political project, but re-
mains an elusive goal in a broad range of democracies.

Reversing Democracy

What might the persistence of high levels of economic inequality
mean for the durability of democracy? Given that a number of important
studies have shown an association between high inequality and demo-
cratic collapse, it would be surprising if no electoral democracy broke
down in the years to come. But, as our failure to foresee the fall of
communism illustrates, predicting regime change is a perilous business.
Tracing possible trajectories and speculating on the factors that might
move polities along particular routes to change is more appropriate.
Our speculations should begin with the recognition that economic
inequality by itself will not be the cause of any democracy’s collapse. If economic inequality were a sufficient cause for democratic breakdown, we would have no democracies at all. Economic inequality can be cited as a rationale for regime change, but such a change requires much more than an abstract rationale. Even in a situation where extreme inequality is present, democratic breakdown will require the formation of a decisive coup-supporting coalition—a critical mass of counterelites that have not only the will but the ability to topple democracy.

Recent years have seen the forging of successful coup coalitions, but they have emerged in countries that differed dramatically in both their levels of economic inequality and the trajectories along which such inequality was evolving before the coup took place. Thailand and Bangladesh were different on both dimensions when their last coups occurred. Thailand’s level of economic inequality was relatively high compared to that of other Asian democracies when the military intervened in 2006, but was at a historic low domestically. In contrast, Bangladesh’s level of inequality was among the lowest in Asia at the time of its military intervention in 2007, but there inequality was on the rise.

Economic inequality does not correlate in any simple way with coups, and it does not correlate in any simple way with populism either. A quick review of the “populist wave” in Latin America and Central and South-eastern Europe makes the point. Approximately 5 of Latin America’s 21 electoral democracies have populist leaders at present. Given the region’s levels of inequality, this fact is noteworthy in itself but the few countries that have turned toward populism are a diverse lot. Venezuela’s level of economic inequality had risen (and then leveled off) in the years prior to the election of Hugo Chávez in 1998, but it was still lower than that of any other Latin American country save Uruguay. In contrast, the levels of income inequality in Bolivia and Ecuador were the highest in the region when Evo Morales and Rafael Correa were elected to the presidencies of their respective countries, but Ecuador’s level of inequality was on the decline. Nicaragua presents yet another pattern: Inequality was rising when Daniel Ortega was elected in 2006, but it had declined markedly prior to 2001 and was in the middle range for the region.

The association between economic inequality and the success of populist parties in Central and Southeastern Europe is also far from clear. The four countries where the populist wave is thought to be strongest represent nearly the full spectrum of regional inequality levels. Poland has one of the highest levels of inequality in the region, Bulgaria’s and Hungary’s are lower, and Slovakia’s is possibly the lowest of all. The trends in inequality vary too. By at least one measure, the posttransition increases in Poland and Bulgaria have been fairly steady, while inequality trends in Hungary have been erratic. Levels of economic inequality might affect both the nature of regimes and the popularity of parties, but not in any easily predictable way.
The current economic crisis, combined with longstanding economic inequalities, may heighten the likelihood that antidemocratic coalitions will emerge. Democracies of various sorts are already experiencing (sometimes violent) mobilizations by the disadvantaged. But we must distinguish between the capacity to disrupt and the capacity to actually force a regime change. Toppling a democracy has never been easy, and it might be even harder now than it was in the past.

To begin with, international actors have raised the costs of antidemocratic coups. Today’s would-be coup-makers must cope with constraints unknown to their Cold War predecessors. For many (though not all) states, a coup will mean foreign-aid cutoffs, the denial of recognition, the imposition of economic sanctions, and a loss of access to the resources and prestige of international organizations. A great deal of research shows that the survival prospects of competitive regimes benefit from a favorable international political environment, and this is what we have—at least for now.

A second barrier hampering coup-makers springs from the lessons of dictatorship itself. In many Latin American countries, the classes that might once have backed authoritarianism now realize that they enjoy better access to power under democracy than they did under dictatorship. A third barrier emerges from the fact that many democracies in the developing and postcommunist worlds have performed reasonably well in certain policy areas. They may have failed to stem rising economic inequalities, but they have been more successful on other fronts. The level of success varies from country to country (and some democratic governments have been disastrous), but democratization has generally coincided with significant advances in key arenas. Economic development provides one area of positive policy change; poverty alleviation provides another.

Figure 1 on the facing page shows that despite numerous other shortcomings, postcommunist and developing-world democracies managed to make substantial advances in economic development between 1990 and 2005.

The strong association between economic development and democratic consolidation in the political-science literature suggests that these growth trajectories will have positive effects on regime legitimacy. Despite perceived rises in overall economic inequality, economic growth in many countries has expanded the middle sectors of society on which democracies are thought to depend. The middle classes, broadly defined, currently constitute half the world’s population for the first time in history and, true to a longstanding stereotype, these middle sectors seem to support democracy.

Poverty reduction is another area in which democratic states in general have made advances. In keeping with the distinctions made earlier in this essay, trends in inequality and trends in poverty have diverged.
Poverty remains a scourge throughout the developing world. In both South Asia and sub-Saharan Africa, the absolute number of people classified as poor has actually grown since 1990. But by at least one important measure, the poverty rate in developing-world democracies has fallen in recent years. Figure 2 on the following page shows the trends as measured by the $2-a-day threshold.

The implications of this decrease in the incidence of poverty are complicated. Foreign actors and aid programs may be pivotal, and thus problems of ownership and attribution emerge. These caveats aside, the drop in the poverty rate and the progress in human-development indicators may still be consequential for democracy. They mean at least a marginal improvement in the lives of millions of poor voters, and are in keeping with the expressed priorities of large sectors of public opinion. A recent study of all democracies founded between 1961 and 1995 found that democratic durability in developing countries was most threatened not by economic inequality but by “basic needs shortfalls.” It was not economic inequality that best explained democratic breakdown but the interaction of rising poverty and expanding growth.33 If these results can be generalized, declining trends in poverty might help to explain why so many contemporary democracies have survived despite rising economic inequality.

Democracy’s Self-Defense Mechanisms

Each of the factors listed above may lessen the likelihood of democratic collapse and thus make the forming of coup coalitions more difficult. Yet the greatest barriers to forming a coup coalition might come from the qualities of democracy itself. Though the invasion of Iraq has made democratization suspect in many quarters, democracy as a sys-
tem of government still has powerful appeal. Purveyors of what Jacques Rupnik calls “an anti-democratic political culture” are playing a disruptive role in many states, but in most they are still outnumbered. This will surely matter as would-be coup-makers calculate the costs and benefits of trying to topple an elected regime.

But democracy is more than simply the favored form of rule. Democracy allows people to change governments without the risks and costs that an extralegal seizure of power entails. Ordinary citizens and disaffected elites who seek a radical change in policy can forego conspiracy and simply vote for parties and leaders who promise radical change. Dissuading a critical mass of actors from taking this lower-risk option is yet another challenge for those who would mount a coup.

The financial crisis has, of course, wreaked havoc with these trends, but potential coup-makers would have to cope with crisis too. With no record of success and the hostility of powerful international actors, they would have an uphill climb. In any case, democracies have proven surprisingly resilient in the face of economic crises. Between 1975 and 2007, the odds that a new democracy (that is, one which is ten years old or younger) would survive an annual inflation rate of 50 percent or more were nearly 3 to 1. For an inflation rate of 15 percent, the chances were 5 to 1. The chances of a new democracy surviving after two consecutive years in which GDP fell by 5 percentage points were 4 to 1.34 These are fairly good odds and they have become decidedly better since the end of the Cold War.

Of course coup-makers or other aspiring authoritarians can beat these odds. Though the constraints outlined above make outright seizures of power for indefinite periods less likely, at least two other options remain viable. The first involves what might be called restorative coups. These occur during periods of political turmoil. They are rationalized

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1. Asian Developing Democracies include: Bangladesh, India, Philippines, Sri Lanka, and Thailand—democracies with a GDP (PPP) per capita under US$10,000.

Source: World Bank *PovCal.*
as attempts to restore order and fight corruption, and always come with promises to restore democracy at a later date. The 2006 military intervention that temporarily suspended democracy in Thailand is a case in point. A second option involves what might be called mandated disassembly. This involves the gradual disassembling of democratic institutions by populist figures with strong electoral mandates. Hugo Chávez has engineered a process of mandated disassembly in Venezuela. The ambiguity of the mandated-disassembly option may make it particularly attractive in the years to come.

It is worth noting, in closing, that the 2006 Thai coup was, in part, a reaction to Prime Minister Thaksin Shinawatra’s highly publicized attempt to remedy economic inequality and redistribute resources to the poor. The deterioration of democracy in Venezuela (including a failed 2002 coup against Chávez) has also been linked, in part, to a broad range of programs framed as attempts to combat economic inequality. These cases remind us that the interactions of political and economic inequalities are as convoluted as they are consequential. They also suggest a sad irony: Dramatic attempts to reverse economic inequality may pose a sharper threat to democracy’s durability than does economic inequality itself.

NOTES

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1. Jorge Vargas Cullell and Dan Banik contributed to this definition.


22. See the AmericasBarometer data at www.lapop.org.

23. These two options were offered to respondents as polar ends of a 10-point scale measuring degrees of agreement or disagreement.


30. These generalizations come from data provided by Frederick Solt and reflect Gini-coefficient scores drawn from net household data.


34. Polity IV data and the World Bank Development Indicators. Only democracies with populations of a million or more are included.
Aiding Latin America's Poor

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Social policy in Latin America has traditionally failed to benefit the poor. Throughout most of the twentieth century, the main redistributive efforts in the region went into building welfare states. Yet unlike their European counterparts, these Latin American welfare states are highly “truncated,” meaning that whatever their nominal degree of universality, in fact they only cover those with formal employment. The poor, being mostly outside the formal sector of the economy, are outside the ambit of the welfare state as well. Latin American social-insurance programs—maternity and family benefits, health insurance, old-age pensions, and disability benefits—typically began as emoluments meant for relatively small groups such as state employees, armed-forces personnel, and those working in certain favored industries. The welfare state’s coverage gradually expanded throughout the twentieth century until most formal workers came under its umbrella, though even then agricultural workers were almost always left out.

Once nominally financed by contributions, most of these programs are now in fact funded more or less directly by taxes. Because “the regressivity in social insurance schemes has not been helped by any significant progressivity in tax financing,” these schemes foster a “reverse Robin Hood effect” in which the poor are made to pay for the benefit of the rich. Latin American social policy, in other words, has mostly worked backwards, making preexisting economic and social inequalities wider rather than narrower.

Although the size of the informal economy varies from country to
country, available estimates suggest that across Latin America as a whole more than half of all workers labor outside the formal sector—a figure that only goes up when poorer workers alone are considered. There are some social programs that do not require formal employment—most countries seek to provide, and some even constitutionally guarantee, universal schooling and health services—but significant gaps remain. Moreover, the quality of the education and health care to which the poor actually have access is often so dismal that the path to upward social mobility remains blocked and existing inequalities are made stronger.

Subsidies are another form of social policy commonly used in Latin America. During the era of industrialization via import substitution, governments often used them to hold down prices for food, electrical power, and transport (among other goods and services). These subsidies caused market distortions and tended to go disproportionately to the urban middle classes, who already benefited from social-insurance programs. With varying degrees of intensity, Bolivia, Brazil, El Salvador, Mexico, Nicaragua, and Venezuela also adopted land reform. Yet contrary to expectations, in most cases this has not taken a major bite out of preexisting inequalities.

If the tremendous income disparities that characterize Latin American life are not mitigated, the stability of the region’s democracies may be jeopardized. Figure 1 on page 38 shows a strong inverse correlation between levels of income inequality and levels of democratic support in 18 Central and South American countries. Those with higher income disparities enjoy significantly less social consensus on the proposition that democracy is the best form of government. Whereas most of the existing literature argues that inequality is bad for democracy because it makes the rich fearful of redistribution, the problem in Latin America appears to be that democracy’s failure to redistribute holds a threat to political stability. If the poor continue to be left outside existing social pacts (most of which date from the predemocratic era), they will increasingly be tempted to back populist and autocratic leaders who will not shy away from undermining democratic institutions.

Latin America’s biggest social-policy challenge is to extend benefits to those who are now excluded from social-insurance programs—or in other words, to reach the poor. The design of social policies to combat poverty must be informed by five main goals:

1) To make sure that every household is able to meet its basic needs for health services, nutrition, and education regardless of whether its members have formal employment;

2) To give priority to children and women so as to prevent the inter-generational transmission of poverty;
3) To deliver basic public services to poor communities that currently lack access to potable water, electricity, roads, health clinics, and schools;

4) To improve the quality of education in order to boost social mobility;

5) To give the poor access to microfinance in order to promote investment in small productive enterprises.

During the late 1980s and 1990s, Bolivia, Honduras, Mexico, Peru, and other countries began introducing new social funds designed explicitly to improve the social infrastructure and provision of public goods in poor communities. Empirical evaluations show that mixed results have come from these programs. In principle, each assigned benefits in a decentralized fashion in response to petitions from community organizations, while in practice, politicians and bureaucrats enjoyed wide discretion to choose which communities would get help. The same evaluations also showed, however, that social funds responding to decentralized community petitions can effectively reach the poor, which suggests that poor communities can overcome collective-action problems that might stand in the way of asking for government aid.\(^5\) Decentralized schemes appeared on the whole to work better than centralized ones, but the results of individual programs could vary, and there is no theoretical reason to expect that decentralization will always work better than centralized provision.\(^6\)

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**Figure 1—Inequality and Support for Democracy**

![Graph showing the relationship between Gini Coefficient and democracy preference](source: Latinobarómetro as calculated by UNDP, 2004. Gini coefficients calculated by the World Bank are from [www.depeco.econo.unlp.edu.ar/cedlas/wb](http://www.depeco.econo.unlp.edu.ar/cedlas/wb). The two-digit number next to the country abbreviation indicates the year of measurement.)
Alberto Díaz-Cayeros and Beatriz Magaloni

The main limitation of these social funds is their vulnerability to political manipulation. The programs in Mexico and Peru, for instance, were administered with an eye to incumbents’ electoral needs above all, and appear to have been riddled with official corruption and missing or abandoned projects. Incumbents’ reelection prospects surely benefited in both countries, while success at improving the lot of the poor in either was harder to confirm.

In the late 1990s, Latin America began to witness the introduction of a completely new form of social assistance, conditional cash-transfer (or CCT) programs. Brazil began the first one at the municipal level. The first to be done on a large scale was Mexico’s Program for Education, Health, and Nutrition (Progresa), launched in 1997 with the stated goal of preventing the intergenerational transmission of poverty. Progresa offers cash transfers to women who are selected according to a sophisticated formula designed to measure impoverishment. The grants are conditional on recipients’ keeping their children in school and taking them regularly to a health clinic. Having piloted CCTs of its own at the city level, Brazil expanded their reach to the national level with the Bolsa Escola and Bolsa Familia programs.

The significance of CCTs as tools for fighting poverty is threefold. First, these programs consciously and openly reach out to the poor, and as such mark an important effort to ameliorate the traditional truncation of Latin American social policy. Second, CCTs seek to prevent the intergenerational transmission of poverty by giving heads of households incentives to invest in the health and education of their children. Third, these programs establish entitlements for the poor and limit opportunities for the political abuse of antipoverty money.

Targeting and Discretion

Latin American social programs may be classified according to two criteria: the degree to which they are targeted to reach only the poor, and the degree to which they are discretionary. The better calculated a program is to reach the poor, the more targeted or progressive it is. Programs that take little or no care to reach the poor tend toward regressivity: Benefits flow disproportionately to those who already have more resources. Formal government discretion—defined as leeway to decide who benefits, when transfers are given, and when they are withdrawn—makes up the second criterion. Programs with little formal government discretion offer benefits that are assigned according to objective eligibility criteria (all persons over 65, for instance, or all women with children under 5), and which cannot be withdrawn unless a beneficiary fails to meet previously defined legal criteria. Programs that allow significant formal government discretion are more easily subjected to political manipulation, with poverty reduction often suffering as a result. These
programs allow politicians to assign transfers on the basis of political criteria (for example, being core or swing voters) and to stop benefits at will—because a beneficiary failed to vote for the incumbent, for example, or because elections are not near.

According to these criteria, traditional welfare-state benefits are nondiscretionary—every formal worker is eligible—but they are poorly targeted in Latin America because they exclude the poor. Subsidies for food, medicine, or transport, like social-insurance benefits, tend to be poorly targeted, but they are also discretionary, since politicians can often start, stop, or otherwise change benefits across the board by decree. Thus it is not uncommon to see food, medical, and transport subsidies rise during campaigns and fall once the voting is over. Still more discretionary than subsidies (which after all do not lend themselves to the exclusion of individuals) are outright clientelist transfers.

Conditional cash-transfer programs resemble social insurance in that they are nondiscretionary. They differ from social insurance, however, in being targeted (typically by the use of a poverty formula that recipients must fit). To complement CCTs, Brazil, Chile, and Mexico are introducing social-assistance instruments tailored to the specific needs of particularly vulnerable groups such as widows, orphans, the disabled, and the elderly poor. These programs are better targeted than social insurance and less discretionary than clientelist transfers.

We distinguish CCT programs from transfers that are also targeted at the poor but are highly discretionary. Mexico’s National Solidarity Program (Pronasol), for example, offered cash for credit subsidies and children’s scholarships in a targeted manner, but the government enjoyed absolute leeway to select beneficiaries and could yank any or all benefits from anyone at any moment. Other transfers, typically disbursed before elections, may include bags of food, sums of money, construction materials, titles to land, washing machines, and even livestock. These clientelist transfers consist of private, excludable benefits or favors that are discretionary, and though often well-targeted at the poor, can be given or taken away for purely political reasons. Such transfers differ from CCTs in the vast degree of formal discretion involved.

Lastly, social funds and programs for the provision of public goods—clean water, roads, electricity, schools, clinics, and hospitals—can also be classified according to the targeting and discretion criteria. These programs assign goods that are nonexcludable (they benefit everyone in a given town or locality, regardless of income) and they may or may not be highly discretionary. Pronasol and Peru’s Fujimori-era Foncodes program allowed politicians to choose which locales to aid and which to ignore. Mexico’s replacement for Pronasol, the Municipal Social Infrastructure Fund (FISM), assigns help to municipalities according to a predetermined poverty formula.
For most of the twentieth century, truncated (that is, poorly targeted) welfare states coexisted with an array of clientelist transfers that did reach the poor but were subject to immense government discretion. Because the poor benefit from clientelism—which has all too often been the only form of welfare available to them—it is unsurprising to find that there seems to be more satisfaction with democracy in countries where clientelist practices are traditionally more widespread and entrenched.

This can be observed more clearly in Figure 2 above, which shows data from the Latinobarómetro surveys, as analyzed by the United Nations Development Programme (UNDP). On the horizontal axis one can see a classification of voters according to their “democratic” character—that is, the proportion of surveyed adults in each country who agree that democracy is the best system of government, even compared to an authoritarian regime that performs well. The vertical axis records public perceptions (as captured by Latinobarómetro surveys) of the frequency of clientelism.

Figure 2 shows a positive correlation between citizens’ expressions of support for democracy and their sense that clientelism is used during election campaigns. This suggests that voters in Latin America evaluate democracy more favorably when politicians deliver clientelistic transfers around election time, even if these same politicians have failed to offer social policies that promise greater justice and lasting poverty elimination. Over the last decade, Latin America has gradually begun to move toward social programs that combine more targeting with less discretion. This movement in the right direction is expanding benefits to the poor and granting them entitlements that are less vulnerable to manipulation.

The key to this progress has been the trend toward CCT programs.
Several factors are driving it. During the era of structural adjustment and neoliberal reform, Latin American governments found themselves facing serious budgetary constraints and thus a need for policies that did not cost too much. By tightly targeting only the most severely impoverished citizens and using resources (clinics, doctors, nurses, schools, and teachers) that are already in place, CCTs could remain relatively cheap. So far they have exerted little upward pressure on taxes, and the wealthy and middle classes—probably seeing CCTs as bulwarks against social unrest—have shown no resistance to paying for them.

The rapid spread of CCTs bespeaks the critical failure of the region’s social pacts to include the poor. Latin American societies are rife with arrangements, left over from an authoritarian past, that are not sustainable in a democratic era. In countries where a significant percentage of the population is excluded from preexisting social pacts and income inequality runs high, we can expect to observe the introduction of CCTs.

Although the introduction of CCTs is a step in the right direction, it is hard to imagine successful poverty relief based solely on these policies. They are not meant to make up for shortages of health clinics, schools, potable water, roads, and other public goods that are essential for poverty reduction. Supplying such goods means building social infrastructure, and that is costly. Indeed, the scarcity of such public goods in Latin America’s poorest communities blunts both CCTs’ ability to expand and their effectiveness at reaching those mired in the worst kinds of poverty. Many countries, including Bolivia, Brazil, Colombia, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru, and Venezuela, contain large isolated areas that have long been desperately poor and have little or no infrastructure, social or otherwise. In these hard-to-reach places, new social-policy innovations that provide incentives for migration and relocation will be necessary.

Whatever their other virtues, moreover, CCTs are not designed to mitigate risks due to health problems, accidents, old age, or natural disasters. Latin American welfare states must become truly universal in order to accomplish the large-scale risk pooling that is required in order to guard against such life hazards. But this too is expensive. Without sustained economic growth and significant increases in taxation, universal social welfare will not be possible. Finally, CCTs will not be able to ease limits on social mobility unless the quality of the schooling and health services actually available to the poor becomes dramatically better than it is now.

A Poverty-Fighting Weapon

Despite these limitations, CCT programs in the last decade have become the main weapon for fighting poverty in Latin America. These programs spring from a belief that direct transfers of funds can induce poor households to seek more schooling and health care for their youngsters.
By causing households to adopt and stick to certain changes in behavior, the programs aim to measurably improve health and human-capital formation.\(^\text{10}\) Whereas poor families might once have been inclined to send their school-age children to work instead of the classroom, now these families are paid to keep the children at their studies.\(^\text{11}\)

After Mexico pioneered Progresa in rural areas in the late 1990s—teaming money transfers for food with both scholarships to keep children in school and incentives to seek health care more often—President Vicente Fox renamed the program Oportunidades and extended it to the cities as well. By the end of 2005, Oportunidades covered five-million poor households, most of them in rural areas.

In part thanks to Progresa’s success, most Latin American countries have created their own CCT programs (see Table 1 on page 44). Mexico and Brazil have the largest programs in terms of absolute numbers of people included, while Ecuador’s Bono de Desarrollo Humano covers the largest share of a national population. Opportunity NYC, a pilot CCT program launched by New York’s Mayor Michael Bloomberg in 2007, is a sign that the success of CCT programs in Latin America has encouraged rich countries to start their own initiatives along these lines.

Despite their common features, CCT programs can also differ significantly from one another in any one or more of five basic ways: 1) selection of beneficiaries; 2) levels of benefits; 3) means of distributing benefits; 4) methods by which beneficiaries can meet conditions; and 5) methods of evaluation and oversight.

In order to select beneficiaries and discern a baseline against which program effects can be measured, some CCT schemes begin with an effort to survey and map the likely target population. In some countries, information about where the target population lives and whether school and health facilities are accessible enough to make conditionality feasible is used to select localities that will be included in the program. Some CCT programs allow local governments to choose individual beneficiaries, while others give potential beneficiaries incentives to self-select. Still others seek to cover just about everyone living in certain very poor areas, with little attention paid to individual differences in poverty levels. One upshot of the differences in how beneficiaries are identified and selected is that Latin American CCTs vary widely when it comes to striking a balance between errors of overinclusion and errors of underinclusion.

Benefit levels mark an additional area of difference. Some programs calibrate benefits according to the school year to which a child belongs as well as the child’s gender—for example, some programs provide larger transfers to keep girls and older children in school. Researchers continue to discuss how much money is needed to induce lasting changes in behavior, and to ask how much additional money will maximize program impact over time. Transfers vary in amount from country
Transfer payments may come directly from the national government, or may be routed through the banking system or local-government bureaucrats. The methods used to verify that beneficiaries are meeting conditions depend in part on the methods used to deliver the benefits. Some programs impose conditions with such strictness that the coordinated efforts of several health and education bureaucracies are required. In other programs, beneficiaries must display fairly extreme amounts of noncompliance in order to be stricken from the rolls.

Finally, each program resorts to its own favored evaluation mechanisms. The more innovative CCTs include embedded experiments designed to yield scientifically testable results, while others rely on more traditional evaluation methods.

In general, evaluation reveals highly positive results from CCTs. Progresa, which is arguably the most studied of all such programs, has been

<table>
<thead>
<tr>
<th>Country</th>
<th>Program</th>
<th>Year Created</th>
<th>Coverage (ca. 2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>Plan Familias</td>
<td>2006</td>
<td>500,000</td>
</tr>
<tr>
<td>Chile</td>
<td>Chile Solidario (CS)</td>
<td>2002</td>
<td></td>
</tr>
<tr>
<td>Colombia</td>
<td>Families in Action (FA)</td>
<td>2001</td>
<td>4.6%</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>Solidaridad</td>
<td>2005</td>
<td>230,000 families (10%)</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Bono de Desarrollo Humano (BDH)</td>
<td>2003</td>
<td>1,000,000 families (40%)</td>
</tr>
<tr>
<td>El Salvador</td>
<td>Red Solidaria</td>
<td>2005</td>
<td>24,000 families</td>
</tr>
<tr>
<td>Honduras</td>
<td>Programa de Asignación Familiar (PRAF)</td>
<td>1998 (1990)</td>
<td>240,000 (15%)</td>
</tr>
<tr>
<td>Jamaica</td>
<td>Program of Advancement through Health and Education (PATH)</td>
<td>2001</td>
<td>180,000 (8%)</td>
</tr>
<tr>
<td>Mexico</td>
<td>Progresa Oportunidades</td>
<td>1997, 2000</td>
<td>5,000,000 families</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>Red de Protección Social (RPS)</td>
<td>2000</td>
<td>30,000 families</td>
</tr>
<tr>
<td>Paraguay</td>
<td>Red de Protección y Promoción Social (Abrazo Tekopora)</td>
<td>2005</td>
<td>5,000 families (pilot program)</td>
</tr>
<tr>
<td>Peru</td>
<td>Programa Nacional de Apoyo Directo a los más Pobres Juntos</td>
<td>2005</td>
<td>336,000 families</td>
</tr>
</tbody>
</table>

Note: This Table excludes unconditional-transfer programs, programs that are not targeted specifically at poor households or individuals, and programs that omit the goal of disrupting the intergenerational transmission of poverty. Programs left out therefore include Argentina’s Jefes de Hogar, Bolivia’s Bono Solidario (Bonosol), and Venezuela’s Misiones.
found to be associated with increased consumption, declines in school-dropout rates, increases in children’s average height and weight, and lower infant mortality, among other indicators. The largest (in absolute terms) of all Latin American CCT programs, Brazil’s Bolsa Familia, can point to similarly promising results. Colombia’s Families in Action boosted school enrollments and healthcare access, though it failed to show any effect on nutritional levels. There also have been studies, mostly from Brazil and Mexico, associating CCTs with reduced inequality. According to one, a fifth of the movement toward greater equality in income distribution in those two countries over the last few years is directly attributable to CCT payments. Development economists, experts in public health and schooling, and policy makers will continue to study CCTs to see how well they are working. Yet the need to maintain a process of permanent evaluation, preferably of the embedded, experimental type, does not seem to be widely understood.

Explaining the Adoption of CCTs

Conditional cash-transfer programs are more than just a means of handing income supplements to the poor. Implicit in these programs is a set of ideas about what role the state should play in alleviating poverty among its citizens. Why did some countries emerge as early adopters of CCTs, while others have yet to adopt them even today, despite all the positive press and evaluations they have received? The adoption of a CCT signals a government’s willingness to depart from the common forms of truncated welfare states, generalized food subsidies, or discretionary clientelistic transfers.

A way to think about the adoption of these programs is through what is known as a survival model, which uses statistics to represent the time lag involved in the adoption of a policy, in this case a CCT program. A standard way to think about the process is that in any given year there is a probability that a program will be initiated.

Table 2 on the following page shows the results we got when we examined how various circumstances might affect the likelihood that a CCT program will be adopted. As mentioned above, widespread income inequalities and poverty should make the need to adopt poverty-relief strategies more pressing. Poverty and inequality are not the same thing, but as structural characteristics, they tend to be highly correlated. A high income level, as measured by per capita GDP, should also make it more likely that a country can become an early adopter of CCT programs. But while high per capita GDP may speed CCT adoption, rapid economic growth can make addressing the plight of the poor less pressing, so we expect to find a negative correlation between growth and the adoption of CCT programs. Finally, CCT programs presuppose an infrastructure for the delivery of health and educational services, since otherwise con-
ditionality makes no sense. In many ways, the quality and density of that infrastructure reflect “state capacity”: The more capable a state is, the more likely it should be to create a program involving the kinds of administrative burdens that CCTs (with their targeting and conditions) require. On the political front, we also include a control for state capacity as measured by the years that have passed since the inception of the democratic regime, plus a measure of the government’s ideological tendency.

Our data cover the 21 most populous countries in Latin America and the Caribbean (Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela). The dependent variable is the adoption of a CCT program (such as those listed in Table 1), with the caveat that the initiation date is taken to be when a nationwide program is adopted, not just when an early pilot study gets underway (the results do not hinge on this coding decision).

We test whether governments leaning ideologically to the right and center are more likely to adopt CCT programs than those on the left. Using the 2006 version of the Database of Political Institutions (DPI), we grouped those political parties that controlled executive branches into “left” and “center” categories. The DPI does not code ideology for a significant number of cases, particularly during autocratic periods. Except for some very ambiguous and short-lived presidencies in Ecuador, we have decided to use our own coding for the missing values on the basis of the political biographies of key individual leaders (this decision has allowed us to keep Guatemala, Haiti, Nicaragua, Panama, and Venezuela in the analysis). The DPI is also our source for figures on regime durability, measured by the number of years that the regime has remained in place.

To measure inequality, we use the average Gini coefficient calculated for each given year from the UNU-WIDER World Income Inequality

### Table 2—Factors Influencing the Adoption of CCTs

<table>
<thead>
<tr>
<th></th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>Z-statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inequality</td>
<td>1.166</td>
<td>0.051</td>
<td>3.53</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>1.000</td>
<td>0.000</td>
<td>-2.61</td>
</tr>
<tr>
<td>Measles Immunization</td>
<td>1.081</td>
<td>0.026</td>
<td>3.21</td>
</tr>
<tr>
<td>Left</td>
<td>0.715</td>
<td>0.392</td>
<td>-0.61</td>
</tr>
<tr>
<td>Center</td>
<td>1.477</td>
<td>0.468</td>
<td>1.23</td>
</tr>
<tr>
<td>Growth</td>
<td>0.902</td>
<td>0.040</td>
<td>-2.31</td>
</tr>
<tr>
<td>Durability</td>
<td>1.029</td>
<td>0.013</td>
<td>2.33</td>
</tr>
</tbody>
</table>

Notes: No. of subjects = 251, No. of failures = 68, Time at risk = 635, Chi2 = 57.41, Log likelihood = -258.62
Database (WIID). Given that income inequality changes only gradually, we keep the reported average in subsequent years when there is no calculation of income inequality, until another calculation is available. For the level of development, we use GDP per capita figures at purchasing power parity (PPP) from the World Development Indicators (WDI). This same source is used for growth rates, which refer to the overall economy as measured in current U.S. dollars. We take as a measure of state capacity the rate of immunization against measles (also compiled by the WDI dataset, although the original source of that information is UNICEF and the World Health Organization).

Coefficients larger than 1 indicate a positive effect that increases the probability, while those less than 1 denote a negative influence. Inequality increases the likelihood that a program will be adopted in a significant way. The level of development also seems to have a significantly positive effect, although the magnitude is very small. Economic growth, which can tempt a government to put off enacting a CCT program, appears to have a negative effect on the likelihood of CCT adoption. Greater state capacity as reflected by measles-immunization rates yields more likelihood that a program will be adopted. And regimes that have been in place for a long time are more likely to adopt these programs. But once the model controls for these factors, there is no evidence suggesting that the choice of these programs is more or less likely to come from presidents who occupy a particular location in the ideological spectrum. All things considered, governments with solid bureaucratic capacity facing widespread inequality and poverty are more likely to have adopted CCT programs early on, with the caveat that economic growth (with its presumable trickle-down to the poor) may induce delay. The data fail to bear out the initial suspicion that these programs have a particular ideological orientation, which suggests that the convergence we see when it comes to poverty-fighting strategies may have to do with dilemmas that all Latin American governments must face, whatever their own or their supporters’ ideologies and policy preferences.

If social programs have clear effects on elections, what does that imply for considerations of democratic quality and governmental accountability? Much of the debate over CCT programs and social funds has focused on finding the “right” bureaucratic systems that will solve the lack of accountability, establish oversight and control mechanisms, lay down clear norms and systems for surveillance, and weigh the usefulness of social audits and public-information transparency. But in the end, none of these more or less technical solutions gets to the heart of things. The best judge and referee of the government’s performance remains the citizen, exercising his or her right to vote in order to turn out a bad government and bring in one that offers better programs and more hope for the future. As the cases of Brazil and Mexico suggest,
success in social policy may be the clearest path toward winning re-election and may be the main instrument to keep populist leaders out of power.

NOTES


8. Authors’ communication with officials of the Mexican Secretaría de Hacienda y Crédito Público.


16. In order not to drop Cuba from the data set, we imputed a per-capita GDP value of US$5,000 at PPP for the island.