

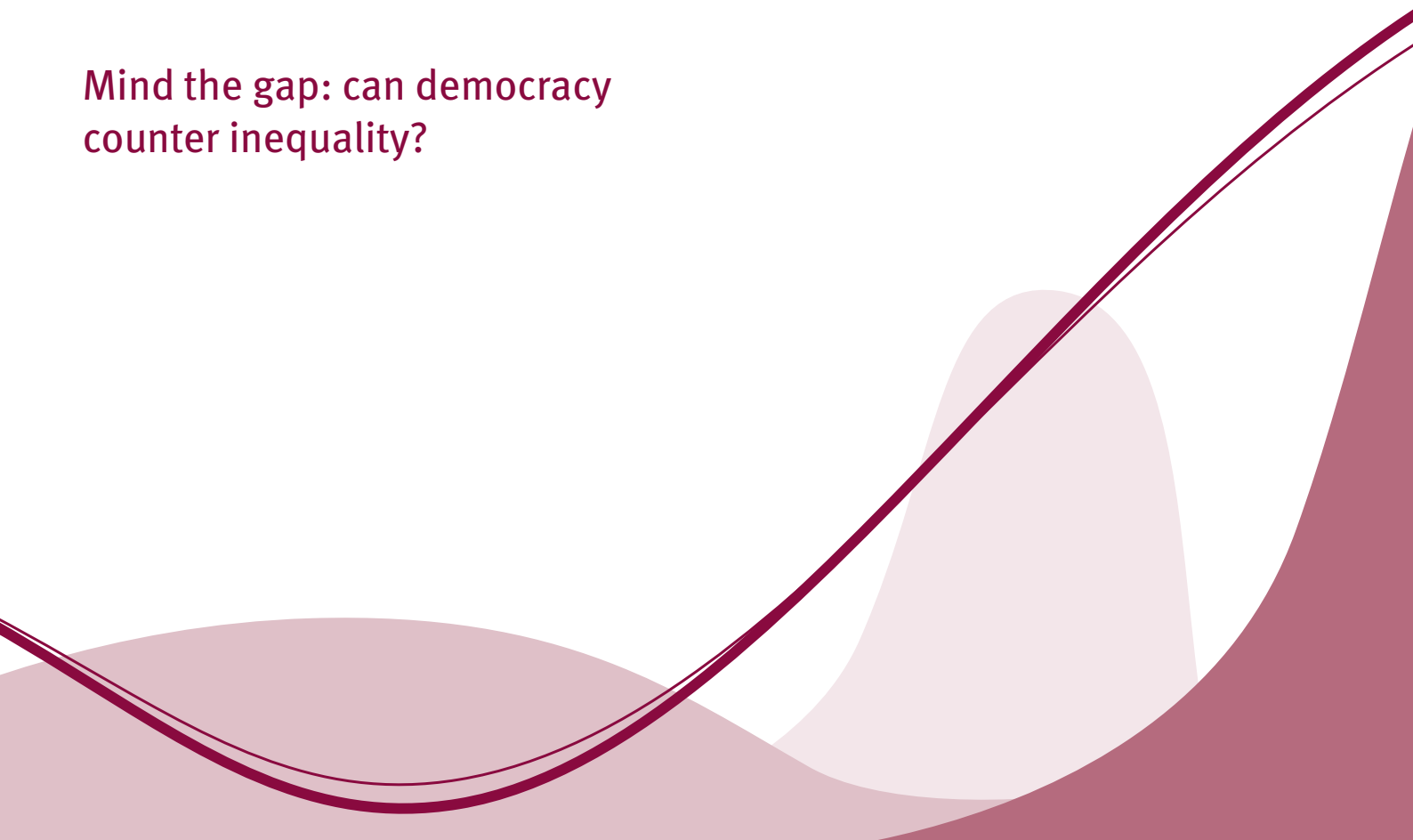


***The Global State of Democracy 2017***  
*Exploring Democracy's Resilience*

**Chapter**

# 6

Mind the gap: can democracy  
counter inequality?



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International IDEA  
Strömsborg  
SE-103 34 STOCKHOLM  
SWEDEN  
Tel: +46 8 698 37 00  
Email: [info@idea.int](mailto:info@idea.int)

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# Mind the gap: can democracy counter inequality?

Rising inequality has become the defining challenge of the century; it has profound implications for the health and resilience of democracies everywhere. Inequality—and the fears of social decline and exclusion it generates—feeds social polarization and the shrinking of a vital moderate centre. It also severely skews political voice and representation towards those who have resources and power. This generates and perpetuates elites with outsized influence over shaping policy- and decision-making processes; this (im)balance of power determines the prospects for development and how progressive and equitable they are, including in the vital area of state performance and social services provision. Over the long term, inequality can create imbalances in voice, representation, opportunity and access that disenfranchise segments of the population, and undermine trust in (and support for) democracy. This kind of alienation can also increase support for populist and extremist views and violent conflict—particularly among young people. This chapter explores how democracies can tackle the political challenges posed by inequality and help make democracies more resilient, using case studies from Angola, Costa Rica, Ghana, Guatemala, the United States and Venezuela.

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**Written by**  
Alina Rocha Menocal<sup>3</sup>

**We must work together to ensure the equitable distribution of wealth, opportunity and power in our society.**

—Nelson Mandela, President of South Africa, 1994–99 (1996)

## 6.1. Introduction

There has been significant global political and socio-economic transformation over the last 30 years. Since the 1980s, there has been a remarkable shift in political systems all over the world. A wave of democratization which started in Portugal and Spain in the 1970s has swept through Latin America and the Caribbean, Eastern Europe, Asia

and the Pacific, and Africa. While the Arab states have not been immune to momentous political change, only one of the countries affected by the 2010–11 Arab Uprisings, Tunisia, seems to have embarked on a democratic path.

Considerable progress has also been achieved globally in improving the well-being of those most in need, as captured by the Millennium Development Goals, and the Sustainable Development Goals (SDGs) that have since replaced them. Since 1990, almost 1.1 billion people have been lifted out of extreme poverty (World Bank 2016). Significant strides have been made in areas including maternal deaths, deaths from curable diseases such as polio and malaria, child survival and primary school enrolment (Gates and Gates 2016).

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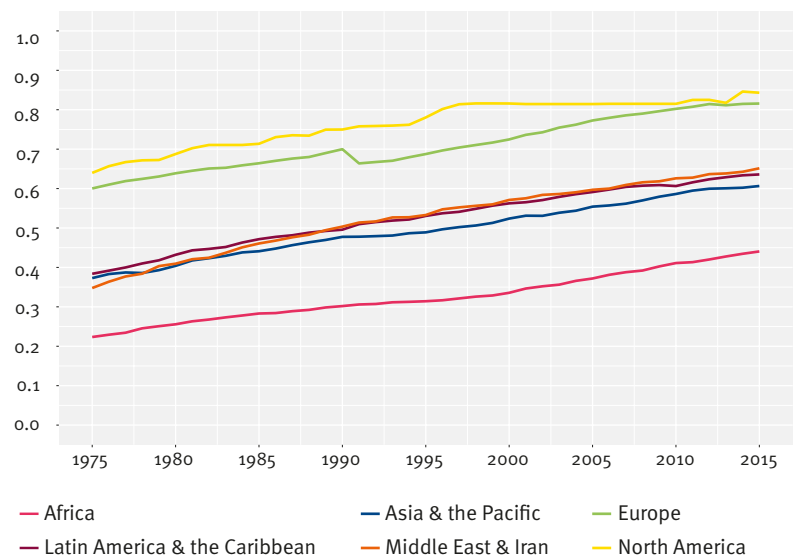
<sup>3</sup>Alina Rocha Menocal is a Senior Research Fellow in Politics and Governance at the Overseas Development Institute in London.

The basic welfare subcomponent of International IDEA's Global State of Democracy (GSoD) indices (which takes into account infant mortality rate, life expectancy, supply of kilocalories, literacy rate and average years of schooling as well as expert evaluations on equality of access to basic schooling and health care) reflects similar progress. As Figure 6.1 shows, there has been a steady increase in basic welfare across all regions of the world since 1975.

Yet democratic regimes' ability to perform—both economically and socially—remains mixed at best. Moreover, while poverty levels have improved globally since the 1980s, and inequality between countries has declined considerably, inequality *within* countries is at a historic high (World Bank 2016; IMF 2015; Piketty 2014). The levels and trends in average inequality are quite different across regions, although inequality remains greater in developing countries than in developed ones. Since 2008, there has been a broad-based decline in inequality across regions (measured in national average Gini, see World Bank 2016). However, on average, levels of inequality were either higher in the 2010s than they were in the 1980s (including in industrialized countries, in Eastern Europe, and Central and South Asia), or they stabilized back to late 1980s levels after steep increases through the 1990s and 2000s (Latin America and the Caribbean, East Asia). A few South American countries (e.g. Brazil, Bolivia and Colombia) have made progress in reducing income gaps since the late 1990s/early 2000s, but this has not translated into improvements in other inequalities. The region also started from a very low baseline, and continues to be the most unequal in the world. In Brazil, for instance, which has made the most progress in the region in reducing inequality, the gap between rich and poor is still about five times that of Organisation for Economic Co-operation and Development (OECD) countries (Atkinson 2014; IMF 2015; OECD n.d.).

FIGURE 6.1

### Basic Welfare: regional trends, 1975–2015



**Notes:** This graph shows the development of basic welfare subcomponent scores (y-axis) for the different regions of the world over time (x-axis). The y-axis ranges from 0 to 1; higher scores indicate a higher provision of basic welfare.

**Source:** GSoD indices 2017 (Basic Welfare Index).

The one region where inequality seemed to be lower in the 2010s than in the late 1980s is sub-Saharan Africa, but progress there masks wide-ranging variations within the continent, and the region continues to stand out for its relatively high levels of inequality. As for the Middle East, while it was the only region where inequality decreased consistently in the two decades between the late 1990s and the late 2000s, it was also the only one to experience a steady rise in the five years leading up to 2013.

Wealth concentration has become especially acute. Between 1988 and 2008, the bottom 5 per cent of the global income distribution made no progress at all, while the top 5 per cent (and indeed the top 1 per cent) has done spectacularly well (Paz Arauco et al. 2014).

In 2010, 388 people owned as much as the poorest half of the world's population; by 2015 this number had fallen to 80, and by 2017 to

There has been a steady increase in basic welfare across all regions of the world since 1975. Yet democratic regimes' ability to perform—both economically and socially—remains mixed at best

## Inequality facts

**1.1  
BILLION**

have been lifted out of  
extreme poverty since 1990.



Sources of data: World Bank (2016)

### Wealth concentration



**8 PEOPLE OWN AS MUCH  
WEALTH AS THE POOREST  
HALF OF THE WORLD'S  
POPULATION**

In 2010, 388 people owned as  
much as the poorest half of the  
world's population, but by 2015  
this figure had fallen to 80; it  
currently stands at eight.

Sources of data: Oxfam (2017)



The poorest children are  
**4 times** less likely

than the richest children to be  
enrolled in primary education in  
developing countries.

Sources of data:  
World Bank (2016)



While poverty levels have  
improved globally since the  
1980s, and inequality  
between countries has  
declined considerably,  
**inequality within countries  
is at a historic high.**

Sources of data: World Bank  
(2016); IMF (2015); Piketty (2014)

### Lack of access



The poor are **less likely to have access to education, health and other  
crucial services** and opportunities, which deeply affects their life  
chances.

### Poverty risk has shifted

While the effects of  
inequalities, exclusion and  
discrimination are felt in  
many parts of society, they  
are particularly prevalent  
among young people.  
Poverty risks have been  
shifting from the elderly  
towards young people over  
the past few decades.

Sources of data: Glassco Holguin (2016)

**Wealth  
concentration  
has become  
acute**



Between 1988 and 2008, the bottom 5 per  
cent of the global income distribution  
made little progress in increasing their  
income, while the top 1 per cent did  
spectacularly well, receiving 15 per cent of  
global income in 2008, compared to 11.5  
per cent 20 years earlier.

Sources of data: Paz Arauco  
et al. (2014)

8 (Oxfam 2017). This concentration of wealth, which has been likened to ‘the greatest reshuffle of individual income since the Industrial Revolution’ (Milanovic 2016), might even be underestimated because of assets hidden offshore (Shaxson, Christensen and Mathiason 2012).

There are growing pockets of people who are poor, marginalized and consistently ‘left behind’, and who have been excluded or overlooked by ongoing progress—even in countries such as China and India, which have enjoyed sustained periods of economic growth. People living in poverty are chronically less likely to have access to education, health, and other crucial services and opportunities, which affects their life chances and wellbeing (Oxfam 2017; UN 2015). According to the World Bank, ‘[t]he poorest children are four times less likely that the richest children to be enrolled in primary education in developing countries’ (World Bank 2016: 17). While the effects of inequalities, exclusion and discrimination are felt in many corners of society, they are particularly prevalent among young people: poverty risks have been shifting from the elderly towards youth over the past few decades (OECD 2011, 2014; Glassco and Holguin 2016).

The UN 2030 Agenda for Sustainable Development and regional equivalents provide a crucial opportunity to harness action at both the domestic and international levels to combat inequality. The SDGs offer an ambitious and compelling framework to foster more resilient states and societies. They include specific goals related to ‘ending poverty, in all its forms, everywhere’ and ‘reducing inequality’ as well as tackling marginalization and responding to the needs of all groups, including children, women and girls, people with disabilities and older people (Stuart et al. 2016). However, there is also broad agreement that these goals cannot be achieved without addressing persistent inequalities, particularly those affecting young people (World Bank 2016; Stuart et al. 2016; Glassco and Holguin 2016; Oxfam 2017).

There are ongoing debates about how much inequality is appropriate or even desirable within a society, for example to maintain an incentive structure and to recognize different levels of talent and effort. However, the chasm between rich and poor in some countries has become so wide that there is now consensus across the board that persisting inequality represents a structural and institutional risk to the deepening and resilience of democracy. This concern is now even evident among international financial institutions such as the World Bank (World Bank 2016) and the International Monetary Fund (Lagarde 2014), which for a long time tended to prioritize the promotion of growth through structural adjustment, under the assumption that such growth would trickle down and help to combat poverty, while inequality itself rarely registered as a problem.

There are good reasons to be concerned about the rise of inequality and its effect on democratic resilience. Inequality, and the fears of social decline and exclusion it generates, feeds social polarization and the shrinking of a vital moderate centre. It also severely skews political voice and representation towards those with resources and power. This generates and perpetuates elites with outsized influence over shaping policy and decision-making processes; this (im)balance of power determines the prospects for development and how progressive and equitable they are, including in the crucial area of state performance and social services provision. Over the long term, inequality can create imbalances in voice, representation, opportunity and access that disenfranchise segments of the population, and undermine trust in (and support for) democracy (Oxfam 2017). This kind of alienation and disaffection can also increase support for extremism and violent conflict. In the face of increasingly concentrated inequalities (whether real or perceived), moderates in political ideology and strategy lose ground as those aggrieved come to believe that the abuse of power by those with extreme wealth or privilege needs to be countered by equally strong positions and strategies.

Inequality can create imbalances in voice, representation, opportunity and access that disenfranchise segments of the population, and undermine trust in democracy

## How rising inequality undermines democracy



### How?

- ⌞ Undermines the well-being of marginalized people
- ⌞ Increases the power of the wealthy and privileged

### What are the consequences?

- ⌞ Excludes groups of society from political processes
- ⌞ Biases the provision of education, health and other services
- ⌞ Exacerbates distrust
- ⌞ Creates a feeling of alienation
- ⌞ Threatens the legitimacy of government
- ⌞ Can increase polarization and resentment
- ⌞ Can lead to populism
- ⌞ Can increase violent extremism
- ⌞ Can trigger conflict and war



This chapter explores the relationship between democracy and inequality. It examines how inequality impacts the quality and resilience of democratic governance, as well as whether (and how) democracies and democratic institutions can reduce inequality. Overall, it finds that the links between inequality and democracy are complex and non-linear. While inequality poses a serious threat to the quality and resilience of democracy, democracy does not inherently reduce inequality.

The chapter is organized as follows. Section 6.2 starts by defining inequality and social exclusion, and emphasizes the need to understand inequality in a holistic, multidimensional manner that encompasses the economic, political, social and cultural dimensions. Section 6.3 examines the different ways in which inequality affects democracy. Existing evidence suggests that inequality does not directly bring about regime change: a political system, whether authoritarian or democratic, will not break down simply because there are high levels of inequality (Houle 2009; Knutsen 2015). However, inequality does have a pernicious effect on the quality and resilience of democracy, understood here to go beyond the formal attributes of democracy to encompass the nature of public decision-making and the degree to which political institutions enable a majority of citizens to change the status quo (Munck 2014). Inequality also affects the extent to which democratic norms and values—including basic rights and freedoms, representation, accountability, equality and participation—are upheld in practice (Munck 2014).

Section 6.4 examines how democratic politics affect inequality. While inequality may have a deeply pernicious impact on democratic resilience, and ‘reducing exceptionally high levels of inequality is necessary for the maintenance of the quality of democracy’ (Karl 2000), democracy does not inherently reduce inequality. This section highlights that

#### BOX 6.1

##### Democracy and inequality: summarizing the nexus

Rising inequality around the world poses difficult policy dilemmas and political challenges for democracies, their leaders and political institutions. This is the case not only for socio-economic inequality with the continued concentration of wealth in the hands of a few, but also for those facing multiple and ‘intersecting’ inequalities, such as women and youth.

Inequality is a dynamic process between state institutions and society over the distribution of power and resources, which profoundly impacts the inclusion or exclusion of citizens. Inequalities can have a detrimental effect on countries as they affect the quality of democracies, particularly the basic functioning of democratic institutions, and enable a self-perpetuating cycle of declining social cohesion and exclusion from democratic processes, economic stagnation, as well as the erosion of accountability and a decreasing legitimacy of democratic institutions.

Resilient democracies can respond to these challenges by adopting flexible, adaptable and innovative mechanisms that consider a context-specific confluence of factors, including sound and innovative policies that address the intersectional nature of inequality, as well as the required state capacity, elite commitment, effective political parties, reform coalitions, mobilization and ideas from below, and the framing of shared national visions and destinies. How these factors interact with international drivers and dynamics is also important. Social mobilization and sustained bottom-up pressures can help harness more substantive transformations towards greater inclusion and more broadly shared prosperity. Social movement mobilization can thus be both a threat and an incentive (via electoral consequences) for democratically elected governments.

democracy poses distinct challenges to efforts to promote more inclusive processes and outcomes. Above all, the struggle for greater inclusion and equality is a political rather than a technical one: tackling inequality is not just about increasing the size of the pie for everyone, but about reallocating the slices (Hudson 2015). This process inevitably generates winners as well as losers, and so it is likely to be challenging and contested, and to require protracted negotiation, bargaining, and confrontation among a plethora of state and societal actors at different levels (from the local to the global).

Section 6.5 explores how the rules of the game, power relations and evolving state–society relations embedded within democratic systems shape patterns of inclusion and exclusion, and the prospects for reducing intersecting inequalities. Whether democracies



The people most likely to be left behind by development are those who face multiple overlapping or 'intersecting inequalities'. These include young people

can become more inclusive and resilient over time is ultimately a contextual question.

A comprehensive assessment of processes of change towards greater inclusion is beyond the scope of the chapter. Instead, it explores some of the factors, variables and relationships that are likely to foster inclusive development and reduce inequalities within a democratic context, drawing on both academic and policy-oriented research on democracy and inequality, the politics of development, and institution-building, including democratization and state-building.

Section 6.6 outlines the key conclusions emerging from the analysis and provides recommendations for actors at both the domestic and international levels to engage more effectively in efforts to tackle inequality and promote more inclusive development in order to help strengthen democratic resilience. For additional information on the concepts explored in this chapter see *Democracy and Inequality: A Resource Guide* (Cox 2017).

## 6.2. Understanding inequality and social exclusion

Inequality is complex and highly contested—and comes in many different forms. While the international development field often focuses on economic inequality, which is usually measured in terms of deficits in income and assets as they relate to individuals or households, inequality encompasses many other dimensions and categorizations as well. These include inequality before the law in terms of basic political and socio-economic rights and freedoms, inequality of access and opportunity, inequality in essential capabilities (such as the ability to be healthy, educated or socially integrated), inequality of outcomes and distribution of resources, inequality in the distribution of power, and inequalities in social standing.

Inequality is an individual as well as a collective phenomenon: it exists between individuals and households as well as between

social groups (Lustig et al. 2017). It is thus economic, political, social and cultural in nature, and it is shaped through a dynamic process of interaction and contestation between state and society over the distribution of power and resources. Patterns of inequality and social exclusion are entrenched in the underlying institutional arrangements and 'rules of the game' that underpin a given social and political system. 'Horizontal' inequalities are perpetuated when certain groups are systematically excluded, discriminated against and disempowered on the basis of defined economic, social, political, cultural, territorial, and other characteristics or shared identity. These processes of inequality and exclusion are sustained, reinforced and reproduced over time and space through political and social institutions (both formal and informal), economic structures and relations, legal frameworks, and behaviours that are embedded in (or reflect) prevailing political structures, power relations, and social and cultural attitudes and values (Bermeo 2009; Stewart 2010; Lustig et al. 2017). Apartheid South Africa (Marx 1998), Liberia under Americo-Liberian rule, and the oligarchic and discriminatory regimes that ruled in many countries across Latin America and the Caribbean (Bolivia, Ecuador and Guatemala) for much of the 20th century (Yashar 1998) are powerful examples of how patterns of institutionalized inequality produce and reproduce themselves over time.

The people most likely to be left behind by development are those who face multiple overlapping or 'intersecting inequalities' (Paz Arauco et al. 2014), which reinforce and exacerbate each other, and endure (O'Neil and Piron 2004; Stewart 2010; Paz Arauco et al. 2014). Women represent an important cross-section of marginalized groups. For example, Dalit women are among the most disadvantaged, discriminated against and vulnerable groups in India due to the interaction of class, caste and gender, while indigenous women in Latin America and the Caribbean face discrimination and exclusion

on the basis of gender and class, as well as ethnicity.

Young people all over the world are also confronted with intersecting forms of systemic discrimination, and are thus particularly vulnerable. Clearly, youth (and women) are not homogeneous groups, and certain young people are more affected by inequality and exclusion than others. However, inequality and exclusion profoundly undermine young people's opportunities to engage economically, socially and politically, and to exercise (or even secure) full citizenship. Inequality also severely limits social mobility—the prospect that over the course of a lifetime, a young person will be able to work his or her way into a better economic situation. As a recent Oxfam report has noted, '[i]nequalities between generations have grown at an alarming rate over the past few decades, paralleling the rise in the gap between rich and poor' (Glassco and Holguin 2016: 4). For instance, youth are consistently over-represented among the unemployed, and experience uneven and unequal access to services (for example, health and education) (OECD 2014). Social and economic inequalities in early life also increase the risk of lower earnings, lower standards of health and lower skills in adulthood. Parents' degree of political involvement and level of education also influence the political participation of youth: parents pass on advantages such as political awareness, access to community and educational opportunities, and most importantly, support for their children's educational attainment (Flanagan and Levine 2010). In 2016, the United Nations International Children's Emergency Fund (UNICEF) cautioned that 'if income or family background strongly predict children's life chances, and if income inequality is widening in most rich countries, that will exacerbate inequality in children's outcomes, raising important questions about fairness for children' (UNICEF 2016: 34). A key question is whether equality of opportunity will be further affected in the future, given

that income inequality is rising in most OECD countries (OECD 2015).

These trends are even more pronounced among young women, who face additional barriers such as social norms, conventions and stereotypes (child marriage, parenthood, machismo) that limit their access to education and the labour market, truncate their ability to claim and exercise their rights, and constrain their possibilities to engage and participate in political processes. As Glassco and Holguin explain, '[w]omen still earn far less than men for comparable work, and women lack control over income and wealth. Systemic discrimination against women and girls is both a cause and result of the inequalities that drive poverty, and can be exacerbated by class, ethnicity and age' (2016: 10). See Box 6.2 for a discussion of how inequalities in education are exacerbated by gender.

#### BOX 6.2

##### Intersecting gender inequalities and education

Education is a key arena in which inequalities intersect to affect an individual's ability to exploit the available opportunities. Mutually enforcing experiences of structural disadvantage and discriminatory practices have been shown to lead to lower levels of educational attainment and to sustain social exclusion and restricted life chances. This is especially true for women, who also face gender-based discrimination and exclusion. Despite progress at all levels of education provision and significant strides towards gender equality—as school enrolment rates for girls are rising, particularly at the primary level—millions remain excluded from school.

Girls' exclusion from education is due to a variety of factors that vary according to the level of education (primary, secondary or tertiary), region or subject studied, and geographic and socio-economic divisions. In Nigeria, the interaction of ethnicity, geographical location, poverty and gender results in only 12 per cent of poor Hausa girls from rural areas attending school (Paz Arauco et al. 2014).

Demographic and health surveys in many countries consistently show that girls from the poorest-quintile households are much less likely to complete primary school. Those born into poverty are in a highly disadvantaged starting position, which directly affects their ability to exploit any limited opportunities. In addition, while the numbers of children out of school have declined globally (and the share of girls in this total has fallen from 58 per cent in 1999 to 54 per cent in 2010), girls from the poorest households remain the least likely to attend school (Paz Arauco et al. 2014).

Inequality undermines the prospects for stable and sustainable democratic governance because it hollows out much of the substance of the formal and informal institutions that give democracy meaning and foster its resilience

### 6.3. Inequality and democratic resilience

There has been much debate in both academic and policymaking circles about the relationship between inequality and democracy. Evidence from the existing literature suggests that inequality has no clear effect on regime change: an authoritarian regime will not break down and lead to democratization on the basis of inequality alone; nor will a highly unequal democracy collapse because of inequality (Knutsen 2015; Houle 2009). However, how wealth is distributed across the population fundamentally affects the quality of democratic governance and undermines the sturdiness and resilience of a democracy (Houle 2009).

Above all, democratic resilience requires the evolution of a political culture in which the commitment to democracy is grounded on its *intrinsic* or normative value (i.e. democracy is seen as good in its own right), and not simply on its *instrumental* value (i.e. what it can deliver) (see Box 6.3). Inequality is central to the question of democratic resilience because it profoundly affects the ability to foster this kind of supportive democratic culture (Karl 2000). Democracy is more easily maintained, and will prove more resilient, when wealth and privileges are distributed in a more or

less equitable manner across society. A more equitable distribution of resources and power attenuates polarization and distributional conflict, tempers class struggle, and fosters moderation and more tolerant and gradualist views of politics among the population at large (Levin-Waldman 2016; Karl 2000; Bermeo 2009).

Building the kind of democratic political culture in which all relevant players accept democracy as 'the only game in town' (Przeworski 1991) has proven extremely difficult. As the discussion below illustrates, inequality makes this challenge even more daunting. Among other things, it skews the provision of crucial services away from those who need them most (including young people). Inequality also erodes social cohesion, distorts political voice and representation, jeopardizes the legitimacy of democratic institutions, and can feed violence and armed conflict. As such, inequality undermines the prospects for stable and sustainable democratic governance because it hollows out much of the substance of the formal and informal institutions that give democracy meaning and foster its resilience. The contrasting experiences of Venezuela and Costa Rica capture these challenges vividly (see Box 6.4).

#### BOX 6.3

##### Democracy as an intrinsic value

As Sen (1999) and others have argued, democracy as a system of governance has strong intrinsic value: in principle, democracy provides voice and basic freedoms (e.g. freedom of assembly and free press) that allow people to pursue their goals and aspirations, and to seek redress to any injustices (Stiglitz et al. 2009).

Through these freedoms, citizens in democracies can also expect that, in principle, policy decision-making processes are inclusive, participatory, broadly representative of different societal interests, transparent and accountable. While this does not always happen in practice, in theory a democratic system can be corrective to public policy: 'it can ensure the accountability of officials and public institutions, reveal what people need and value, and call attention to significant deprivations' (Stiglitz et al. 2009). This can help reduce the potential for conflict and encourage consensus building.

Following Sen's tradition, in order to attain fundamental freedoms (which in turn are integral to one's wellbeing and quality of life), it is crucial to ensure participation in one's development through open and non-discriminatory democratic processes, to have a say without fear, and to speak up against perceived injustices and wrongs (Sen 1999; Stiglitz et al. 2009).

## BOX 6.4

### Venezuela and Costa Rica: contrasting trajectories

Venezuela was once one of the oldest and most established democracies in Latin America and the Caribbean, as well as one of the wealthiest countries in South America. In the 1970s, it was also considered a relatively equal society by regional standards (Hausmann and Rodríguez 2014). Today, however, after nearly two decades of the 'Bolivarian' revolution led by President Hugo Chávez until his death in 2013 and continued under his successor President Nicolás Maduro, democratic institutions have been thoroughly hollowed out, and the country's economy is in ruins.

Venezuela's economic and political collapse from the 1980s onwards cannot be attributed to a single factor, and inequality itself was not a causal determinant from the start. However, as a variety of analysts have argued, the country's downward spiral over the past two decades illustrates the noxious effect that inequality can have on democratic resilience and state–society relations more broadly (The Economist 2017; Hausmann and Rodríguez 2014).

Venezuelan democracy emerged in 1958 as the result of a pact negotiated among political elites who agreed to alternate political power between two parties, Acción Democrática and the Partido Social Cristiano. This pact was sustained through the redistribution of oil rents. As oil prices declined in the 1980s, Venezuela experienced a dramatic fall in oil revenues. As economic growth severely contracted, the political pact broke down. The weakened and fragmented political party system lost its capacity to foster cooperation and collective action through the late 1980s and 1990s. Venezuela's acute economic recession gave rise to growing inequalities and disparities that helped to fuel social conflict, and contributed to the implosion of the political system (Hausmann and Rodríguez 2014).

As Venezuelans of all classes lost purchasing power during 20 years of stagnation and repeated devaluations, economic conditions worsened, and income inequalities between the rich and the poor became more pronounced. President Chávez came to power in 1999 in an election that reflected society's increasing polarization and disenchantment with traditional parties and 'politics as usual'. In many ways, President Chávez had broad appeal as a forceful anti-corruption, anti-party leader who would put government in order. He galvanized the lower classes and the disenfranchised against a political establishment that had failed to alleviate distributional conflicts with promises to make their lives better.

A key element of Chavismo ideology is that the state should support social welfare programmes for its citizens. For instance, revenues from Venezuela's significant oil reserves were invested in programmes designed to reduce poverty, improve education, and strengthen social justice and social welfare. However, power became increasingly centralized and unaccountable. As the military gained ascendancy, the autonomy of the legislative and judiciary branches of government was trampled. Civil liberties have been

under attack, and political parties that can represent and channel citizen demands have effectively been all but eviscerated. Ordinary Venezuelans took to the streets to protest hyperinflation, rising crime and murder rates, and allegations of corruption. In December 2015, the opposition won a majority in parliamentary elections by a landslide. However, the government moved swiftly to curtail the National Assembly's powers including the controversial election of a new Constituent Assembly to redraft the constitution in July 2017 (Broner 2017). The political crisis has continued to deepen, punctured by ongoing economic chaos, state repression, deadly protests, contested elections and a lack of credible mechanisms to mediate conflict and (potential) violence between various actors in state and society (The Economist 2017).

Costa Rica provides a useful counterexample. Historically, it has been less well off economically than Venezuela, but over the past two decades it has experienced steady economic growth. Costa Rican democracy, which is one of the most established in Latin America, has also proven remarkably resilient over time (Sada 2015). It has been able to weather multiple economic crises (in the mid-1980s, and now more recently) without any of the problems experienced by Venezuela and without jeopardizing its stability and sustainability. The resilience of its democratic regime can be attributed to its ability to maintain a relatively egalitarian social system in which the gap between rich and poor is less stark than in Venezuela. 'The roots of that system date back to at least the 1940s, when elite divisions combined with organized popular demands led to a progressive pro-reform coalition committed to democracy and broad-based development' (Rocha Menocal 2015a). Some scholars have argued that the foundations of Costa Rica's commitment to economic equality were laid much earlier, in the relatively equal small farmer economy of the colonial period that differentiated Costa Rica, which was not rich in natural resources, from the mining centres of Bolivia, Mexico and Peru and set in motion a very different developmental trajectory (Yashar 1997).

This led to the emergence of the Partido Liberación Nacional (formerly the Partido Social Democrática, formed in 1951), which came to power in 1953 and played a key role in weakening the power of land-holding elites and dismantling the army. By challenging traditional elites in this way, the party created the political space in which to press for political and economic reform, including redistributive policies, land reform and the creation of an inclusive welfare state (financed by drastic increases in sales and income taxes) (Yashar 1997). Since then, established political parties have represented and protected the economic interests of both the elites and ordinary people, which has helped to prevent polarization. Over time, distributional conflicts have not been severe, thanks to an inclusionary social welfare system, and the Costa Rican state has performed reasonably well in delivering human development (Sada 2015). Social polarization and class conflict have largely been avoided in favour of moderation, accommodation and a balance of class power that is supportive of democracy.

A government's ability to perform key functions and provide essential services is crucial to democratic resilience

### **Inequality, social provision and delivery**

A government's ability to perform key functions and provide essential services is crucial to democratic resilience. The state's responsibility goes deeper than simply establishing and maintaining services. It needs to ensure that those services can be adequately paid for (e.g. through progressive taxation and international assistance), as well as guarantee that they are of high quality and adhere to democratic principles.

Citizens closely associate their perceptions of the state with the state's ability to deliver public goods and to enable development and prosperity. Services—including clean water and sanitation, health care, education, welfare safety nets, job generation, security and access to justice—*represent visible and tangible connections* between the state and the population, and, under the right circumstances, they can help to strengthen state–society relations and the quality of the social contract (Nixon, Mallett and McCullough 2016; McLoughlin 2015). In principle, service provision helps to ensure the well-being of the population and to prevent citizens from falling into poverty, especially among the most vulnerable and marginalized segments of society, including young people. As such, state performance and service delivery can play an important role in fostering more inclusive, legitimate and stable institutions (Nixon, Mallett and McCullough 2016; McLoughlin 2015).

Inequality, and the multi-dimensional exclusion it generates, skews social provision away from those who are most in need of services. It creates an enormous social distance between different social groups—even if they often live in close proximity—which undermines the prospects for substantive interactions and shared experiences. The fire that engulfed the 24-storey Grenfell Tower public housing block in one of London's wealthiest boroughs on 17 June 2017, which claimed more than 80 lives and displaced hundreds of residents who lost everything, is a particularly stark example of this social distance. Such patterns result in fragmented systems of social provision and justice that only deliver good-quality services to those who are

able to pay for them (Paz Arauco et al. 2014). Elites often opt out of public services: they build their own schools and hospitals, and live in walled neighbourhoods (Karl 2000). Those who are poor and marginalized often lack access to basic services, social protection and justice. Inadequate or biased service provision can increase social tensions, exacerbate patterns of exclusion, and generate further alienation and resentment, especially among marginalized groups. For example, the proliferation of vigilante justice in impoverished rural areas in countries such as Guatemala and South Africa resulted from a complex set of factors linked to the increasing precariousness of peasants' lives (especially those in indigenous communities), fundamental concerns about (in)security and violence at the hands of both state and non-state actors, widespread corruption, inept formal judicial institutions and agents, and a generalized lack of trust in the national police. Inequalities and exclusion are particularly pronounced among young people, who today are worse off and more marginalized than previous generations. In the developed world, younger generations are for the first time in almost a century expected to be poorer than their parents. Governments have responded to the global financial crisis and economic slowdown with cuts to social services and provisions through processes often lacking consultation and transparency. Young people everywhere have thus disproportionately experienced a loss of access and opportunities in health, education, employment and training, and infrastructure (Oxfam 2016; UN 2016). Their prospects for social mobility have been severely curtailed, which has led to growing frustration and resentment. Young people believe governments have failed to effectively address the challenges that affect them, which has made them question whether democracy is the most appropriate system of government for their country (Sisk 2017). The resulting crisis has fuelled youth-led online and street protests and demonstrations, from food riots in Mexico in 2007, to the Occupy movements that took place in developed countries from 2011–13 (UN 2016).



Democracy's inability to deliver thus poses an enormous risk to democratic resilience, as illustrated by the rise of *Chavismo* in Venezuela and the spiral towards authoritarianism that has engulfed it, especially under President Maduro (see Box 6.4). In Mali, disapproval of government performance between 2002 and 2008 eroded popular commitment to elected government; citizens concluded that the country's inept and corrupt rulers were incapable of delivering key services, which led to the collapse of parts of the political system in 2012 (Bratton and Gyimah-Boadi 2015). Likewise, although Ghana has been consistently praised for its relative democratic resilience (see Box 6.8), 'swelling budget deficits, frequent electricity blackouts, and slowing economic growth have fuelled public resentment' (Bratton and Gyimah-Boadi 2015), which contributed to the opposition's victory in the 2016 elections. In South Africa, deepening frustration with democracy's inability to deliver for people who are poor and marginalized, and to overcome the patterns of inequality entrenched under apartheid, led to a stunning electoral defeat in 2016 of the 25-year ruling African National Congress in major municipalities. Such frustrations are most damaging and destabilizing when disapproval of a particular government becomes associated with the state itself because this jeopardizes confidence in the democratic system beyond the government that may be in power.

### Inequality and social cohesion

While transitions to democracy have taken place in countries with varying levels of economic development, there is a growing consensus that a certain level of prosperity may be needed to ensure its sustainability and resilience (Carothers 2002; Houle 2009; Karl 2000; Rocha Menocal 2012). However, the way in which wealth and prosperity are shared among the population may have greater influence on fostering the appropriate conditions for democratic resilience than levels of wealth as such. Indeed, some of the sturdiest democracies across both the developed and the developing world also tend to be more equal:

Australia, Canada, Costa Rica, Denmark, Finland, Jamaica, Mauritius, Mongolia, Norway, Republic of Korea, Spain, Sweden, Taiwan and Uruguay (EIU 2016; Houle 2009). Brazil and South Africa, however, are deeply unequal—and the resilience of their democratic institutions is constantly being tested. So how and why does (in)equality contribute to democratic resilience?

Inequality generates dynamics that undermine social cohesion and the fabric and social capital that hold a society together (see Box 6.5 for an example from the USA). It also profoundly hinders collective action in ways that transcend narrow identities (IDB 2008). Democracies are more resilient and function better when ties of trust and reciprocity bind citizens to each other and to the state (World Bank 2011; Marc et al. 2013). Such ties should be multiple, overlapping and cross-cutting, rather than based on narrower identities that link people together with others who are primarily like them along one key dimension such as kinship, family, religion or class (Varshney 2001). This is particularly true where relations between citizens have been fractured by conflict and

**Inequalities and exclusion are particularly pronounced among young people, who today are worse off and more marginalized than previous generations**

#### BOX 6.5

##### **Inequality and democratic resilience in the United States**

As Toqueville noted in the 19th century, democracy in the USA thrived because it was based on an exceptionally egalitarian social and economic structure of small landholders (Karl 2000). Material equality produced egalitarian sentiments, which formed the basis for the principle of equal citizenship: 'since people's economic circumstances, educational backgrounds, and everyday experiences were so similar, they were able to reach and sustain collective choices through majority rule' (Karl 2000). However, current levels of inequality have led to societal polarization and a decline in moderate political views, which are crucial to democratic resilience (Levin-Waldman 2016; Karl 2000; Bermeo 2009; UNDP 2013).

The USA is currently the most unequal democracy in the developed world. President Donald Trump successfully exploited the grievances of those who felt 'left behind', especially among the less privileged white working class, to win the 2016 election. The election also reflected an important overlap of class, gender and race politics that has been brewing in the US political system for the past few decades. (Perceptions of) inequality interacted with identity, which encouraged political leaders to focus on issues of difference and immigration to rally popular support (Caryl 2016).

In theory, all citizens in a democracy are equal before the law. However, unequal political systems severely undermine the principle of 'one person, one vote', and not all voices count equally

violence, and where a sense of social cohesion or common identity has been defined in narrow and exclusionary terms.

This weakening of the social fabric as a result of entrenched inequality is particularly pronounced among youth, in both less- and more-established democracies. Socio-economic inequalities limit the opportunities for young people to engage in political processes and institutions, and thus exacerbate marginalization and disenfranchisement and lead to frustration, disillusionment, alienation, a loss of trust and credibility in political processes and institutions, as well as a weak commitment to democracy—all of which threaten the resilience of democracies.

### **Inequality, political voice and representation**

In theory, all citizens in a democracy are equal before the law. However, unequal political systems severely undermine the principle of 'one person, one vote', and not all voices count equally. Karl identified the 'slow strangulation by insidious oligarchy' as the primary danger to democracy as gaps in wealth, access and

opportunity had become more pronounced (2000: 150); if anything, this problem has worsened since.

Societies characterized by entrenched and overlapping inequalities can become fragmented and polarized, which makes it difficult to achieve political consensus for social and redistributive policies and recourse to justice. In countries as diverse as Colombia, the Philippines, South Africa and the USA, inequality and differences in access, opportunity and power have enabled elites to exert disproportionate influence over government. Through capture, corruption and the unchecked infusion of money in politics, some wealthy people in these countries have been able to leverage their resources to bend laws to their bidding, enfeeble courts, violate rights, buy off politicians and political parties, intimidate or control the media, and run roughshod over constitutions and contracts (Levin-Waldman 2016). Their power and access have also enabled them to shape policymaking processes and the rules of the game more generally in ways that protect their own interests, and to block policies that would seek to equalize wealth or promote concern for the wider public good (Levin-Waldman 2016; Scheve and Stasavage 2017). This further undermines the state's interest in (and capacity to provide) quality education, health, security and other essential services.

In many countries in Latin America and the Caribbean, powerful elites have consistently sought to block reforms and initiatives that affect their core economic interests, such as control of key resources such as land and oil, and change has often been the product of intense confrontation between competing forces. For example, Brazil, Colombia, Ecuador, Guatemala, Mexico and Peru are in the midst of fraught processes of contestation over the existing rules of the game. Different actors are pitted against each other as they try to redefine power relations and address the root causes of inequality and conflict, often in the face of entrenched opposition from vested interests (see Box 6.6).

#### **BOX 6.6**

### **The endurance of elite power in Guatemala**

The peace process that ended Guatemala's armed conflict in the 1990s was very inclusive and comprehensive. The negotiations included a wide variety of stakeholders, including the rebels who had lost the military battle as well as indigenous groups, women's organizations and religious leaders (as well as other, less progressive, groups such as landed elites). The ensuing peace accords were extraordinary in terms of their ambition to redefine the basis of the state and the social contract binding the state and society.

Yet more than two decades on, underlying power relations have remained broadly intact; until very recently, the political system was underpinned by the agreement (tacit or explicit) to preserve elite privileges. This understanding seems to have been shaken by ongoing investigations by the UN-backed International Commission against Impunity, which was established to dismantle criminal networks with ties to politicians and the security forces. Accusations of grand corruption at the highest levels of government triggered weeks of unprecedented mass protests that eventually forced President Otto Pérez Molina to step down in 2015. President Pérez Molina, who has since been arrested, is a former special forces soldier and feared ex-leader of a military intelligence unit accused of numerous abuses of power (Rocha Menocal 2015a).



In South Africa, a former public protector (ombudsman) has expressed concern that a few affluent political and economic players have taken control of important state agencies, such as the tax authority, the national prosecuting authority and state energy utility, which has given them influence over policy decisions (Calland 2017). Likewise, Angola has been a rentier state for decades, sustained by profits from its oil exports; since the end of its civil war it has maintained a political and economic system that has heavily favoured a small group of national elites linked to global economic interests (see Box 6.7).

In many democracies, especially across the developing world, the state has become particularly susceptible to the influence and penetration of organized crime (Perdomo 2015). For example, the infiltration of ‘dirty money’ into political processes—especially election financing—jeopardizes the resilience of democracy because it undermines the quality of elections, distorts political voice and representation, and subverts accountability mechanisms.

In many countries, ranging from Colombia and Latvia to Mexico and Pakistan, organized crime leads to collusion between illicit networks, politicians, business actors, government institutions, and even civil society organizations and foundations. These illicit networks, which are often linked to interests in developed countries, are often used for personal enrichment and to influence elections and ensure protection from prosecution. Criminal networks also frequently attract popular support, especially among the poor, by delivering basic services, including security and trash collection. Meanwhile, the complicity and failure of political institutions to address these challenges weakens their domestic legitimacy.

The promise of democracy seems to have lost much of its appeal not only in the developing world, but also among wealthier countries, with a variety of analyses pointing to a ‘crisis’ in democracy (Gallo and Biava 2013; *The Economist* 2014; EIU 2016; Gershman 2016).

#### BOX 6.7

##### The political economy of growth and inequality in Angola

After a devastating 30-year civil war, Angola has experienced a period of relative peace and stability since 2002. However, it remains one of the most poorly governed countries in the world, despite spectacular levels of economic growth over the past ten years. Such growth, driven mainly by oil and diamonds, has not benefited the majority of the population (Thorp et al. 2012). Power and resources remain heavily concentrated in the hands of the ruling party, and the executive and the political system continues to thrive on clientelism, patronage and corruption.

Constructive linkages between the state and society are minimal, because the state’s needs can be fulfilled without Angolan labour, taxes or consumption. The country’s elite has thus had no interest in promoting more equitable growth or ensuring that the population as a whole thrives. International demand for reliable sources of minerals and oil has helped sustain the Angolan state and perpetrate existing power dynamics (Thorp et al. 2012).

International initiatives such as the ‘Publish What You Pay’ campaign and the Extractive Industries Transparency Initiative represent efforts to increase transparency and accountability in the extractive industries, which could help increase equality in Angolan society. However, this would require domestic political elites to foster a more sectorally diverse development, and to demand (and implement) effective monitoring.

Deepening inequality, exacerbated by the shock and dislocation brought about by the global financial crisis of 2007–08, has contributed to widespread disillusionment with the workings of political systems in more established democracies. As movements across the political spectrum—ranging from the US Tea Party and the ‘Occupy’ movements in various countries to the anti-European populists in the UK, France and the Netherlands—illustrate, there is profound dissatisfaction with the quality of representation. This is anchored in concerns that not all voices are equal, and that the economic and political establishment is stacked in favour of elites who have lost touch with the people (The Economist 2014; Gershman 2016; Caryl 2016).

A 2014 study on US policymaking analyses almost 2000 government policy initiatives between 1981 and 2012 and concludes that the USA may have become more of an oligarchy than a democracy (Gilens and Page 2014). In the context of the Brexit process in the UK, concerns have also been raised that some

**Criminal networks also frequently attract popular support, especially among the poor, by delivering basic services, including security and trash collection**

High levels of inequality can put democratic governance under considerable stress by undermining the legitimacy of state institutions

powerful individuals and groups have exercised outsized influence in shaping the terms of the debate (especially through the media) and driving an agenda seeking to turn the UK into a tax haven that would disproportionately benefit them (MacShane 2017).

**Inequality and legitimacy of political institutions**

Trust in state institutions is essential for political stability and compliance with the law. High levels of inequality can put democratic governance under strain by undermining the legitimacy of state institutions (Stewart 2010). This legitimacy can be threatened if state policies are biased and exclusionary; if state authorities do not respect, protect and fulfil human rights or uphold the rule of law equally across the board; or if significant segments of the population are excluded from power and decision-making processes. This robs institutions of the 'immune system' needed to maintain their resilience over time and to channel challenges and conflict peacefully (World Bank 2011).

Quantitative analysis demonstrates that in 40 democratic systems, inequality 'is the single largest determinant of democratic support', and higher levels of inequality consistently reduce citizen support for democracy across the board (Kriekhaus et al. 2014). Despite considerable democratic advancements, especially in the area of elections, inequality generates a sense of collective public frustration about what democracy can deliver, and what can be achieved through formal political institutions and processes. When there is a widespread feeling that key institutions, such as political parties and the judiciary, cannot be trusted or are not adequately representative, political participation often takes place outside formal institutional channels (Rocha Menocal et al. 2008). This leads to the further de-institutionalization of fragile democratic structures and increases the appeal of populist and/or authoritarian alternatives.

Young people around the world feel disillusioned with mainstream politics and

disadvantaged by public policy (UN 2016). The millennial generation is much less likely than older cohorts to be interested in electoral politics and to vote in national elections. According to a World Values Survey sample of 33 countries, close to 44 per cent of young adults aged 18 to 29 'always vote', compared to almost 60 per cent of all citizens, and young people are consistently less likely to vote than older generations across different regions in both the developed and the developing world (UN 2016: 70). This trend can also be observed in political party membership, which has seen sharp declines over the past few decades, particularly among young people. This disengagement from formal democratic processes and institutions is problematic because it robs youth of crucial representation mechanisms and opportunities to voice their concerns. For example, in 2015, people under 30 made up only 1.9 per cent of the world's 45,000 members of parliament (MPs) (IPU 2016: 15). More than 80 per cent of the world's upper houses of parliament have no MPs under 30, and young male MPs outnumber their female counterparts in every age group (IPU 2016). Low voter turnout can lead to a vicious cycle of political disengagement: if young people do not vote, they are more likely to be ignored by politicians and policymakers, which leads to greater disillusionment among younger citizens (UN 2016).

Youth are not necessarily apathetic. Protests and demonstrations have become important avenues of political expression. Young people have been at the forefront of many emerging political movements, many of which have focused on issues related to inequality. From the Occupy movements to the *Indignados* in Spain and the #Yo Soy 132 in Mexico, they have delivered piercing critiques of the political establishment and the extent to which wealth and privilege have rewritten the rules of the system, shifted ever more economic risk to youth and excluded youth from influencing the policies that affect their lives (Oxfam 2016). Young people have also been engaged in a number of peacebuilding

and other community engagement initiatives (UN 2016). Advances in technology and social media have facilitated mobilization among young people, which has enabled them to connect in ways that were unimaginable a few decades ago. Indeed, digital activism—from networked social movements to ‘hacktivism’, or political activism through hacking—is one of the fastest-growing forms of youth civic engagement (UN 2016). However, the challenge from a democratic governance perspective remains serious: there is still a profound disconnect between youth politics and electoral politics. As the diverging paths of two Arab Uprising countries, Egypt and Tunisia, illustrate, informal political activism is not an effective substitute for the institutionalized politics of parties, elections and governments that are vital to democratic resilience.

Moreover, a large proportion of young people who have engaged in political protests and movements has come from middle-income or more economically advantaged backgrounds. For those from less privileged backgrounds, the lack of effective political representation can feed radicalization, as illustrated in the global rise of religious and political extremism.

The rise or resurgence of populism and nationalist and anti-immigrant discourse in many democracies that are both more established and emerging (e.g. the Philippines, Turkey, France, the UK and the USA, respectively) is driven by the fact that even where economic growth has increased, its benefits have not been equally shared (Plattner 2012; *The Economist* 2014; Caryl 2016). While many factors contribute to the rise of populism, including xenophobia and ‘fear of difference and social change’ (Beauchamp 2017), there also seems to be an important overlap of class politics and identity politics. Those who tend to be attracted to far-right movements, for example, are less educated and poorer, and deeply resent processes such as immigration and the imposition of what they perceive as ‘liberal’ values and political

correctness (e.g. protection of LGBT rights and multiculturalism) (see also Box 6.5).

In countries ranging from Turkey to Venezuela, populists have come to power through elections but have increasingly displayed authoritarian tendencies, centralized power and control, and undermined or bypassed accountability mechanisms from other branches of government, media or civil society (see Box 6.4). Despite their contempt for crucial institutions of democratic governance, however, these leaders have thus far proven highly effective at appealing to people living in poverty and maintaining popular support. The election of President Trump in the USA and the British Brexit vote demonstrate that established and resilient democracies are not immune to these populist challenges (Lustig et al. 2017).

### **Inequality, violence and armed conflict**

Inequality can be a leading driver of social polarization and violent conflict. Social exclusion—and the entrenched patterns of political, economic and social forms of inequality that sustain it—are crucial factors associated with violence (DFID 2005; Stewart 2010). Political instability and violence are more likely to emerge, and are more difficult to tackle, in societies where economic growth and social policies have reduced poverty without addressing objective or perceived interpersonal and regional disparities (World Bank 2016). Widening inequality within developing countries, often characterized by profiteering from domestic and international actors, including major global corporations, threatens social stability (UNDP 2013). Nigeria is a prime example, with tensions and conflict emerging around competition over control of natural resources (Schultze-Kraft 2017).

Socio-economic inequality leads to higher incidences of violence and instability among young people in particular, and strongly increases the likelihood that youth will join radical or extremist groups (UN 2016). While the stereotype of youth as

Young people have been at the forefront of many emerging political movements, many of which have focused on issues related to inequality

Socio-economic inequality leads to higher incidences of violence and instability among young people in particular, and strongly increases the likelihood that youth will join radical or extremist groups

the exclusive perpetrators of violent crime is certainly overblown, in settings ranging from Colombia and Guatemala to South Africa and the Democratic Republic of the Congo (DRC), poor, unemployed youth are disproportionately involved in violent and organized crime, or become child soldiers who are often manipulated, hired or coerced by adults (Higginson et al. 2016). For example, gangs in both the developed and the developing world (e.g. the USA and the UK, and El Salvador, Honduras and Guatemala, respectively) often serve as a means of overcoming extreme disadvantage or marginalization, and a source of identity and belonging (Higginson et al. 2016). In conflict zones, youth are often drawn to violent groups for protection (Oxfam 2016).

Inequality can generate violence and conflict because it breeds resentment and exacerbates other 'root' causes of conflict, and undermines cross-cutting social, political and economic capacities that are needed to inhibit the escalation of (violent) conflict. This is especially the case when inequality is group or identity based. Horizontal inequalities along political (e.g. ethnic) divisions are the most pernicious, and are exacerbated when coupled with other dimensions (Stewart 2010). Similarly, political exclusion compounded by economic inequality increases the probability of conflict—especially when the excluded groups are relatively poorer than the country average (Cederman et al. 2013). Thus, social groups that feel unequal and suffer from multiple disadvantages based on *who they are or are identified as* may mobilize against the state and its ruling elites in an effort to challenge existing political understandings and arrangements.

The extent to which elites have been able to develop or sustain a collective vision of a shared national project or common destiny with society as a whole has had an important effect on how inclusive the developmental trajectories have been, especially where

relations between different groups in state and society have been fractured by conflict and violence. Where elites have used exclusionary nation-building as a rallying mechanism for selective incorporation and mobilization, based, for example, on narrowly defined group identities, this has led to biased state-building processes that have provided fertile ground for the outbreak of violent conflict and demands for change. Examples include the struggle against apartheid rule in South Africa; the rise of the indigenous population against the Americo-Liberian elite in Liberia; the north-south conflict in Sudan and the persistent conflict in South Sudan; the rise of the Maoist rebellion in Nepal; and exclusion along race, class and gender lines in Guatemala and Peru (and more generally across Latin America and the Caribbean) (Rocha Menocal 2015a). Many third-wave democracies emerged in reaction to this kind of exclusion, which also played a role in the 2010–11 Arab Uprisings. Yet democratic resilience remains at risk where exclusionary structures and dynamics have not been adequately addressed or have mutated into other forms of exclusion, such as in Egypt, Guatemala and South Africa.

Political settlements that are grounded in an inclusive nation-building project—or an 'imagined community' that can transcend more narrowly defined identities—tend to be more stable and resilient over time (Anderson 1983). These kinds of political settlements, which may involve very few actors and elites at the top, help to promote social cohesion and more productive relations between state and society because they incorporate the population at large in a shared sense of national destiny. Despite Niger's numerous democratic challenges, it has managed to mitigate some of the most pervasive catalysts for conflict—crime and violence—partly through a set of policies that aims to politically involve some of the most excluded groups, including the Tuareg people (Perdomo and Uribe Burcher 2016).



## BOX 6.8

### Ghana: a resilient democracy that can deliver?

Over the past three decades, Ghana has experienced one of the world's most successful transitions to multiparty democracy, and it is one of the few democracies emerging from the 1980s onwards that has taken root. Its democratic resilience is no small achievement, especially given its multi-ethnic setting.

Between 1992 and 2016 Ghana held seven elections, and power has been transferred from the government to the opposition on three occasions, most recently in 2016. The provision of basic services, especially health and education, has improved dramatically. In 2003, it became one of only a handful of non-OECD countries to provide free and universal health coverage (under the National Health Insurance Scheme), and between 1998 and 2008 child immunization rates soared from 19 per cent to 70 per cent (Rocha Menocal 2015b). In 2007, it became the first country in sub-Saharan Africa to make pre-primary education compulsory, and the number of kindergartens doubled between 2001 and 2011.

Ghana's progress in political voice, health and education is partly rooted in how its state–society relations have evolved over time and the nature of political competition, as well as its post-independence socio-economic transformation (Rocha Menocal 2015b). The country has a long history of tolerance and accommodation. State formation processes and state–society relations based on the promotion of social cohesion and a unified 'Ghanaian identity' emerged early on, and a social contract linking the state and citizens has been an integral part of its state- and nation-building project from the start. Leaders and both formal and informal institutions have fostered inclusion in ways that transcend narrower ties based on kinship or ethnicity (Rocha Menocal 2015b). In addition, an expanding urban and increasingly educated middle class has been actively engaged in political processes and is committed to the country's democratic values.

There is also evidence that various elements of Ghana's newly established democracy have reinforced or even accelerated progress on health and education over the past 10 years (Rocha Menocal 2015b). For example, research and analysis undertaken by the Overseas Development Institute's Development Progress project suggests that clientelism—the exchange of goods and services for political support—does not determine who people vote for in Ghana; they want their MPs to deliver public and collective goods. This research has found that voting preferences in Ghana are primarily driven by the performance of elected representatives, among both educated urban middle classes and poorer rural areas. Citizens'

expectations about service delivery and the provision of health and education have made these sectors electoral battlegrounds, and have been crucial in lowering their costs and expanding access to them.

Another example is Ghana's oversight committees in Parliament, which have the right to subpoena, supervise and monitor government decisions, particularly in the health and education sectors, thereby opening up policy formulation to the public and the country's thriving think tanks. Their hearings have attracted growing audiences since they began to be televised. The media in Ghana have also been instrumental in pushing for increased accountability and improved service delivery.

Of course, despite this remarkable progress, democracy in Ghana is far from perfect, and there are still many challenges to address. The political system remains extremely centralized—including very strong formal presidential powers—which makes key accountability mechanisms (especially from Parliament) very weak. There is still evidence of clientelism and corruption. Election campaigns tend to focus on short-term objectives, even if they are oriented towards the provision of public goods. This makes political elites less willing to undertake more fundamental reforms over the long term, and there are ongoing concerns about the (financial) sustainability of many popular policies that have been introduced. Making the state accountable through increased democratic space remains a key challenge.

Since politics is about the contestation of power and resources, these conflicts for power are likely to be endemic. The crucial difference is that in resilient democracies, this competition is channelled through a pre-established and publicly accountable framework, and through peaceful mechanisms. Processes of change are complex, and not always pretty: some of the dynamics prevalent in Ghana do not look any better in more established democracies (such as the USA). If the ultimate definition of democracy is 'institutionalized uncertainty', as renowned political scientist Adam Przeworski (1991) has defined it, then Ghana seems to be on a good (enough) path, at least for now.

However, challenges lie ahead. While Ghana's democracy so far has proven that it can deliver, despite challenges and limitations, as discussed earlier in this chapter, there have been growing signs of popular dissatisfaction with the government's capacity to deliver on services such as electricity and core functions such as economic growth. Addressing these shortcomings is important, as otherwise there may be risks to Ghana's relative democratic resilience

Ghana and Côte d'Ivoire both transitioned to formal electoral democracy at the beginning of the 1990s, but Ghana has maintained a much more resilient (if still struggling) democratic system, and has been able to deliver on key dimensions of

well-being. The two countries have similar economic structures, ethnic compositions and horizontal inequalities (Langer 2008), as well as severe socio-economic horizontal inequalities between the North and South. Yet, while Ghana historically avoided

any major national conflict, Côte d'Ivoire experienced civil war between the North and the South from 2002–07. Despite similar socio-economic inequalities, Ghana has consistently been politically inclusive, as described in Box 6.8, and has consciously sought to respect and protect different cultures and religions (Langer 2008). The government's commitment to provide basic services has remained in place under democratic rule (Lenhardt et al. 2015; see also Box 6.8). While Côte d'Ivoire also followed an inclusive policy under the rule of President Félix Houphouët-Boigny (1960–93), Northerners became increasingly excluded politically, economically and socially. These horizontal inequalities triggered a civil war, but have not become politically salient in Ghana as a rallying point for conflict (Langer 2008).

Contemporary Rwanda has also developed a strong and widely shared vision for the future that is partly rooted in a reinvented sense of nation that considerably downplays (or even denies) the importance of group-based identities (Lemarchand 2008). However, its trajectory is more controversial from a democratic resilience perspective, and it helps to highlight the often fraught, nonlinear and complex nature of change. The country has made a remarkable transition from the genocidal violence that engulfed it two decades ago, and forging this inclusive vision of a Rwandan nation has been an essential component of that. However, while Rwanda is a formal democracy, progress on inclusive democratic processes (e.g. how decisions are made) has been much more limited. Power remains highly centralized in the hands of President Paul Kagame, and dissenting voices are very much curtailed (Bouka 2014). The 2017 elections reflect this, where the official results suggest that President Kagame won with 99 per cent of the vote, but observers commented on the oppressive political environment, people's fear of criticising the government, and the use of violence and harassment to intimidate opposition parties (Baddorf 2017).

Importantly, the ability or need to build an inclusive sense of collective identity that can help to reduce the salience of horizontal inequalities and promote development that is more broadly shared across narrowly defined identities is not exclusive to democracies. This process of building political systems grounded in an inclusive nation-building project was also central in the experiences of Malaysia, the Republic of Korea and Taiwan before their respective transitions to democracy, where the very issue of national survival was at stake (Rocha Menocal 2017). Here too the dilemmas and trade-offs have been palpable: processes of incorporation were highly selective, and political voice was considerably curtailed. Nevertheless, all three countries proved extraordinarily successful in other areas, namely in promoting development and inclusive growth, which then eased the way towards democratic transitions that have proven relatively resilient, if not always perfect (Rocha Menocal 2017).

#### 6.4. Does democracy reduce inequality?

##### **Democracy and inequality: no automatic relationship**

The positive correlation between wealth, democracy and equality is one of the strongest and most enduring relationships in the social sciences (Acemoglu and Robinson 2011; Haggard and Kaufman 2009). Well-established and wealthy democracies tend to be better governed (Acemoglu and Robinson 2011), which helps explain the tremendous enthusiasm that the post-Cold War wave of democratization generated about the prospects for transformation and progressive change. There were great hopes of 'the end of history' (Fukuyama 1992), and that the spread of democracy would foster prosperity. Improved governance and greater inclusion and equality were expected to follow (Carothers 2002; Levy 2014).

In theory, there are compelling reasons to assume that democracy, by its nature,

should reduce inequality: it is intended to be a political system that provides popular control over public decision-making based on political equality. So, on average, most voters should be in favour of redistribution from the rich, as the rich are likely to be in the minority (Meltzer and Richard 1981). In principle, this redistributive tendency constitutes its main threat to elites (Acemoglu and Robinson 2014).

Yet the expansion of formal democracy has coincided with patterns of inequality that have proven stubbornly persistent or have become more pronounced (Plattner 2012; Fukuyama 2011)—even in a context of steady (and sometimes spectacular) rates of growth among a variety of emerging economies, at least until recently (Bermeo 2009; Lustig et al. 2017). The reality is thus much more complex: formal political equality before the law does not in itself lead to equality in other realms, and democracy does not automatically reduce inequality.

On the contrary, the struggle to promote greater equality has historically been much more contentious and disruptive. According to Walter Scheidel (2017), mass violence (e.g. the disintegration of the Roman Empire or total revolution as in Russia and China) and catastrophes such as the Black Death, rather than democratic politics, have acted as ‘the great equalizers’. Successful episodes of land reform have required a degree of authoritarian coercion: land reforms that dismantled prevailing hierarchical social structures in Japan, the Republic of Korea and Taiwan ‘were imposed on them by the USA, which uncharacteristically used its authority as an occupying power to bring about significant social change’ (Fukuyama 2011). Elsewhere in Asia and the Pacific, such as in Malaysia and Singapore, the spectre of socialism and communism, or genocidal ethnic conflict, helped form coalitions that could mitigate those threats while addressing the critical needs of the population through redistribution policies (Slater 2010). And as Fukuyama

has noted, ‘[i]n the history of the growth of European welfare states, elites were persuaded to give up privileges or to accept higher rates of taxation only by the threat of revolution, or else they were weakened or even physically eliminated by violent conflicts’ (2011: 88).

Democracies—especially less established ones—confront many different challenges to their attempts to promote equality. Even though in principle democracy is intended to change the formal distribution and exercise of power in society, policy outcomes and inequality also depend on the informal institutions and power relations underpinning a political system (Acemoglu and Robinson 2014; World Bank 2017), and those may not be aligned with efforts to address inequality.

While democratic decision-making processes are intended to be more participatory and inclusive, this does not mean they are automatically more effective at promoting and sustaining growth or tackling economic inequality. Kurt Weyland’s (1996) analysis of the striking failure of the first three democratically elected governments in Brazil to enact badly needed redistribution reforms provides a powerful illustration of just how poor the developmental outcomes of a democracy characterized by too much fragmentation and too many competing interests can be. Similarly stark is the case of the USA, with its persistent struggles to enact progressive reforms in several policy areas, from migration to healthcare.

**The reality is complex: formal political equality before the law does not in itself lead to equality in other realms, and democracy does not automatically reduce inequality**

Developing countries that have transitioned to (formal) democracy since the 1980s have enacted a variety of reforms intended to promote process-based inclusion, such as new constitutions (e.g. Colombia, Guatemala,



Kenya, Nepal and South Africa), elections (see Box 6.9), and anti-corruption and transparency policies. However, such efforts on their own have often proven insufficient to alter existing power relations and redefine underlying political settlements along more inclusive lines. For example, while electoral quotas have played an instrumental role in increasing participation, there are ongoing debates about whether more representation increases women's influence in the political arena or reduces gender-based inequalities (O'Neil and Domingo 2017).

Indeed, under a democratic regime, public authorities are intended to engage with a wider range of actors when deciding on and implementing policy (World Bank 2008), and this creates more 'veto players' (vom Hau 2012). Greater access to the state also means that the bureaucracy can more easily become politicized, which may hamper development and investment over the long term (Bardhan 2005). The need to respond to a variety of newly empowered societal actors might also stretch states' organizational capabilities to their maximum, leading to incoherence and fragmentation (World Bank 2008).

#### BOX 6.9

##### Can elections reduce inequality?

As the most visible and well-established mechanism for citizens to exercise their voice and hold elected officials to account, elections hold tremendous promise to make political systems more inclusive, reduce inequality, promote the redistribution of power and resources, foster legitimacy and deepen the quality of democratic governance. However, on their own, efforts to increase participation through elections do not necessarily reshape the political order along more inclusive and equitable lines, or foster state legitimacy. Elections therefore have considerable limitations.

Elections and electoral systems can spark violent conflict, especially when they generate 'winner-takes-all' dynamics that raise the stakes of political competition. This is, for example, the case in first-past-the post contests, in which the candidate with the most votes is elected. They can also further harden group-based identities, which can make collaboration and compromise difficult, as critics of proportional representation systems, in which posts are proportionally allocated according to a party's share of the vote, have also cautioned.

As illustrated by the examples of Kenya in 2007 and again in 2017, as well as the precariousness of the Lebanese political system, and Egypt in the aftermath of the 2010–11 Arab Uprisings, these problems can be especially treacherous where elites exploit ethnicity, religion or other fault lines of conflict to attract support. In addition, elections tend to be associated with increased clientelism and corruption. Money in politics, whether legitimate or 'dirty', has done much to pervert the exercise of political voice and the process of democratic representation, in both developed and developing countries. Organized crime's infiltration of politics has had a pernicious effect on local and national democratic institutions across Latin America and the Caribbean, the Baltic States and beyond (see Perdomo and Uribe Burcher 2016).

The relentless pressure to contest and win elections in democracies generates incentives and interests among politicians that often conflict with efforts to reduce inequality. The short-term politicking (i.e. activities geared towards cultivating political support to win elections, etc.) that arises during electoral cycles inhibits a longer-term focus on the broader public good, and can limit government officials' ability to make tough decisions that might be necessary for a redistributive development strategy (Rocha Menocal 2017).

It is the natural tendency of democratic systems to fragment, diffuse and divide power among many different stakeholders at various levels (Dahl 1971), thereby making decision-making processes more time consuming; this tendency has increased the appeal of authoritarian development models in some quarters (Halperin, Siegle and Weinstein 2005; Leftwich 2008; Reilly 2013). Many so-called developmental states (i.e. committed to development; see Evans 1995) that have been relatively more successful at fostering shared prosperity have been non-democratic. These include the Republic of Korea and Taiwan prior to their transition to democracy as part of the third wave, as well as contemporary China and Viet Nam (Rocha Menocal 2017).

However, not all authoritarian regimes are developmental and committed to greater equity and shared prosperity. Nor do states need to be authoritarian to foster greater inclusion. While there have been several 'anti'-developmental or non-developmental authoritarian states in Africa, Asia and the Pacific, and Latin America and the Caribbean, several countries—including Bolivia, Botswana, Brazil, Costa Rica (see Box 6.4), Ghana (see Box 6.8), India, Mauritius and South Africa—have shown that, however flawed and limited, democracy and democratization can help orient the state towards inclusion and redistribution. Yet, as many of these examples attest, promoting (shared) development in a democratic context

introduces distinct challenges that should not be overlooked, just as authoritarian settings face challenges of their own (Fritz and Rocha Menocal 2007).

### Pressures to deliver

One of the greatest challenges that incipient or weak democracies confront is that expectations to deliver remain extremely high and are often unrealistic. As such, the commitment to democracy tends to be much more *instrumental* (based on what it can deliver) than principled (based on the processes and values it embodies) (Barbara 2016; see also Box 6.3). For instance, surveys covering countries in Africa, Asia and the Pacific, Latin America and the Caribbean, and the Middle East and Iran consistently reveal that respondents care most about whether their governments ‘deliver the goods’ in areas such as economic management, growth stimulation, job creation, health, education and security (Fukuyama 2011; Bergh et al. 2014; Bratton and Gyimah-Boadi 2015). Corruption is a central part of this story, since it has such a large impact on people’s satisfaction with their governments and their perceptions of its overall performance. Surveys and other research suggest that people tend to support democracy, but concerns about political freedoms, rights and democracy as an intrinsic value remain decidedly secondary (Bergh et al. 2014). In other words, citizens tend to assess a state’s legitimacy based on its performance and the governments’ ability to deliver on key needs and expectations, rather than on democratic rights and processes such as elections (Chang, Chu and Welsh 2013).

A crucial implication is that, all else being equal, putting in place participatory and representative democratic institutions will not result in popular support for a political system if it does not deliver expected goods and services, especially among young people. As the fate of many of the Arab Uprising countries acutely demonstrates, many democracies that are struggling to become more resilient face a dual challenge: formal institutions of participation, representation and inclusion have remained

hollow and ineffective, yet the regimes have remained unable or unwilling to deliver on some of the crucial needs and expectations of their populations. In other words, political systems have not become more inclusive either in terms of process beyond perfunctory forms or in terms of outcomes. This helps explain why many of the democratic systems that have emerged over the past three decades remain so vulnerable (Rocha Menocal 2015a). The question of how these democracies can more effectively function and deliver to improve the wellbeing of their populations in ways that are more inclusive, equitable and fair has never been more urgent. The following section examines different factors that have enabled democratic political systems to tackle inequalities.

## 6.5. The politics of inequality: factors that have made a difference in promoting inclusion

### Challenges to redistributive reform

Policymaking is not purely technical; it is also political in nature. Thus, who is included in the bargaining process (and where the power lies in that process) fundamentally affects the substance of policies that are adopted and how they are implemented. The entry barriers and the distribution of power among actors—including policymakers, bureaucrats, civil society groups, the private sector and individual citizens—determine who gets to participate in the *policy arena*, and whose voices are heard. Actors’ bargaining power emanates from multiple sources, including social norms, formal rules, control over resources and the ability to mobilize others. In highly unequal societies, the capacity of different actors to influence decision-making tends to be uneven, which reinforces inequality (Lustig et al. 2017; World Bank 2017).

A key challenge in all countries, including democracies, is how to harness collective action among elites, as well as between elites and broader social groups, to promote inclusive development. Where power is less centralized, equity-enhancing policy change is less likely.

Putting in place participatory and representative democratic institutions will not result in popular support for a political system if it does not deliver expected goods and services, especially among young people

Policymaking is not purely technical; it is also political in nature. Thus, who is included in the bargaining process fundamentally affects the substance of policies that are adopted

Since redistribution efforts are likely to face strong opposition from established elites, a broad coalition of societal support and determined, coherent state action is often necessary for success (Grindle 2007; Haggard and Kaufman 2004). Where formal institutions are weak and ineffective, or co-exist uneasily with informal institutions (and are thus often infiltrated by personalized interests), this can be very difficult to achieve.

The proliferation of interests, which is often exacerbated by clientelistic politics, encourages fragmentation within the state and society, and obstructs the emergence of a united front of potential beneficiaries of progressive reform. Patronage (i.e. the dispensation of favors or rewards such as public office, jobs, contracts, subsidies or other valued benefits in exchange for political support) also undermines the internal unity and coherence of the state, which therefore cannot impose reforms that benefit broader sections of the population over the objections of elites (see the discussion below on elites' commitment to tackling inequality). A multi-country study—involving Ecuador, Ghana, Guatemala, Honduras, Nigeria, Pakistan and Thailand—found that throughout the 2000s, electoral competition was often dominated by patronage parties with close ties to economic elites or the military establishment (Haggard and Kaufman 2009). Since few parties, interest groups or social movements represented the interests of the poor in these countries, elites did not feel compelled to intervene in favour of progressive change.

Proponents of reforms to promote greater equity and inclusive development thus face a hard task: for policies to be formulated and implemented, reformers need to sway all relevant decision-making institutions and players who have the power to derail such efforts. Those who oppose more redistributive reforms only need to gain support from a limited number of these institutions and players to block change (Weyland 1996; Keefer 2011).

The persistent failure to address the problems associated with the highly unequal distribution of land in Guatemala (which date back almost two centuries and were a major root cause of the country's 30-year internal conflict) is a powerful example of how competing interests can thwart reform (see Box 6.6). Likewise in Colombia, high levels of inequality and extremely unequal patterns of land distribution have served as major drivers of the 50-year conflict. While a peace agreement has recently been signed between the Colombian Government and the country's largest guerrilla group (the Fuerzas Armadas Revolucionarias de Colombia, FARC), the agreement's implementation faces steep challenges given that some of its components include land redistribution and other issues that clearly clash with the interests of some elites who are opposed to the agreement. Likewise, elites in Nepal have thwarted progressive reform after feeling 'threatened when the poor begin using their larger numbers to seek equal rights and redistributive policies' (Lawoti 2014: 143).

These examples point to a great democratic paradox: inequality undermines democracy's sustainability and resilience, yet some of the most obvious and direct ways to address inequality are likely to prove extraordinarily difficult to undertake under a democratic framework, and would contradict key principles of democracy (Plattner 2012). Nonetheless, a variety of democratic countries in the developing world have managed to promote more inclusive forms of development and reduce inequality without resorting to violence. It is arguably unrealistic to expect that inequality will ever be banished in a democratic system. It is also not necessary to wait for thorough structural socio-economic or political transformation to reduce marginalization (Norton et al. 2014; Carothers 2007). Within a democratic context, the nature and pace of change may also be more gradual, iterative and cumulative: different steps may build on one another. Even if the trajectory of change

remains far from linear, while there is always a possibility that there will be setbacks and difficult tensions and dilemmas that need to be addressed (Carothers 2007; World Bank 2016). Since change takes time, formal democratic frameworks and institutions may provide crucial entry points to push for further reforms that can eventually give democracy greater substance and help it become more resilient (Stokke and Törnquist 2013). In some cases, even small changes may have a big impact on complex systems (Walby 2007).

The question is, how? While answers to this question must be country specific, accumulated research on the politics of development has articulated some key insights about the complex nature of transforming states and societies along more inclusive lines, and highlighted several crucial factors that have made a difference (e.g. Booth 2012; Putzel and Di John 2012; Hickey, Sen and Bukenya 2014; Rocha Menocal 2017). These are outlined below.

## Policies

Sound policymaking has been important in enabling progress to combat poverty and inequality. For example, some of the ‘best performing’ low- and middle-income countries in fostering shared prosperity include Brazil, Cambodia, Mali, Peru and Tanzania; each has combined sound macroeconomic management with thorough sectorial policies (World Bank 2016). Policies intended to improve the coverage and quality of education, expand the coverage of public health care, and enhance market connectivity, emerge as recurring factors in a variety of different analyses that explore how inequality can be addressed, though the policies take different shapes and forms in different settings (Stuart et al. 2016; Paz Arauco et al. 2014). Box 6.10 highlights some of the progress different countries have made in the provision of universal health care.

Policies and initiatives targeted at vulnerable or marginalized groups have also helped reduce inequality, especially those that focus on intersecting inequalities over time (Paz Arauco et al. 2014). For example, social protection programmes (which include social assistance, social insurance and labour market instruments) have all had positive impacts. These programmes aimed to increase household expenditure on food and other basic needs, better diets, improving access to health care and education (particularly family investment in girls’ education), reducing child labour, as well as improving household productivity and labour market participation (Stuart et al. 2016). (Conditional) transfer programmes

Within a democratic context, the nature and pace of change may also be more gradual, iterative and cumulative: different steps may build on one another

### BOX 6.10

#### Progress in universal health provision

There are multiple examples of substantial progress towards universal health care among low- and middle-income countries. Thailand’s Universal Coverage Scheme, launched in 2002, enhanced equity by bringing a large uninsured population under the umbrella of a national programme, which greatly reduced catastrophic health payments among the poor and improved access to essential health services. Within a year of its launch, the scheme covered 75 per cent of the population, including 18 million previously uninsured people.

In Cambodia, efforts to achieve more comprehensive access to health services were achieved through health equity funds. The funds are multistakeholder initiatives in which non-governmental organizations reimburse public health facilities for treating poor patients, which largely eliminated prohibitive fees and improved the quality of care by supplying cash incentives for staff and facilities to serve patients. According to the World Bank (2016: 137):

As of 2013, health funds covered more than 2.5 million people in 51 of Cambodia’s 81 districts, supporting more than a million health centre consultations. Between 2000 and 2015, the under-5 mortality rate in Cambodia fell from 108 to 29 deaths per 1,000 live births, one of the most rapid rates of decline in the world. Direct public provision networks in China, Colombia, Mexico and Thailand effectively cover everyone not covered by existing social health insurance mechanisms. Brazil and Costa Rica have unified government-run health insurance and the public provision network into a single health system that aims to cover everyone.

Most of these countries have defined an explicit benefits package—which is legally mandated in Colombia and Thailand—while others simply guarantee a minimum package of services, as in Chile. Indonesia, Tunisia, Turkey and Viet Nam have expanded their programmes to poor populations, while programmes in Argentina, Ethiopia, India, Kenya and Peru have focused exclusively on maternal and child health among the poor (World Bank 2016).



Context-specific factors that drive marginalization need to be factored into social protection programme objectives, design and implementation, and linkages between social protection and other sectors are crucial

such as Bolsa Família in Brazil (see Box 6.11), Chile's Solidario-Programa Puente, Familias en Acción-FA in Colombia, Bono de Desarrollo Humano-BDH in Ecuador, Red Solidaria in El Salvador and PROGRESA-Oportunidades in Mexico, are all examples of such initiatives. They have been credited with helping to reduce marked inequalities across Latin America and the Caribbean (Lustig et al. 2017) and have led to considerable experimentation in countries in other regions based on similar ideas and principles (including Indonesia and South Africa).

Emerging research suggests that the context-specific factors that drive marginalization need to be factored into social protection programme objectives, design and implementation, and that linkages between social protection and other sectors are crucial. For example, programmes targeted at women that use an integrated approach to address their social and economic vulnerabilities through raising awareness on women's rights and transferring cash can support women's economic empowerment and start to dismantle discriminatory social norms (Stuart et al. 2016).

Some countries have implemented affirmative action policies and measures to redress intersecting inequalities. For example, quotas

for women and other marginalized groups have become more common in political processes (including elections but also in government more generally), and countries ranging from Bolivia to Canada to India have experimented with various other initiatives. Even severely conflict-affected countries have sought to increase the participation of marginalized groups. In Nepal, for example, the interim constitution of 2007 provided a legal basis for minority rights, granted equal status to women and men while acquiring citizenship, and criminalized discrimination on the basis of caste and class. As a result of new quotas for members of lower castes and women in the civil service, the police and the army, women held one-third of seats in the Constituent Assembly formed in 2008, including traditionally marginalized Tarai Dalit women (Paz Arauco et al. 2014). As of November 2015, 29 per cent of Constituent Assembly members were women (176 out of 598) (Stuart et al. 2016).

However, sound policies are not sufficient to address inequalities. One of the most important lessons emerging in development policy circles over the past two decades is that the *politics* of policies—rather than the policies themselves—are fundamental in shaping their implementation and effectiveness, and determining what kinds of policies are feasible in the first place (Booth 2012; Putzel and Di John 2012; Levy 2014; Hickey et al. 2014; Rocha Menocal 2017; World Bank 2017). Institutions reflect power dynamics; the fundamental power distribution in the political system and the underlying rules of the game (both formal and informal) shape how institutions work and how inclusive, effective and representative they are (Rocha Menocal 2017; Hickey et al. 2014; Putzel and Di John 2012; Khan 2010; North, Wallis and Weingast 2009). The following section explores the political and institutional factors that need to be taken into account in order to better understand whether (and how) to address inequalities.

#### BOX 6.11

##### Bolsa Família

The Bolsa Família (BF) programme in Brazil focuses on making existing social services available to the poorest and hardest-to-reach households in the country. The programme, which was created in 2003 under the administration of President Lula (Luiz Inácio Lula da Silva), combined and scaled up a variety of previous initiatives under a simple concept: providing poor families with small cash transfers in return for keeping their children in school and attending health centres regularly for preventive care. As of 2015, BF covered 48 million people, or about a quarter of the country's population (Munk School of Global Affairs and University of Toronto 2016).

The programme, widely considered successful, is credited with helping to tackle extreme poverty and improving school attendance, and has been praised for playing an important role in Brazil's remarkable progress in reducing inequality (Munk School of Global Affairs and University of Toronto 2016).

## State capacity and its linkages with society

While it has become fashionable in certain circles to underestimate the significance of the state, the state remains a leading factor in promoting and securing development outcomes that are more inclusive and broadly shared. The state is the entity with the mandate, capacity and legitimacy to redistribute wealth and resources (Leftwich 2008; Törnquist and Harriss 2016). All successful post-World War II examples of long-term inclusive development have been in countries with high levels of state capacity (vom Hau 2012; Hickey et al. 2014).

In the so-called East Asian Tigers (Hong Kong, the Republic of Korea, Taiwan and Singapore), for example, the state oversaw and led a process of equitable and rapid economic growth and radical socio-economic transformation from the 1960s to the 1990s. More recently, China and Viet Nam have been used as important examples of this trend, though they have not reduced inequality to the same extent. These states all have the institutional capacity and autonomy to promote development goals without being ‘captured’ by particularistic interests, while remaining embedded in society through a concrete set of social ties that binds the state to society and provides institutionalized channels for the continual negotiation and renegotiation of goals and policies (Evans 1995).

State capacity, understood as *capable and impartial administration* that is protected from state capture for private, personal or patronage gains, is essential to democratic resilience. While many countries that have promoted inclusive development and reduced inequality across the developing world have been authoritarian, Botswana, Brazil, Ghana, India and South Africa are more complex examples of the push and pull of progress and setbacks in both democracy and inequality. As Brazil and South Africa vividly demonstrate, democratization and democratic deepening pose distinct challenges. While strengthening

the quality of democratic governance and reducing inequality have been embraced as central goals in the global arena to foster more peaceful and resilient states and societies, these two processes may not always be mutually reinforcing.

Both democracy and the reduction of inequality need effective and capable states to underpin them. Much current thinking on democratization, especially within the international development community, continues to assume that today’s emerging democracies are built on the foundations of coherent, functioning and fully capable states (Carothers 2002, 2007; Fukuyama 2005; Levy 2014). Thus, most of the literature presupposes that a reasonably effective state exists before a democratization process starts.

However, many democratizing countries are also attempting to build effective, capable states to begin with. The key question in this context should not be one of sequencing (e.g. whether to postpone democratization reforms indefinitely until a fully functioning state is in place), but rather of better understanding how different reforms intended to promote state-building on the one hand and democracy strengthening on the other hand can reinforce each other more gradually in a ‘co-evolutionary’ manner (Carothers 2007). A crucial implication of this is that efforts to promote democratic resilience should not only focus on establishing and strengthening democratic systems, but also on increasing awareness of how such efforts affect state capacity, service delivery and other dimensions of governance, such as corruption. As with the relationship between democracy and inequality, the relationship between democratization and the building of effective and capable state institutions can be fraught with tensions—as the case of contemporary Rwanda vividly illustrates—and it is essential to recognize these tensions and dilemmas so they can be better addressed (Paris and Sisk 2008).

State capacity, understood as *capable and impartial administration* that is protected from state capture for private, personal or patronage gains, is essential to democratic resilience

Efforts to promote democratic resilience should not only focus on establishing and strengthening democratic systems, but also on increasing awareness of how such efforts affect state capacity, service delivery, and corruption

### Elite commitment to tackling inequality

Elites within both the state and society who are committed to combating inequality have proven instrumental in organizing or mobilizing people, resources and policies in pursuit of particular ends or goals, and in overall efforts to promote progressive change. Elites shape the formal and informal rules of the game and ensure that others abide by them (Leftwich and Hogg 2007). As Paz Arauco et al. (2014) note in their analysis of intersecting inequalities in seven countries (Brazil, Ecuador, Bolivia, India, Ethiopia, Pakistan and Nepal), the willingness of political and other elites to engage in a dialogue with other actors, to accept constitutional change, and implement pro-poor or redistributive policies is a necessary (although not sufficient) factor to achieve an inclusive political settlement. Yet the role and interests of political elites should not be interpreted in a deterministic way: the nature of the political settlement depends on the dynamic interplay and relative balance of power among different constellations of actors (Rueschemeyer et al. 1992). Elite commitment can go a long way towards achieving progressive outcomes even where resources are limited (Paz Arauco et al. 2014).

For example, after independence, the new elected leadership in Botswana was able to incorporate indigenous leaders into new institutional arrangements and establish a series of overlapping and reinforcing agreements and consensus on the emerging rules of the game across a variety of divides (e.g. traditional–modern sectors, political parties, ethnic-racial divisions, public–private sectors). This ‘political strategy of balancing regional, ethnic and racial interests enabled the Botswana elite to work together in harmony and for a common development agenda which has seen the country transform from one of the poorest in the world to a middle income country’ that is also relatively more equal (Sebudubudu and Molutsi 2009: 6).

### Political parties

Political parties serve as important links between the state and society, and are therefore instrumental vehicles for collective action and organization. They have also played a key role in driving political settlements as well as shaping government incentives to adopt policies to foster inclusion (Putzel and Di John 2012). It is therefore essential to understand the kinds of incentives and interests that drive political parties, and the contexts within which they operate. Their structure, organization and strategy will help determine their effectiveness in promoting stability and harnessing collective action to increase inclusion, implement development goals and promote resilient democratic institutions.

In Tanzania and Zambia, for example, well-established political parties were able to mediate the bargaining process and incorporate factions and individuals into the security forces in a regulated manner, which was one of the most important factors behind establishing a more resilient state (Lindemann 2008). In almost all less developed, resilient countries, national political parties have organized forms of centralized patronage and managed rents (Putzel and Di John 2012). However, as Putzel and Di John (2012) have argued, where the basic parameters of the state remain contested—for example regarding who is a citizen, or who has the basic authority to allocate property rights—the establishment of multiple political parties may allow rival elites and their social constituents to challenge the existence of the state itself, which can exacerbate conflict.

States seem to be more likely to pursue and implement policies that promote more inclusive and equitable development over the long term where institutionalized political parties are in place. Institutionalized parties can convey a programmatic policy stance, discipline party leaders and members, and facilitate collective citizen action (Keefer 2011). For instance, the Communist Party in Kerala, India, built its strategy on a concerted attack on rural poverty. Likewise, with its roots



in social movements that had long protested against social and economic inequalities, the Partido dos Trabalhadores in Brazil was until very recently a coherent, well-organized and institutionalized vehicle for collective action, as is the PAIS Alliance Political Movement in Ecuador. These parties have played an instrumental role in shaping government incentives to adopt policies that foster more inclusive and participatory development. Curiously, often non-democratic systems, such as China and Viet Nam, are likely to exhibit more institutionalized ruling parties than democratic ones, as in South East Asia.

The evidence surrounding the assumption that programmatic parties (i.e. parties that generate policy, mobilize support, and govern predominantly on the basis of a consistent and coherent ideological position) deliver better and more inclusive outcomes remains inconclusive. While strong clientelism has been found to be associated with a slight reduction in economic growth, there is no marked association between programmatic politics and higher growth (Kitschelt et al. 2012). Similarly, clientelism does not seem to be associated with a reduction in human development indicators, and it may help improve some, such as life expectancy and literacy; other research points in different directions (Kitschelt et al. 2012). The crucial point is that ‘programmatic’ versus ‘clientelistic’ party categories are rarely as mutually exclusive as such labelling might suggest. Parties are likely to combine targeted clientelistic appeals with universal provision pledges, and vice versa (Kitschelt et al. 2012; Cheeseman et al. 2016). The Congress Party in India, for example, relies on patron–client relationships to mobilize support, but also pursues a coherent, policy-based agenda. In addition, a recent study on Brazil, India, Ukraine and Zambia suggests that the existence of one or two programmatic political parties is usually insufficient to drive the ‘programmatisation’ of a party system (especially if such parties do not win power), and programmatic and non-programmatic parties tend to co-exist (Cheeseman et al. 2016).

Moreover, strong programmatic parties can be damaging for a polity if they produce ideological polarization that reduces the potential for compromise between political actors (Galston 2010). This can lead to deadlock over legislation or rapid alterations in government policies, both of which can destabilize the economy and society. The nature of the current political environment in countries such as the USA helps to illustrate this danger (see Box 6.5). More clientelist appeals may therefore be necessary to defuse social tensions and provide continuity of policies in certain circumstances.

However, across much of the developing world, political parties are preoccupied with winning elections for their political survival. Their concern for the public good is at best secondary (vom Hau 2012). Factors such as the maturity of the political system and the nature of political competition and electoral systems are likely to affect the developmental or more personalistic approach of political parties and the role they can play in shaping political settlements that are more or less inclusive (Kitschelt et al. 2012; Cheeseman et al. 2016; Carothers 2006).

### Coalition building

A key challenge in countries across both the developing and the developed world is how to harness collective action to overcome common challenges. Stakeholders’ ability to influence developmental patterns depends not only on what they seek to achieve, but also on their relative power and the institutional context in which decisions are made. Where elites perceive a zero-sum game in which change to promote more inclusive institutions results in a relative loss of wealth and privilege or a challenge to established power relations, there will be strong incentives to divert or block even the best-intentioned policies.

Building coalitions—at both the domestic and international levels—is essential for enacting reforms. Collective action can threaten development where it leads to or reinforces predatory behaviour by a tightknit group of elites (as happened in Zimbabwe, for

States seem to be more likely to pursue and implement policies that promote more inclusive and equitable development over the long term where institutionalized political parties are in place

A key challenge in countries across both the developing and the developed world is how to harness collective action

example). However, it can prove positive, and even decisive, where it evolves into a process of bargaining around issues of broader public interest and where there are opportunities for a wide range of state and non-state stakeholders at different levels—subnational, national, regional, global—to participate.

Ruling elites in Botswana played a crucial role in forging a 'grand coalition' committed to a common development agenda that could cut across narrow divides. This coalition brought together a constellation of diverse regional,

ethnic and racial interests towards a shared national goal, which has helped transform the country in a relatively short period of time (Sebudubudu and Molutsi 2009). This grand coalition 'enabled the new state to take control of key resources such as land, minerals, wildlife and ultimate political authority across the country without alienating, antagonizing or even abolishing traditional institutions as some African countries did in the post-independence era' (Sebudubudu and Molutsi 2009: 6).

The remarkable transformation of the Colombian city of Medellín can in part be explained by the effectiveness of coalitional politics. Until the early 1990s, the city had been marred by violence and characterized by deep-rooted inequality and marginalization. Within a broader context of important national and global transformations that were underway at the time (such as the constitution-making process), a coalition incorporating a wide constellation of actors came together. These included traditional political elites, business leaders, new political leaders and parties, community organizations and social movements. That coalition was able to open up new spaces for collective action that were instrumental in harnessing reform efforts (McLean 2014) (see Box 6.12).

The strength of collective action also depends on the incentives and interests of the groups concerned. 'Elites' are often not homogeneous, and conflicts and fractures across types of elites (e.g. political versus economic, old versus new), within elites (e.g. across ethnicity, region or ideology) and at different levels (local, national, international) are likely to emerge (Pritchett and Werker 2012). The same can be said of the 'private sector', both national and international (Pritchett and Werker 2012). Such differences in interests, incentives, social and political alignments, ideas and affinities can weaken groups that are opposed to change (Khan 2012) and make it more difficult to bring together coalitions to pressure state actors and other leaders to pursue shared interests (Rocha Menocal 2015a; Rueschemeyer et al. 1992).

BOX 6.12

**Medellín: a story of transformation**

Over a period of two decades, Medellín, Colombia's second-largest city and home to the drug cartel led in the 1980s and 1990s by Pablo Escobar, experienced a remarkable transformation. While in 1991 it was named the most violent city in the world, by the 2010s it had managed to reduce its homicide rate by 90 per cent, and is now widely considered a pioneer of inclusive urban development (McLean 2014).

The roots of Medellín's marginalization and insecurity lay in a combination of factors that enabled many violent actors to become powerful: inequality and exclusion, and the wider political and financial instability caused by Colombia's continuing civil war and the recession of the 1980s. The Medellín cartel, the military, paramilitaries and militias competed forcefully for the right to provide 'security', and violence became the 'common sense' way of getting things done.

A confluence of international, national and local influences created an enabling political climate for the 'Medellín miracle'. It involved the interactions of power, politics and coalitions of political actors galvanized by crisis (McLean 2014).

A combination of factors enabled critical junctures to become progressive spaces for change in Medellín. At the international level, influences such as global capital, international development organizations and the US war on drugs put different kinds of pressures on the economic and political system in Medellín and Colombia more broadly. Legislative landmarks such as Colombia's 1991 Constitution brought about formal institutional changes at the local and national levels that were important in opening up arenas of political contestation and enabling new actors to participate. Coalition-building was also instrumental. At the national level, there was a commitment to addressing the violence in Medellín, while at the local level there was a hunger for change. This enabled a variety of stakeholders, from elites to radical groups, to unite behind a shared agenda for reform that they perceived to be in their own interest, if for different reasons.

Bold, strategically placed infrastructure projects that aimed to reduce inequality and promote inclusion were commissioned from internationally acclaimed architects. Schools, public libraries and parks were created, and transport networks were extended to considerably reduce the commuting times from poor neighbourhoods to the city centre. In 2013, Medellín won the Urban Land Institute's 'Innovative City of the Year' award. It was also selected to host the UN-HABITAT 2014 World Urban Forum on Urban Equity in Development (McLean 2014).

For instance, groups that have traditionally been excluded from (or marginal to) policymaking processes (e.g. poor people in rural and urban areas) may gain salience by partnering with better-off groups that have more leverage. More privileged groups can be persuaded to support policies and programmes to make growth more inclusive if they perceive such changes as being essential to achieving or protecting their interests, avoiding widespread social unrest or ensuring their survival. For example, Río de Janeiro and Nairobi have made progress in eradicating slums and strengthening local-level governance processes in efforts to address urban neglect and unrest (Jones, Cummings and Nixon 2014).

### Social mobilization

Social mobilization and sustained bottom-up pressures can also help achieve substantive transformations towards greater inclusion and shared prosperity. Social movement mobilization can thus serve as both a threat factor and an incentive (via electoral consequences) for democratically elected governments. In Bolivia, Brazil, Ecuador and Nepal, for example, social mobilization has played a crucial role in shaping both political trajectories and policymaking. These countries have all had movement-based governments at some point. While they were grounded in different discourses or narratives (e.g. class based in Brazil and Ecuador, and ethnically based in Bolivia and Nepal), they all shared a strong national political project based in part on values of social justice and a commitment to greater equality, with a special focus on those who were marginalized, excluded or otherwise left behind (Paz Arauco et al. 2014).

The inclusive and redistributive policies adopted by Brazil and Ecuador have been either the result of long-standing demands of social movements or the interpretation by left-wing governments of what movements have asked for (Hevia-Pacheco and Vergara-Camus 2013). The willingness or need of these governments to cooperate with social movements in policy design, implementation and monitoring—

and the tensions that these processes have generated—are crucial to understanding the content of their policies. These two examples suggest that social movement mobilization can help exert influence and pressure on governments to implement progressive social policies and strengthen their commitment to civil society participation, a key element of resilient democracies. Crucially, the kinds of linkages and alliances that social movements can build with political parties is essential to determining their effectiveness—and vice versa (see the discussion on political parties above).

Some of the policies and programmes that the recent and current governments in Brazil and Ecuador have adopted also respond to long-term demands for increased participation from social movements. In Brazil, governments have enacted such policies because social movements have represented historical political allies of the Partido dos Trabalhadores (Workers' Party). Ecuador's government has implemented more inclusive measures because these movements were well organized and mobilized at the forefront of protest movements that have brought down three governments, and have demonstrated their capacity to mobilize nationwide support for the government and for specific political leaders (including former President Rafael Correa and current President Lenín Moreno).

Bolivia has also made considerable progress in tackling intersecting inequalities (despite the still-high rates of poverty) largely due to a long process of mobilization by the indigenous population. A critical milestone was the election of coca advocate and native peasant leader Evo Morales as president in 2005, followed by the adoption of a new Constitution a few years later. As in Ecuador, the rewriting of Bolivia's Constitution represented the culmination of years of mobilization of indigenous groups for the recognition of their rights—mobilization that became increasingly politicized with the affirmation of formal democracy in those countries. Subsequent legislation has led to the implementation of different affirmative action measures and to electoral reforms establishing

Social mobilization and sustained bottom-up pressures can also help achieve substantive transformations towards greater inclusion and shared prosperity

Ideas are a key ingredient of politics, and are important in shaping thinking, behaviour and outcomes about inclusion and exclusion, and how much inequality ought to be tolerable

special indigenous constituencies in the Pluri-national Assembly and indigenous local governments. Bolivia has experienced reduced inequalities on all indicators during 1998–2008, with gains particularly visible for rural residents. However, the divide between ethnic groups, demonstrated by the persistently low education outcomes for the minority Quechua, remains significant (Paz Arauco et al. 2014).

### **Power of ideas and national narratives**

Within international development assistance circles, relatively little attention has been paid to the importance, or even power, of ideas in shaping development trajectories (Hudson and Leftwich 2014). Yet ideas are a key ingredient of politics, and are important in shaping thinking, behaviour and outcomes about inclusion and exclusion, and how much inequality ought to be tolerable. Ideas and norms also influence the nature and quality of interactions between different elites and their followers, and across different groups in state and society (Hudson and Leftwich 2014).

The fight for progressive social change also calls for changes in attitudes and values towards excluded groups. Values and beliefs are central to the discussion of prospects for inclusion and exclusion in at least two ways. The first is state legitimacy. As noted above, legitimacy and associated concepts of fairness are socially constructed (McLoughlin 2015), and people base their judgements about what is acceptable and tolerable on their beliefs about how decisions are made, and not necessarily on objective criteria or 'universal absolutes' (McLoughlin 2015; Hudson and Leftwich 2014). Crises of legitimacy occur when norms (e.g. about inequalities) are either violated or change, and these can destabilize, if not unravel, the rules of the game underpinning political systems (McLoughlin 2015).

Second, the power of ideas is also central to discussions of who is included in (and excluded from) state- and nation-building processes. As discussed earlier in the chapter, the narrow or broad sense of nation built in a country has a

profound effect on shaping inequalities and the resilience of democratic institutions. Without shared myths to bind societies together, the risks of fragmentation, polarization, culture wars and violence increase dramatically (Stevens 2017). Yet the Medellín 'miracle' was based in part on the ability to generate a common narrative about poverty and marginalization as root causes of the violence and conflict besetting the city. As has been discussed, Ghana (see Box 6.8), a multi-ethnic country that has proven remarkably peaceful and stable over time, especially compared to other countries in West Africa (and beyond), is another good example of the power of ideas in shaping inclusive narratives.

### **International factors**

While institutional transformation is clearly driven from within, international factors also matter. Regional and global drivers and dynamics can play important roles in informing (or shaping) internal reform processes, and influencing the incentives and dynamics of domestic actors to support democratic resilience and the quality of democratic governance; inequality is an important component of that. For example, transnational networks promoting human rights, women's empowerment, and transparency and accountability have harnessed collective action at the international and global levels, which in turn influences domestic politics and debates (Keck and Sikkink 1999). Other global governance and transnational networks in the areas of health and education have also had an important role in setting expectations and generating more incentives for government to deliver, especially in aid-dependent countries. More recent global mobilization and outrage at the massive increases in inequality—epitomized by movements such as Occupy and international campaigns on the need to cap executive pay, make tax avoidance more difficult and put greater pressure on tax havens—have helped to place inequality at the centre of both domestic and international policymaking agendas. International commitment to values such as democracy and human rights has also been significant in harnessing democratization processes, at least on paper.



Global commitments such as the Millennium Development Goals and the more ambitious and broader agenda for transformation embedded in the SDGs, which make specific commitments to promote inclusion and tackle inequalities, can also encourage reform at the domestic level. International donor efforts to use democracy- or development-related incentives and conditionalities to encourage a greater focus on education and health outcomes in partner countries have also had an impact, although such approaches may not always work.

However, many other international factors have helped to undermine the commitment to democratic governance and a more inclusive agenda within different countries. For instance, foreign intervention during the Cold War proved important in supporting the kinds of authoritarian regimes that emerged in Asia (Rocha Menocal 2017). China casts a particularly long shadow as an alternative, non-democratic model for development, given its size, power and the extraordinary developmental transformation it has brought about (Reilly 2013). A variety of mechanisms and practices enable domestic actors, especially elites, to engage in tax avoidance, or to skew the benefits of economic growth to benefit well-placed stakeholders at home and abroad. And of course, organized crime has done much to heighten inequalities, warp the quality of democratic governance and test democratic resilience.

International development actors can significantly influence the political and power dynamics of the countries in which they engage, even if they are reluctant to recognize this important political role. International development assistance has a political impact, which may either be positive (harnessing domestic pressures for change) or negative (reinforcing political inequalities or undermining the conditions for reform). If this influence, however unintentional, is not well understood, well-intentioned programmes may generate unintended consequences that undermine longer-term objectives. Thus the question is not whether donors influence

internal political and power dynamics, but rather *how* they should design their engagement and interventions, based on a sound assessment of the multiple dilemmas and trade-offs involved (Yanguas 2017).

International development organizations can make a useful, and perhaps even indispensable, contribution towards helping internal state and societal actors overcome institutional obstacles to transformation along different dimensions. As discussed above, many of the challenges associated with promoting more inclusive development and reducing inequality are not technical or even financial, but political. Some of the biggest constraints take the form of unresolved processes of contestation and failed collaboration. Often, cooperation proves impossible because there is a lack of trust, or because incentives are not aligned. For instance, the short-termism that electoral politics generates among would-be developmental leaders in poor countries—especially those that are ethnically fragmented and have weak and ineffective institutions—tends to contribute to a focus on narrow interests (e.g. winning elections) rather than to greater accountability or a concern for the broader public good over the long term. International development actors may have a fundamental role to play in building trust, nudging incentives and interests, and seeking to facilitate and broker spaces for collective action, while also focusing on tackling ‘global drivers of bad governance’ more explicitly (TWP CoP 2015; Booth and Unsworth 2014).

## 6.6. Conclusions and recommendations: addressing inequality

The growing rise in the gap between those who have and those who are left behind poses a genuine threat and structural risks to the quality of democracy and its long-term resilience. Inequality undermines social and political cohesion and exacerbates polarization and resentment. It perverts political voice, giving outsized influence to those with means and resources, or the right status. This skews

More recent global mobilization and outrage at the massive increases in inequality have helped to place inequality at the centre of both domestic and international policymaking agendas

The growing rise in the gap between those who have and those who are left behind poses a genuine threat and structural risks to the quality of democracy and its long-term resilience

processes of basic service provision and state functionality, which fundamentally undermines the state's ability to deliver. This in turn threatens the legitimacy of governments aspiring to be democratic, and generates a vicious cycle that can lead to the rise of populism, violence, extremism and armed conflict. In short, inequality profoundly jeopardizes the development of a political culture that values democracy for its own sake, and not just on the basis of what it provides (or does not provide), which is essential to democratic resilience.

Social and economic inequalities in early life increase the risk of lower earnings, lower standards of health and lower skills in adulthood for millions of people (OECD 2014 and 2015). These disadvantages are perpetuated across generations, and undermine young people's opportunities to engage politically, depriving them of their rightful voice in the democratic political debate. As persistent inequalities jeopardize democratic legitimacy, it is paramount to break the patterns of intergenerational poverty and exclusion through early interventions.

Addressing inequalities is not a technical procedure, but a deeply political process involving negotiation, bargaining and contestation among a variety of actors who are committed to promoting inclusion and reducing inequalities to varying degrees. Democracy on its own does not automatically redress inequalities; in fact, it poses distinct challenges. The chapter has highlighted different factors that have helped reduce inequalities in an attempt to develop a more nuanced understanding of how social strata, power relations and experiences are related, which can help inform more nuanced approaches to tackling inequality. The recommendations outlined below draw on this analysis and their implications for developing more effective policies in this area, with a view to fostering democracies' legitimacy and, ultimately, their resilience.

### All actors

- *Take advantage of the current climate to harness collective action against inequality.* Over the past several years, there has been growing recognition from a variety of actors at the domestic and international levels that tackling inequality and social exclusion is an urgent priority. Although not compulsory, the SDG framework can be a powerful lever of international pressure and scrutiny to harness action on inequality (Stuart et al. 2016).
- *Develop an in-depth understanding of the political context and underlying power and institutional dynamics in which inequalities exist and are sustained over time to determine which policies are sound and politically feasible.*
- *Focus on informal as well as formal institutions that generate and reinforce inequalities.* Efforts focused purely on reforming formal rules and frameworks (e.g. legal reforms to improve women's rights and opportunities) run the risk of not being implemented if norms that sustain existing asymmetries in bargaining power remain unchanged.
- *Promote youth as agents of progressive change.* Young people are delivering piercing critiques of the extent to which wealth and privilege have succeeded in rewriting the rules of the system, while shifting ever more risk to young people and barring them from having a fair say in the policies that affect their lives. Investing in young people who are informed and engaged can be an important step towards protecting and promoting democracy as an ideal, as well as its practice in day-to-day political debates and decision-making processes.
- *Invest in developing and sharing knowledge to better understand what works and what does not in reducing inequalities, and to track progress.* Data are essential to help identify where the needs are greatest, to ensure that policies and tools respond to those needs, and to monitor implementation and track progress. Substantial efforts are also needed to build the evidence base, fill gaps

and share more knowledge about lessons learned (World Bank 2016).

### National and local policymakers

- *Use social and economic policies to rectify intersecting social, political and economic inequalities and soften the sharp edges of economic inequality and social exclusion.* These may include tax policy, education, health, unemployment, conditional cash transfers, micro-credit and affirmative action. The focus should be on young women and men in particular to help break vicious cycles of intergenerational inequalities.
- *Identify and address not only the technical but especially the political constraints on effective policy implementation* by reforming laws and other formal institutions necessary to deal with inequalities and seeking to influence the incentives, behaviours, practices and values of key strategic actors and stakeholders. Pay particular attention to how the formal and informal spheres interact, and whether they complement each other or pull in different directions.
- *Harness redistributive coalitions* that can capitalize on domestic and international pressures to address inequality as a policy priority.
- *Be mindful of the potential side effects and unintended consequences of social policies intended to redress inequality, and find a balance between competing aims.* For example, there may be different perceptions of how much inequality a society is willing to tolerate based on the trade-offs involved, while politicians catering to voters may see

social programmes as a form of patronage that they can use to build political machines, which can generate clientelism and corruption (Fukuyama 2011).

### The international community

- *Focus on inequality as an intersectional phenomenon and prioritize its reduction, rather than focusing solely on poverty reduction and income levels.* An intersectional understanding of inequality also helps highlight the need for more collective and holistic approaches to the problem.
- *Be mindful of the political context and adapt approaches and interventions to tackle inequalities to contextual realities.* Develop a sharper understanding of how efforts in one area (e.g. democracy support) may affect those in another (e.g. state-building), and recognize the tensions, trade-offs and dilemmas involved. This may require thinking and working on a range of issues—from service delivery, citizen participation and governance reforms, to economic development and promoting inclusion—in different ways, focusing not on ‘best practice’ but rather on ‘best fit’.
- *Focus on revitalizing and reinventing more vigorous links between states and societies to help give democracies renewed vigour and resilience.*
- *Support international cooperation to fight against tax avoidance and capital flight* by requiring country-by-country reporting, promoting transparency and information exchange, and imposing unitary taxes on capital.



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International IDEA  
Strömsborg  
SE-103 34  
Stockholm, Sweden  
Tel: +46 8 698 37 00  
[info@idea.int](mailto:info@idea.int)  
[www.idea.int](http://www.idea.int)