

Is Diversity Valuable... For a Democratic State?

Introduction

What would happen if the diversity that we are so proud of were an obstacle to effective political organization?

This essay explores whether diversity is valuable from the perspective of the state and examines the potential consequences of such a determination for the population. For this analysis, 'valuable' is understood as 'useful for,' and diversity is defined as the differences among human beings.

The state's incentives to preserve diversity are explained through a Nash equilibrium framework. The findings suggest that the equilibrium necessary to maximize state effectiveness in a functional democracy tends to favor diversity in both the economic and political spheres, indicating that, from a democratic state's perspective, diversity is valuable.

What Does Diversity Mean?

Diversity has been popular in the world since the development of DEI (Diversity, Equity, and Inclusion), but what does diversity mean?

Hayles¹ defines diversity as all the elements by which we differ. The modern meaning of diversity includes a variety of dimensions, such as gender, race, age, nationality, sexual orientation, physical and mental abilities, cultural background, education, and life and work experience². Politics takes into account all these meanings when designing public policies. But, for that analysis, we must first analyze the structure of the state.

Diversity Incentives in the State

Basic Structure of the State

The state has a strong incentive to perpetuate and increase its power. Evidence from sociologists and historians³ shows that the state may have arisen from a group of people. Following Olson's explanation, this group, called a stationary bandit, has the incentive to control a territory, making the taxed population prosper in order to gain more wealth to fund⁴.

Calhoun describes this dynamic by a class (tax-consumers) that lives at the expense of another (tax-payers), whose incentives are contrary. A constitution would equilibrate these incentives⁵.

The state also needs support from the population to stay in power.⁶ Revolutions can occur, as seen in the French Revolution or the American Revolution, if populations are not comfortable with a government. In the former, the phrase “No taxation without representation” is a good example of this. People need to feel a part of the state to support it.

Diversity and Its Consequences

As diversity is a natural condition for humans, it brings consequences in many sectors. We will focus on politics and economics.

Firstly, in the economic sector, diversity of physical and mental abilities, cultural background, education, and life and work experience may cause what Ricardo established,⁷ and today it's known as the law of comparative advantages. This law states that two or more individuals may benefit from cooperation if each focus on producing what they are relatively good at. In this way, a division of labor is formed, leading to

increased productivity. Adam Smith even described this as the basis of a civilized society⁸.

Nevertheless, many authors have noted that this could lead to inequality and social unrest.⁹ For example, Atria¹⁰ noted that the October 2019 protests in Chile may have been caused by the inequality produced by the neoliberal system. However, Paniagua¹¹ rigorously examined the Chilean case and concluded that real inequality was even reduced. It is undeniable that the perception of inequality deeply influenced the Chilean population, as that was a motive for protests, but that may have been more an ideological perception than a real one. This can give us an idea of how perceived inequality, tied to cultural diversity, affects state legitimacy. This is a crucial point that will help to the following analysis.

So, there are two opposing forces that diversity causes in the economy: on one hand, the increase of social welfare and wealth; on the other, social unrest, inequality, and culture.

Secondly, in the political sector, diversity of gender, race, age, nationality, sexual orientation, education, and life and work experience may cause different preferences in voters that must be aggregated in a democracy. While Arrow's Theorem¹² states that rational aggregation of preferences is impossible—and therefore total social satisfaction as well—democracy tends to legitimize power¹³ and place responsibility on voters¹⁴, that is known as the diffusion of responsibility. This may increase satisfaction with power in a democracy rather than in a monarchy or dictatorship.

However, diversity of opinions could cause division and weaken the feeling of national unity,¹⁵ therefore weakening the power. So, again, we have opposing forces that need to be balanced.

These forces become more complex as politics legitimizes the economy and institutional framework, and as the economy legitimizes the success of a certain political system or ruler. Also, great control of the economy means less political freedom, as Hayek¹⁶ points out. Therefore, equilibrium starts to be needed to effectively maintain social order.

Diversity in a Democratic State

Basic Concepts

We will assume a functional democracy that has to accomplish 10 criteria, as seen in *Figure 1*

Figure 1: Functional Democracy

Dimension	Functional Democracy
Adaptability	Responds effectively to internal and external challenges.
Core Democratic Principles	Maintains freedom, equality, and accountability even during crises.
Legitimacy	Achieves legitimacy through input, throughput, and output.
Representation	Political institutions represent diverse social and economic groups. (This will be examined)
Responsiveness	Incorporates public demands into decision-making.
Institutional Functionality	Institutions fulfill their intended roles with coordination.
Policy Outcomes	Policies are effective and adjusted when necessary.
Political Participation	Citizen engagement is encouraged and effective.
Communication & Discourse	Open, rational, and inclusive political dialogue (this will be also examined).
Response to Populism	Relies on democratic institutions and procedures to address crises.

Source: based on Stark et al. (2022)

Given this framework, we can start to model how the state can use diversity to maximize its benefits (power and stability). In this game, opposition and society are not active players, but their reactions will affect state benefits.

The tool of the state is intervention (I), which will be in a range from 0 to 1 ($I \in [0,1]$), being '0' zero intervention and '1' total intervention. As we saw previously, we have two main sectors, economy and politics, so the state will play in both, intervening in the economy (I_e) and in politics (I_p).

We can consider that diversity (D) is opposite to intervention ($D = 1 - I$) as diversity arises when humans are free, causing division of labor and knowledge. Intervention is the opposite.

For example, when the state fixes a minimum wage, those workers with less marginal productivity, which is influenced by their particular characteristics, will be unemployed; they would be discriminated against and excluded, therefore decreasing diversity. Moreover, when the state controls everything, all is homogeneous, e.g., if the state controls the property of radio and television, freedom of speech would be extremely constrained, as all transmitted would be what the government wants.

Some people could argue that this does not apply to interventions that promote diversity (as subsidies to groups). However, these have an unseen effect, as Bastiat¹⁷ would say. The taxes used for policies have an opportunity cost that the population is not *freely* deciding, therefore reducing or merely maintaining total diversity.

Diversity, as seen previously, can be divided into two: political ($D_p = 1 - I_p$) and economic ($D_e = 1 - I_e$). This relation could be more complex and non-linear, but we will assume this to simplify.

The state wants to find the optimum intervention (and therefore diversity) to maximize its benefits.

Maximization in Economics

As Hoppe¹⁸ points out, the democratic state has a higher time preference rate, which means that it tends to make decisions not based on the long run, but in the moment. In this framework, the state needs to equilibrate many factors to determine how much intervention is necessary:

- Increase wealth at the point where the state can be effectively sustained and where the population feels comfortable.
- Keep the division of labor and the natural economy's reaction to get the expected effects when intervening in the economy.
- Generate a favorable business cycle to have prosperity in its period and a recession in the opposition's period, therefore increasing its acceptance and popularity. This combines two concepts, the political business cycle¹⁹ and the war of attrition²⁰. While the political business cycle stimulates the economy to win elections, the war of attrition describes when the adjustment will come, with the government and opposition trying not to assume the cost. While empirical evidence is not consistent about PBC²¹, some cases, like Argentina 2015, show how Cristina Kirchner left several fiscal problems to Mauricio Macri.²²
- Prevent social rebellions, controlling inequality, and providing social services to gain legitimacy.

These factors make the state's economic benefits (B_e) adopt the form of an inverted Gaussian function, because, at the beginning, every increase of intervention generates more benefits (favorable business cycle, little destruction of diversity, prevention of social rebellions, and increase in wealth), but as intervention continues to increase, the business cycle becomes evident and popularity falls, diversity and therefore

wealth do not increase, and the economy and society starts to be harder to control. We could also assume a parabola, but it is more realistic to think that increases at the beginning are not linear but exponential. *The optimum point may be in the middle (0.5) or less.*

But we also must recognize the importance of ideology or culture in the perception of the population, as seen in the Chilean case. For that reason, parameter σ_e has been included, representing tolerance of the population.

This would be a representative function:

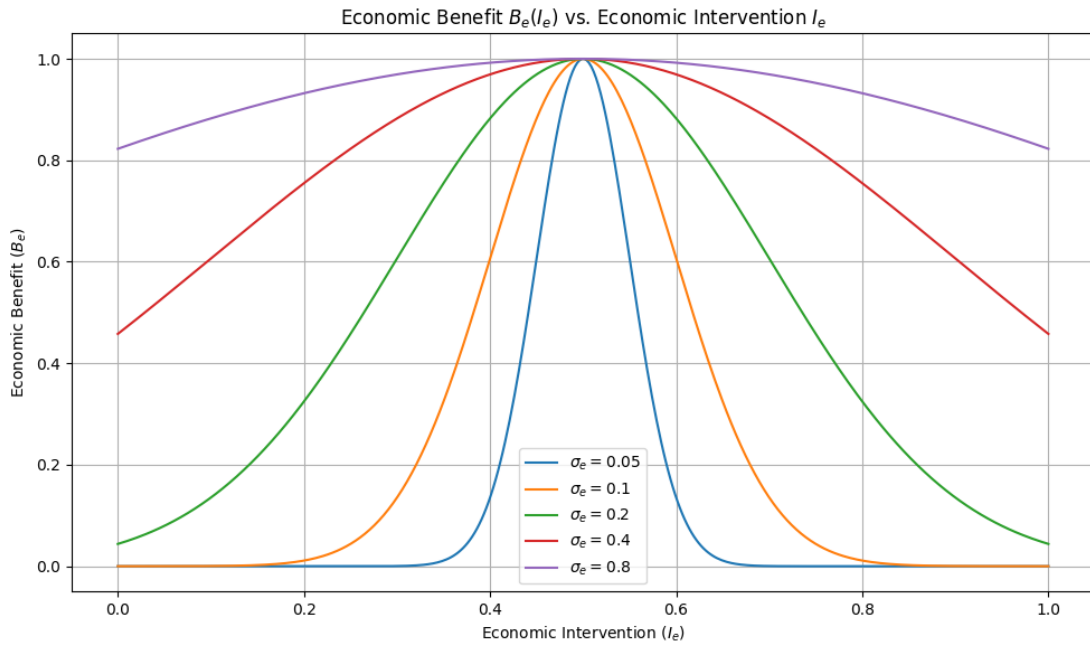
$$B_e(I_e) = a_e \exp\left(-\frac{(I_e - \mu_e)^2}{2\sigma_e^2}\right)$$

Where:

- a_e : Maximum economic benefit (that would be 1 to simplify).
- μ_e : Optimum economic intervention level to maximize benefit ($\in [0, 0.5]$)
- σ_e : Parameter between 0 and 1 that measures the sensitivity of deviation from the optimum. It can vary, e.g., if the culture favors state ideology the sensitivity will be lower and therefore σ_e will be higher.

A graphic representation assuming $\mu_e = 0.5$ would be like *Figure 2*

Figure 2: Economic Benefit vs Economic Intervention



Maximization in Politics

Now we must examine how μ_p is determined (optimum political intervention).

And, as in the past case, several factors determine political intervention:

- A higher intervention allows the state to shape public opinion, reducing dissenting narratives, and fostering a national unity feeling.
- Too much freedom could lead to the paradox of tolerance²³. Where an extreme tolerance can allow intolerants to take power.
- But the same centralization can dismantle the legitimacy of a government, leading to protests, because people wouldn't feel represented.

This would lead to the same benefit model, where intervention must be 0.5 or less:

$$B_p(I_p) = a_p \exp\left(-\frac{(I_p - \mu_p)^2}{2\sigma_p^2}\right)$$

Where:

- a_p : Maximum political benefit (normalized to 1)
- u_p : Optimal political intervention level [0,1]
- σ_p : Tolerance for deviation from the optimum

Figure 2 remains useful to represent political benefits.

Total Maximization

Total benefit would be the sum of all benefits (U). This representation is a simplification due to the strong relation between the economy and politics, so both variables are not independent, but we can assume that would be similar:

$$U(I_e, I_p) = B_e(I_e) + B_p(I_p)$$

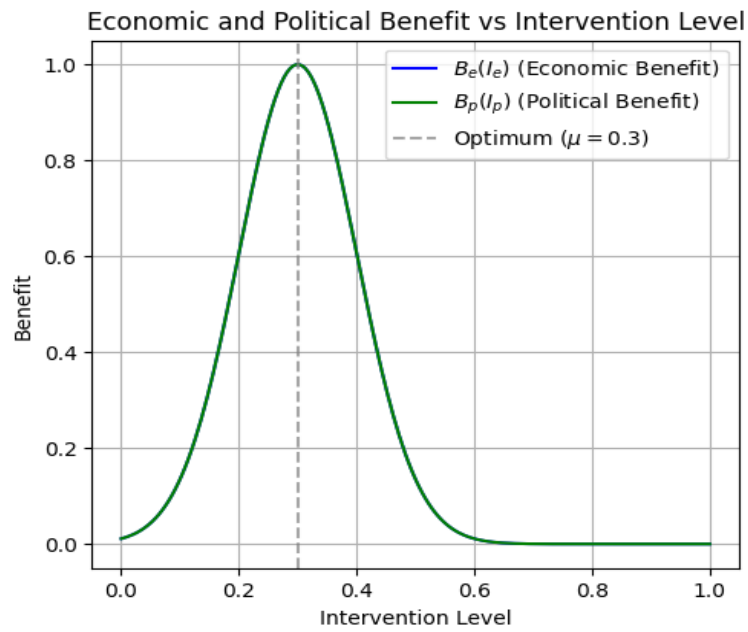
And the optimum will be reached when both benefits are the maximum, thus, when partial derivatives are equal to zero (first order condition):

$$\nabla U(I_e, I_p) = \left(\frac{\partial U}{\partial I_e}, \frac{\partial U}{\partial I_p} \right) = (0,0)$$

But we concluded that $(\mu_e, \mu_p) \leq (0.5, 0.5)$, so optimum point always will be when $I \leq 0.5$, which implies $D \geq 0.5$. By simple logic, if the optimum of both interventions is equal to or less than 0.5, then diversity would be greater than or equal to 0.5.

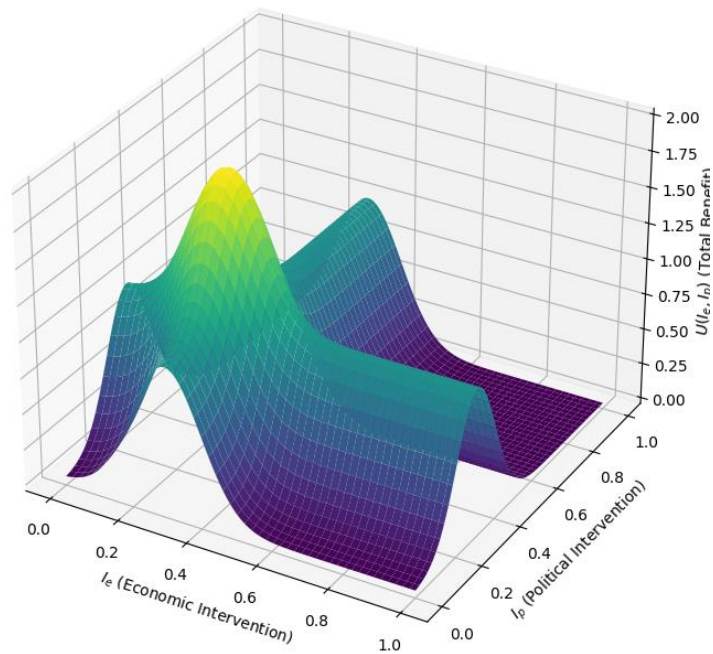
We can make a graph (*Figure 3*) assuming $\mu_e = \mu_p = 0.3$ (optimums are equal) and $\sigma_e = 0.1$ (great sensibility):

Figure 2: Economic and Political Benefit vs Intervention Level



When intervention is 0.3, benefits are maximum. This can also be interesting when we make a 3D graph (Figure 4):

Figure 3: 3D Representation of Total Benefits



But what does this mean?

Interpretation of Results

Taking the value of D , we can know how valuable is in a democratic state. If $D = 0.5$, diversity would be moderately valuable. But if $D > 0.5$, diversity would be valuable. As we saw, results in a democratic state were that $D \geq 0.5$ which means that diversity is valuable in a democracy.

This means that the state would have a moderate incentive to intervene in the economy and politics if it wants to keep power and ensure its permanence. This is a result of logic: as the state needs to intervene but also to preserve the diversity of people (because diversity makes the system manipulable and prevents social rebellions), the equilibrium shifts toward preserving diversity.

Conclusion

This essay has examined whether diversity is valuable or not from a democratic state perspective.

Game analysis, considering the state as the only player and responses of opposition and population, reveals that diversity is necessary for the state and its maximization of power ($D \geq 0.5$).

Finally, and coming back to the initial question, we could say that no, diversity is not an obstacle to the state in a democratic framework.

Endnotes

¹ V. Robert Hayles, “Communicating About Diversity and Inclusion,” in *Diversity at Work: The Practice of Inclusion*, ed. Bernardo M. Ferdman and Barbara R. Deane (San Francisco: Jossey-Bass, 2013), 55–90, <https://doi.org/10.1002/9781118764282.ch2>.

² Elwira Gross-Golacka, Androniki Kavoura, Sofia Asonitou, y Eleni Martini, *Perspective Chapter: The Concept of Diversity Management as an Approach to Redressing Social Inequalities*, (IntechOpen, 2024), <https://doi.org/10.5772/intechopen.1004714>.

³ See: Robert L. Carneiro, “A Theory of the Origin of the State,” *Science*, 1970, 733–738; Franz Oppenheimer, *The State: Its History and Development Viewed Sociologically* (New York: Vanguard Press, 1922); Charles Tilly, “War Making and State Making as Organized Crime,” in *Bringing the State Back In*, ed. Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol (Cambridge: Cambridge University Press, 1985), 169–191.

⁴ Mancur Olson, *Power and Prosperity: Outgrowing Communist and Capitalist Dictatorships* (New York: Basic Books, 2000).

⁵ John C. Calhoun, *A Disquisition on Government and a Discourse on the Constitution and Government of the United States*, ed. Richard K. Cralle (Columbia, SC: A. S. Johnston, 1851).

⁶ Niccolò Machiavelli, *The Prince* (Milton Keynes, UK: Penguin Random House, 2009), 38–41, 72–82.

⁷ David Ricardo, *On the Principles of Political Economy and Taxation*, vol. 1 of *The Works and Correspondence of David Ricardo*, ed. Piero Sraffa with the collaboration of M. H. Dobb (Indianapolis: Liberty Fund, 2004), 133–35.

⁸ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Indianapolis: Liberty Press, 1981), 13–16.

⁹ See: Thomas Piketty, *Capital in the Twenty-First Century*, trans. Arthur Goldhammer (Cambridge: Belknap Press of Harvard University Press, 2014); and especially Amartya Sen, *Inequality Reexamined* (Cambridge: Harvard University Press, 1992).

¹⁰ Fernando Atria, Javier Couso, y José Benavente, *El otro modelo: del orden neoliberal al régimen de lo público* (Barcelona: Debate, 2019).

¹¹ Pablo Paniagua, “La Atrofia,” in *Anatomía del Octubre Chileno: Reflexiones a 5 años*, ed. Miguel Ángel Fernández (Santiago: Faro UDD, 2024), 76–92.

¹² Kenneth J. Arrow, *Social Choice and Individual Values* (New Haven: Yale University Press, 2012), <https://www.jstor.org/stable/j.ctt1nqb90>.

¹³ See: Ignacio Sepúlveda-Rodríguez and Luis Garrido-Vergara, “Satisfacción con la democracia y legitimidad en Chile,” *Revista de Sociología* 37, no. 2 (2022): 1–15, <https://doi.org/10.5354/0719-529X.2022.69099>; International IDEA, *Perceptions of Democracy: A Survey about How People Assess Democracy around the World* (Stockholm: International Institute for Democracy and Electoral Assistance, 2024).

¹⁴ Ashley Weinberg, ed., *Psychology of Democracy: Of the People, By the People, For the People* (Cambridge: Cambridge University Press, 2022).

¹⁵ Especially see: David Miller, *Citizenship and National Identity* (Cambridge, MA: Polity, 2000).

¹⁶ Friedrich A. Hayek, *The Road to Serfdom*, 50th anniversary ed., with a new introduction by Milton Friedman (Chicago: University of Chicago Press, 1994); also see Milton Friedman, *Capitalism and Freedom* (Chicago: University of Chicago Press, 1962).

¹⁷ Frédéric Bastiat, *What Is Seen and What Is Not Seen*, in *Selected Essays on Political Economy*, trans. Seymour Cain, ed. George B. de Huszar (Irvington-on-Hudson, NY: Foundation for Economic Education, 1995), 1–50.

¹⁸ Hans-Hermann Hoppe, *Democracy: The God That Failed: The Economics and Politics of Monarchy, Democracy, and Natural Order* (New Brunswick, NJ: Transaction Publishers, 2001).

¹⁹ See William D. Nordhaus, “The Political Business Cycle,” *The Review of Economic Studies* 42, no. 2 (1975): 169–190, <https://doi.org/10.2307/2296528>.

²⁰ See Alberto Alesina y Allan Drazen, “Why Are Stabilizations Delayed?” *American Economic Review* 81, no. 5 (1991): 1170–1188, <https://www.jstor.org/stable/2006912>.

²¹ Alberto Alesina y Nouriel Roubini, “Political Cycles in OECD Economies,” *Review of Economic Studies* Working Paper (1992), <https://dash.harvard.edu/bitstreams/7312037c-6bc7-6bd4-e053-0100007fdf3b/download>.

²² Smink, Veronica. “Cinco grandes problemas económicos que deberá enfrentar Macri, el nuevo presidente de Argentina.” *BBC News Mundo*. November 22, 2015. Accessed June 20, 2025. [Cinco grandes problemas económicos que deberá enfrentar Macri, el nuevo presidente de Argentina - BBC News Mundo](#).

²³ Karl Popper, *The Open Society and Its Enemies*, 4th ed., vol. I (London: Routledge and Kegan Paul, 1962), 265–266.

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