

Inequality and democracy

A review of the literature



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INTRODUCTION

This paper reviews one of the important subjects of the political economy literature: The relationship between economic inequality and democracy. In this paper, my main goal is to specify major perspectives on the causalities of the inequality-democracy relationship. To do so, this paper examines some important views on the both causal directions: Does inequality has an impact on democracy? Does democracy affect inequality?

The paper is divided into two main sections according to respective methodological approaches of scholars. The first section involves a more or less chronological review of qualitative comparative-historical approaches. The second section turns to quantitative studies on the relationship between inequality and democracy, and puts special emphasis on the post-2000 period. In the conclusion, I debate on the points of consensus among researchers, highlight some contested issues, and make some suggestions for further research.

COMPARATIVE-HISTORICAL PERSPECTIVES

Sociological comparative research has forcefully brought class analysis to the study of political regimes. It can be seen that the main insight of this vein of research, which is the causality between distributive conflicts and regime transitions, has inspired the theories behind new statistical approaches to democratization in the early

21st century. Sociological tradition, highly inspired by Marxism in its initial years, proposed that economic inequalities in a society generate distributive conflicts over resources, which, in turn, lead to regime transitions.

Proponents of Marxist approach to the comparative study of political regimes have brought the issues of class relations and class conflict to the forefront of the scholarly debates. This vein of thought, despite its early structural tendencies, has recognized to some extent the capacity of social groups to act autonomously and stirred away from the modernization school's premise that political developments are a function of changes in socio-structural variables. The class approach proposed that triumphant social classes in a society were mostly responsible for changes in regime types. While structural changes (such as expansion of capitalist markets) greatly constrained the agency of social classes, their endogenous qualities, such as organizational capabilities, had a critical impact on political outcomes. Secondly, as opposed to modernization school, which aspired for universal generalizations, the Marxist school adopted a more limited scope and highlighted country-specific variations that cannot be reduced to the underlying variables capturing levels of development. Most importantly, however, Marxian approaches brought contestation for political and economic power between social classes to the agenda of the study of large scale political transformations.

Perhaps the most well-known example of this approach within the Marxist tradition is Barrington Moore Jr.'s *Social Origins of Dictatorship and Democracy* (1966). Moore, in his analysis of England's transition to democracy, lists a series of causal factors, such as existence of a well-established parliament, early development of commercial and industrial interests, relatively less conservative landed aristocracy that competes for popular support, absence of a strong army, and relatively mild "peasant problem". While all these variables carry some weight in his analysis, for Moore, the way a country resolves its land problem determines the regime type in the last instance. In Prussia, for instance, the Junkers claimed a total dominance over agricultural production, reducing peasants to serfdom, allied with the capitalist class and kept them in check, and had a wide influence over the state and the army. This led to a top-down modernization, creating the necessary conditions for fascism. For a democratic outcome, as in the English case, the land problem involves the political and economic defeat of conservative landed upper classes, abolition of coercive agricultural labor, and capitalist reorganization of agricultural production.

In most basic terms, class conflict over the distribution of agricultural surplus or land is the main facilitator of revolutions. In other words, according to Moore, conflict over land precipitates regime transitions. Social mobilizations provoked by land inequality is not a *sufficient* condition for regime transitions as Moore prefers

a multi-causal explanations for modernization processes. However, land-inequality and class conflict, that is between lower and upper classes, as well as between aristocracy and the bourgeoisie, remain in the center of his analysis. It should be noted that Moore's analysis focuses on transitions from *traditional* political structures to the modern ones. Thus, there is a potential mismatch when appropriating Moore's theory to explain transitions in between modern political regimes. For the latter task, we see that the Moore thesis survived in the subsequent class-oriented explanations of regime changes with its two main propositions: First, land question should be resolved to the dismay of land-owning aristocracy. Second, no bourgeoisie no democracy.

Following the theory of *Social Origins*, but interestingly never citing Moore, Jeffery Paige looks at the relationship between the types of re-distributional conflicts and political outcomes in his book *Agrarian Revolution* (1975). He argues that confrontations between agricultural lower classes and upper classes can take 4 forms based on their sources of income. Workers' main source of income can either come from land or wages. Similarly, landowner's income can either be land or capital. Only in the case of a conflict between wage-earning agricultural laborers and land-based aristocracy can one expect a regime transition in the form of socialist revolution.

Similar to *Social Origins*, land-holding, whether it is large or small, is associated with conservative, counter-revolutionary political positions. The reason behind it, Paige explains, is that landlords, unlike industrial or commercial upper classes, cannot extend their surplus through new investments or adopting new technologies of production. Thus, if they give in to the redistributionist demands of peasants, they can only do so through redistribution of land. However, since their economic power depends mostly on the area of land controlled, redistribution of land amounts to a significant reduction in their socio-economic position. Therefore, for the landed upper classes, repression is the only means to deal with peasant rebellions. Furthermore, as the landowning aristocracy is the ruling elite of the state, deterioration of their economic base means an overhaul of the traditional state, hence the revolution.

In stark contrasts to the immobility of the landowning aristocracy, stands commercial or industrial landholders. In the face of re-distributional demands of peasants, this upper class can make concessions to peasants due to their expanding capital. Additionally, since their power is mainly based on capital investments, and their dependence on the state is limited, class conflicts usually do not take political forms, but resolved through increases in wages or redistribution of land.

Through his case studies of Peru, Angola, and Vietnam, Paige demonstrates that re-distributional conflicts in the "developing world" are at the center of breakdown

of autocratic regimes. However, as Paige discusses, not all re-distributional conflicts is capable of creating such dramatic political outcomes. Rather, only a specific form of class relationship and conflict, which itself is a product of a long social history, can trigger regime transitions.

Perhaps the most important implication of Paige's book is about the relationship between land-inequality and authoritarian stability. When the primary source of income is land for both the peasants and the landlords, Paige argues, the only possible form of social mobilization is agrarian revolt. However, dependence on land renders peasants economically competitive against each other and politically disorganized. Therefore, agrarian revolt occurs extremely rarely, and when it emerges, it is most likely to be repressed due to peasants' organizational weaknesses. In agricultural economies, traditional structures of authority may remain unchallenged for centuries. As a result, this particular form of relations of production eliminates the chances of redistributive conflicts and creates the conditions for a long-lasting political domination.

In 1992, Rueschemeyer, Huber, and Stephens reengaged with the Moore thesis in their seminal work *Capitalist Development and Democracy* (1992). In this book, through a review of democratization processes in Europe, Latin America, and Central America and the Caribbean, they come up with some revisions to Moore's original theory. Most significantly, they argue that working class instead of bourgeoisie had been the main driving force of democratization. Furthermore, in most cases, bourgeoisie has not adopted a pro-democratic political outlook, aligning itself with the state, the army, and conservative upper classes. This theory stems from the observation that democracy would be supported by those who have more to gain from it. Hence, working classes, whose demands for economic as well as political rights can not be met under autocratic regimes, constitute the main driving force behind democratization. From the authors' perspective, political organization and participation of working classes is not easily reconcilable with capitalists' primary interests. Thus, the consent of capitalists for democracy is not given, but depends on some guarantees that their core interests will remain untouched. In practice, this means that they should be able to defend their interests through their political parties.

The positive relationship between capitalist development and democracy is due to the two structural effects of the former. Capitalist development strengthens working classes and, as Moore suggested earlier, it undermines the power of landowners (Rueschemeyer, Stephens, and Stephens 1992, 58). For the first point, Rueschemeyer et al. adopts modernization theory's framework. Due to *concentration* of civil society through enhanced communication and transportation and other means, workers are gathered in urban areas in large masses, which makes their

political organization easier. Society's division into two organized and antagonistic classes, the bourgeoisie and the capitalists, creates a balance of power in society and render democracy more stable. However, in contrast to modernization school's emphasis on structural variables, authors propose, along Marxist lines, that class relations, in other words, relative power of classes *vis-a-vis* each other, determine the final political outcomes. From this argument, it can be deduced that the closer association of economic equality with democracy, rather than authoritarianism, can be explained by the greater political power workers gain under democracy.

In a recent book, Huber and Stephens (2012) apply the power constellations theory, which basically looks at the distribution of power within civil society, the state, and international environment, to Latin America to explain the effects of democratization on inequality. They find that democracy has a robust and significant effect on social spending. However, this is a delayed effect in that only after about 20 years, substantial changes in inequality is observable. Similar to the thesis developed in *Capitalist Development and Democracy*, they find the organizational strength of the working class and of Left political parties to have significant impact on the reduction of poverty and inequality. However, Left political parties do not play a role increasing social spending. Instead, they channel state finances towards the poor more aggressively.

In sum, sociological class analysis had two major implications that informed subsequent research on regime change. First, redistributive conflicts are the main causal variable behind democratic transitions. Second, relative power of social classes *vis-a-vis* each other determines the distributive outcomes of political regimes.

Furthermore, class analysis introduced the question of land inequality to the study of regime transitions, while not providing a definitive answer. For Moore, inequality in the distribution of land was a necessary condition for democratization, for Paige, it was a condition for autocracy. The difference between the two approaches is mainly due to how they view the relationship between land inequality and social mobilization. For Moore, land inequality accumulated grievances that could trigger broad and powerful peasant revolts. For Paige, land inequality prevented social mobilization in the first place. In any case, the linkage between land inequality and regime type has remained one of the important pillars of the ongoing debate between contemporary political scientists.

The two major implications of the sociological tradition have also been countered by alternative explanations. The first argument, that is distributional conflicts lead to democratization, has many opponents who attribute no significance to distributional conflicts in democratization. Proponents of the theories of elite-induced

democratization, for instance, do not recognize social mobilization as a causal force behind authoritarian breakdown, and argue that it might in fact play an anti-democratic role by aligning once divided ruling groups against the subaltern (e.g. O'Donnell and Schmitter 1986). Similarly, they also challenge the idea that democratic stability is an outcome of the well-balanced political forces of the working classes and the bourgeoisie. Instead, they suggest that, instead of the opposing ends of the political spectrum, it is the political actors who represent the center who can secure democratic stability (Valenzuela 1978).

Some scholars, instead of attributing no significance to distributive struggles in regime transitions, shed light upon a different aspect of redistributive conflicts by linking them to the emergence of authoritarian states. For instance, Dan Slater, in his *Ordering Power*, argues that redistributive conflicts in South East Asia resulted in *protection pacts*, which means alignment of economic elites with the state and against threatening mobilizations from below (Slater 2010). Through protection pacts, the elite accepts paying higher taxes to the state in return for protection against lower classes. More importantly, contentious politics results in strengthening the state capacity, increasing military cohesion and party strength (Slater 2010, 18). Slater shows that redistributive conflicts lead the way to the formation of a strong state, which, in return, enhances the life-span of authoritarian regimes. Rueschemeyer et al.'s argument that redistributive conflicts pave the way for democratization finds its nemesis in *Ordering Power*: Redistributive conflicts may also lead to authoritarian stability.

STATISTICAL PERSPECTIVES

Lipset, with his seminal paper, *Some Social Requisites of Democracy*, paved the way for a long-lasting academic debate on the relationship between democracy and economic development (Lipset 1959). He suggested that economic development leads to democracy. The causal explanation was based on two assumptions. First, following the premises of the modernization theory, Lipset argued that economic development is correlated with the rise of literacy and education, and other changes in political culture that are conducive to democracy. Second, he suggested economic development would change the social stratification in a society from a pyramid to a diamond shape, increasing the share of the middle class. This implies that economic development would lead to decreased economic inequalities. On the other hand, growth of a large middle class would mitigate the antagonisms between workers and the bourgeoisie, and hence preserve the basis of a democratic culture. Lipset's orig-

inal thesis on the relationship between democracy and development was strongly undermined by Przeworski and Limongi (1997). They established that there is not any causal relationship between development and democracy, and the level of economic development has a significant effect only on the stability of democracies, not on their emergence.

Despite the fact that Lipset's development thesis is nearly antiquated, his argument on the correspondence between lower levels of inequality and democracy still carries some weight on academic debates. For instance, Robinson and Quinlan's 1977 paper builds upon Lipset's middle class argument. They find that the size of the middle class explains different degrees of democratization between countries (Robinson and Quinlan 1977). In this sense, lower levels of economic inequality are conducive to democratization. Contrary to conventional wisdom, they find no statistically significant evidence that democracy has an effect on inequality. On the other hand, Bollen (Bollen and Jackman 1985), controlling for the effect of development, finds no association between democracy and inequality in either of the causal directions. Muller (1988) supports Lipset and Robinson and Quinlan's argument that lower inequalities are more conducive to democratic stability. However, he challenges earlier literature in their specification of the dependent variable, that is levels of democracy. He argues that this is not an appropriate measure, because development of the institutions, which may help regime stability, takes time. His alternative longitudinal analysis reveals that years of democratic experience in a country and inequality are negatively correlated, echoing the findings of Huber and Stephens. Higher the levels of inequality and lower the years of democratic experience, the country is more likely to go through a breakdown. In a later paper, Muller (1995) takes into consideration both the increasing size of middle class and increasing inequalities as outcomes of economic development.¹ He suggests that economic development has two main effects with regards to democratic stability. First, economic development has a positive impact on democratic stability through the increased sizes of middle and working classes *a la* Lipset and Rueschemeyer et al. Second, economic development has a negative impact on stability because it introduces greater economic inequalities in the middle levels of development. According to Muller, the relationship between development and inequality follows a reversed-U shaped pattern. In this sense, middle levels of development in a country should be associated with highest economic inequalities. This explains why so many developing countries suffered from democratic instability in the 1970s.

The statistical literature on inequality and democracy before the 2000s consti-

¹For a critique of this article see (Bollen and Jackman 1995).

tutes a solid background for the post-2000 research on the subject. However, they suffer from two main shortcomings. First, the data on income distribution at a universal scope had been limited. Second, scholars of democratization based their analysis on the positive relationship between development and democracy until Przeworski's groundbreaking intervention. The Lipset thesis had a confounding impact on the research of this time period in specifying the relationship between democracy and inequality. On the basis of Lipset's propositions, researchers such as Bollen, for instance, took democracy and equality both as outcomes of economic development.

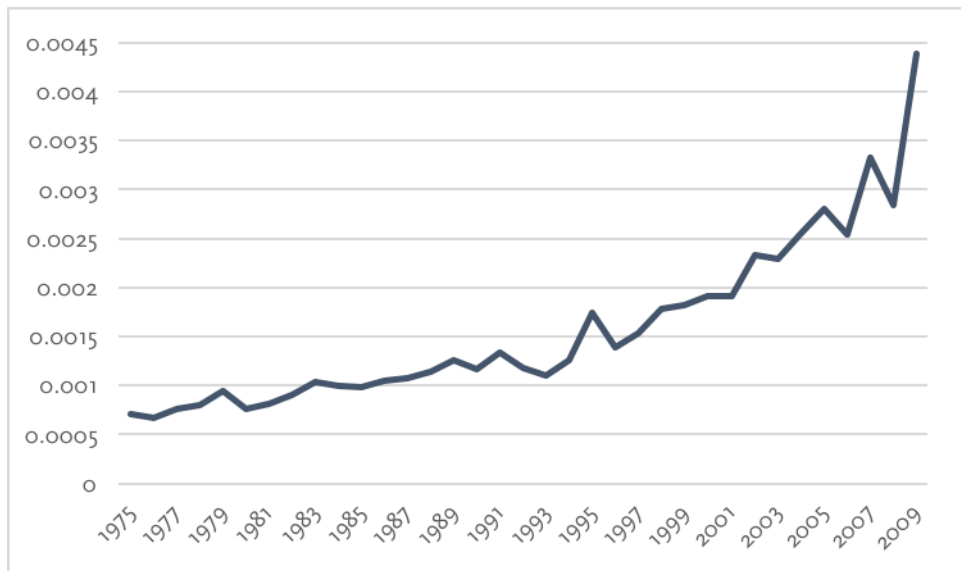


Figure 1: Research articles mentioning “economic inequality” or “redistribution” in their abstracts as a percentage of all social science articles. **Source:** JSTOR data for researchers.

As Figure 1 hints, the early 2000s corresponded to an increased interest and the emergence of a vibrant academic debate on inequality and its relationship to democracy. Two books written during this period have been especially influential in defining the terms of discussion for the subsequent research: Acemoglu and Robinson's *Economic Origins of Dictatorship and Democracy* and Carles Boix's *Democracy and Redistribution*.

In their book, Acemoglu and Robinson (2005) develop a basic model of democratization. In this model, democratization is more likely if economic inequalities are in the middling levels. Too little inequality, they argue, leaves little aspiration among the citizens to demand democratic representation, since they are already reaping the benefits of the country's economic development. Too much inequality, on the

other hand, creates grievances among the citizens, but decreases the costs of repression for the elite. In other words, the elite, in order to avoid higher taxation under democracy, and having much more to lose than it is case of a more egalitarian society, becomes more ready to coerce democratic mobilizations. Thus, Acemoglu and Robinson propose an inverted-U shaped relationship between economic inequality and democratization. Democratic transitions are more likely under average levels of inequality, and less likely under high or low levels.

Acemoglu and Robinson's argument on the relationship between democratic consolidation and inequality is influenced by the median voter thesis of Meltzer and Richard (1981). For them, the median voter represents the political voice of majority in electoral democracies and an optimum reference point for the elite to respond to the population's demands and expectations. According to their thesis, as inequality increases the median voter is to be located further below the mean income per capita in a country. A high concentration of the population within low income levels results in greater redistributionist demands. In sum, demands for redistribution and higher taxes increase with greater inequality. Based on this assumption, Acemoglu and Robinson suggest that high levels of inequality challenges the elite by putting more pressure on increasing taxation. In this case, the elite might perceive democracy working against their primary interests and be more inclined to support authoritarian measures. It follows that there should be a negative correlation between inequality and democratic consolidation.

Carles Boix, in his *Democracy and Redistribution* (2003), develops a theory of democratic transitions based on two main theses. First, he argues, democracy prevails when there is greater economic equality. Second, democracy is more likely when capital mobility is higher, or, in other words, asset specificity is lower. Boix shares a similar insight to that of Acemoglu and Robinson with regards to greater levels of inequality in a society. He suggests that high inequality is not conducive to democracy because of the elite's greater resistance to redistributive demands and their fear of drastic increases in taxation. Similarly, he agrees with Acemoglu and Robinson in their views of inequality's harmful impact on democratic stability. However, he departs from A&R in his view of the relationship between lower inequality and democratization. Boix suggests a linear model to explain inequality-democracy relationship: Greater equality in a society would make democratization more probable. His explanation is not based on the distributive demands of the population, but again on the elite behavior. As inequality decreases, the elite has less to fear of the redistributive outcomes of democratization.

Boix's two explanatory variables, income inequality and capital mobility, act on democratic outcomes independent of each other. This means that *either* the exis-

tence of lower levels of inequality *or* of higher capital mobility would result in democratization. In other words, a society can democratize when there is greater capital mobility even if levels of inequality remain high. By capital mobility, Boix indicates the elite's capability to move their wealth abroad. According to Boix's logic, this would enable the elite to avoid higher taxation during the process of democratization, and render them less resistant to democratic demands of the population. Here, two implications of his "capital mobility" argument should be stated. First, Boix's thesis is consistent with the findings of sociological literature in that agricultural economies, where main economic inequalities are based upon land ownership, are less likely to democratize. As asset specificity increases, as in the case of fixed assets such as private ownership of land, the elite's motivations for democratization decreases. Second, Boix implies, but does not clearly demonstrate, that the national elite's financial integration with the international capital increases the likelihood of democratization. This implication highlights an important aspect of globalization's impact on democratization.

In sum, Boix and Acemoglu and Robinson concur that high levels of inequality is detrimental both to democratic transitions and to democratic consolidation. They are also in agreement with regards to where democratization comes from: Redistributivist demands and struggles. In this sense, both Boix and Acemoglu and Robinson develop *redistributivist* theories of democratization. However, they disagree on the effects of low levels of inequality on democratization. Boix further adds that higher capital mobility can nullify the negative effects of inequality on democratic transitions. Boix's and Acemoglu and Robinson's books mark an important turning point in revitalizing the study of inequality and democratization in the early 21st century. Subsequently burgeoning literature on the subject has produced widespread support as well as disagreement with their theses. Now, I turn to them.

Freeman and Quinn (2012) find support for both Boix's and A&R's theses. They take financial openness as an intermediary variable between inequality and democratization. In agreement with A&R, they find that in financially closed autocracies, the relationship between inequality and democratization indeed follows a reversed-U shaped pattern, making middling levels of inequality more suitable for democratization. On the other hand, in alignment with Boix, they argue that financial openness has a positive relation to democratization. In financially open autocratic regimes where the restrictions on the diversification of the elite's investments is limited, there would be less opposition to democratization among the elite since they would not be significantly affected by increased taxation. In this sense, they suggest that further integration with global capital increases the likelihood of democracy. to support their argument, they demonstrate that in financially open autocracies,

greater inequalities are associated with higher Polity scores than closed autocracies. On the other hand, Avelino, Brown, and Hunter (2005), in their examination of Latin American countries find no statistically important influence of financial openness on social spending. However, they also find that trade openness has a substantial impact on increasing spending on education.

One of the major weaknesses of the redistributivist theories of democratization, according to the critics of Boix and A&R, is that they overlook the role played by the elites during regime transitions and over-stress the role of popular mobilization. For instance, in a recent paper, Haggard and Kaufman (2012), using a rather relaxed definition of “distributive conflicts”, found that only 55 to 58 percent of democratic transitions from 1980 to 2000 can be categorized as an outcome of such conflicts. Boix and A&R’s theories leave a substantial 40 percent, if not more, unexplained.

In an influential paper, Ansell and Samuels (2010) argue that democratic transitions, and regime changes in general, are not a function of the elite’s fear of being expropriated by the masses, but an outcome of intra-elite conflict. In their argument, democracy arises when rising but disenfranchised economic groups seek protection from the state. In other words, as the bourgeoisie gets economically more powerful, they look for credible commitments from the state that their wealth is not going to be confiscated by the arbitrary use of political power. In order to protect themselves from the state, democracy and the rule of law turn out to be a desirable option for such powerful economic groups. This means, in short, the economic elite’s demand for private property rights is the main causal force leading to democratization.

Their paper also has some important implications. As a social group accumulates greater wealth, they also play an indirect role in widening the gap between social classes, increasing economic inequalities in that society. Since emergence of a powerful economic group and democratization are positively correlated, this means that income inequality promotes democracy, according to Ansell and Samuels’ argument. With regards to the effects of land inequality on democratization, they concur with the idea that greater land inequality makes democratization less likely. However, in their causal explanation, they depart from the conventional wisdom that the elite’s fear of greater taxation makes them less likely to endorse democratic rules. Instead, they suggest that under greater land equality, both the upper classes as well as the small-holding peasants would prefer a democratic restraint on the government to protect themselves against high taxes and expropriation of their assets. In other words, the link for land equality and democratization is again the demand for private property rights as a credible source of protection from the state.

Ziblatt (2008), in his study of the early 20th century Prussia, finds that land inequality has indeed a significant negative effect on democratization. However,

contra Ansell and Samuels, he finds no association between income inequality and the elite preferences of democratization. Ziblatt's research is important in that it also includes non-economic factors to explain authoritarian stability. He argues that the structure of political in Prussia, more specifically the cooperation of a democratic national government and nondemocratic local governments, created an institutional inertia, which made democratization difficult.

Christian Houle (2009) highlights another omission of the redistributivist theories. In his analysis Houle finds neither a linear nor a U-shaped relationship between inequality and democratization. He argues that inequality does not have a significant effect on the processes of democratization, but high levels of inequality is associated with democratic breakdowns. He suggests that redistributivist theories, which find a statistically significant relationship between inequality and democratization, neglect the elite's primary role in regime transitions and the collective action problem of the lower classes in their causal explanations. The latter criticism is new and important. Indeed, in both Boix's and A&R's books, the link between inequality and mobilization is rather underspecified. For instance, A&R consider the repressive capacity of the elite as an important variable, but they are not equally diligent when it comes to including the organizational capacity of lower classes into their analysis.

It is well established that, during democratic transitions, the economic elite would seek protection from high taxation and guarantees towards the maintenance of their primary interests. However, the existing literature has not specified if and why the elite wouldn't try to tilt the table for themselves even more, even under democratic regimes. Solt (2008), for instance, further problematizes the elite variable in redistributive policies under democracies. He challenges the Meltzer-Richard median voter theorem, where increasing inequalities are to be responded by increasing redistribution. Solt proposes that high income inequalities strongly constrain the political participation of the population with the exception of the most affluent. By using measures of political interest, political discussion, and electoral participation, he finds that the wealthy can reshape democratic politics through undermining the political capabilities and perceptions of lower classes. As a result, there might not be a positive correspondence between inequality and redistribution. This observation highlights the important insight that in democratic regimes, higher economic inequalities result in higher political inequalities.

Albertus and Menaldo (2013) provide further evidence for the elite's deteriorating influence on economic inequalities in democratic regimes. Relying on power resources and social conflict theories, they propose that democracies have positive redistributionist outcomes only if democratic transitions occur when the elite does

not have the upper hand. In other words, democracies do not increase redistribution to lower classes substantially, if the elite is politically strong, and determines the policy implications of newly introduced constitution. Transitions happening in the instances of a revolutionary threat, and strong organizational capacity of the lower classes would more likely to produce greater distributionist outcomes. Thus, Albertus and Menaldo's approach provides a helpful corrective to redistributivist theories by incorporating the elite variable without sacrificing the role of redistributionist demands and conflicts in their analysis.

Some scholars explain the positive distributive outcomes of democratization based on not economic terms, but on political processes and institutions. Focusing on 19th century developments in Europe, Lindert (2004) identifies the causal mechanisms behind the expansion of public services. He argues that exponential growth in public spending from the 1880s onwards can be explained based on three factors: Population aging, income growth, and a more equal distribution of political voice. Lindert puts the major emphasis on the last factor. Furthermore, he challenges the argument that high levels of redistribution is detrimental to growth. He suggests that the net cost of public spending on welfare state democracies is basically zero because tax system and transfers are more rationally and universally organized under democratic regimes. In the same line of thought, he posits that electoral democracy adjusts the size of the welfare state, preventing it from too much or too little social spending. This last argument is perhaps best captured by the title of a paper by Lake and Baum (2001): "The invisible hand of democracy". In this paper, from a rational choice point of view, they argue that democracy introduces greater contestation to the political arena, reduces the monopoly rents that can be acquired by the political elite, and puts restrictions on the utility maximizers' capacity to exploit. Their statistical analysis shows that democracies distribute more than autocracies. And, a transition to democracy would quickly and dramatically change social spending, since political exit becomes much easier. On the other hand, Lindert's point on the costs of welfare spending on growth is indirectly supported by Alesina and Rodrik's findings (2005). They find that both land and income inequalities are negatively correlated with subsequent economic growth.

The findings on the superiority of democracy in social spending also have their challengers. Michael Ross (2006), for instance, argues that while democracies indeed spend more on education and health more than non-democracies, the benefits of such spending seem to accrue mainly to the middle and upper class households. By using measures of infant and child mortality, he shows that government subsidies in democracies do not help lowering the levels of infant mortality for the poor. In a

	Inequality on democratization	Democracy on inequality	Causes of democratic breakdown	Factors contributing to regime stability
Acemoglu and Robinson 2005	U-shaped relationship	Greater distribution	Too much taxation on the elite	Low inequality
Albertus and Menaldo 2013	-	Greater distribution if the elite's political power is limited	-	Strong working class organizations
Ansell and Samuels 2010	Greater income inequalities foster democratization	-	-	Land inequality promotes authoritarianism
Boix 2003	Lower inequalities promote democracy	Greater distribution	Extereme inequalities	Low inequality
Bollen 1985	No relation	No relation	-	Economic growth
Freeman 2012	U-shaped relationship	-	-	Financial openness
Houle 2009	No effect	-	Extreme inequalities	Low levels of inequality
Lipset 1959	Low inequalities are conducive to democratization	Greater distribution	Underdevelopment	Middle classes and democratic institutions
Moore 1966	High inequalities	-	Politically strong landlord class	Elimination of the land problem
Muller 1988 and 1995	Low inequalities are conducive to democratization	Democracy increases inequalities in its initial stages	-	Growth of middle and working classes
Rubinson 1977	Low inequalities are conducive to democratization	No effect	-	Low inequalities
Rueschemeyer et al. 1992	Land inequality hampers democratization	Democracy increases redistribution	Bourgeoisie's alliance with the state	Strong unions and political organizations

Figure 2: Some major perspectives on the inequality-democracy relationship

recent paper, Acemoglu et al. (2013) find no robust effect of democracy on inequality, despite the finding that democracy increases the tax revenue of the state. Similar to Muller, they observe that recently democratized countries experience higher levels of inequalities. Although they expect that under normal conditions democracies should distribute more, they underline several factors which might lead to outcomes contradicting expectations. One of these factors, the elite capture of politics, where the elite increase their *de facto* power in response to their declined *de jure* power in democracies. Increasing *de facto* power, in practice, means a greater control over the distribution of resources, which translates into power to transform economic and political institutions (Acemoglu and Robinson 2006).

DISCUSSION AND CONCLUSION

Academic debate on the relationship between democracy and inequality is vast, but also far from reaching a common understanding. Still, it is possible to point out some findings on which scholars come close to a consensus: 1. Land inequality is detrimental to democratization. 2. High levels of inequality renders democratization threatening for the elite and is associated with authoritarian stability. 2. Democracies, on average, provide greater redistribution, especially through social spending on education. 3. Democracies increase tax revenues of the state, thereby granting governments with greater capacity to redistribute 4. Political power of social classes in relation to each other has a substantial effect on welfare outcomes. 5. Redistributive demands and struggles are one of the main causal factors behind democratization. 6. The economic elite may hijack democracy's attenuating effects on inequality.

On the other hand, there are some contested areas on which academic debates are concentrated. Three major discussions on the inequality-democracy relationship can be stated. First, the elite versus working class debate. It is interesting to see that the elite perspectives have a great influence on the studies of democratization, but they can only claim a prominence behind redistributivist approaches when it comes to explaining the relationship between inequality and democracy. The latter seems to be the dominant approach on the subject in the last decade, despite growing elite-oriented challenges.

The second debate concerns the question who benefits from democracy's redistributive outcomes. Most of the literature observes greater levels of social spending under democracies, but scholars have not been thoroughly engaged in where that social spending accrues to. As Ross (2006) suggests, for the living standards of the

poor, regime type seems to matter less. The third debate involves the effects of globalization on inequality. While scholars such as Avelino et al. (2005) find that trade openness increase public spending, Huber and Stephens (2012) argue that neoliberal transition introduced greater inequalities in Latin America.

Lastly, there are some areas where further research is required in my opinion. As Block and Evans (2005) suggest, welfare states could be seen as outcomes of the interaction, or mutual embeddedness, of the state, markets, and civil society. While there is abundant research on how actors' economic and political power influences distributive policies in a society, there is less research on how actor's organizational power in civil society mediates the outcomes. In this case, there could be much to gain by looking at the inequality and democracy relationship through the perspective of social movement studies. In addition, researchers can move beyond democracy-dictatorship dichotomy, and look at what kinds of redistributive policies are adopted in "democracies with adjectives" (e.g. Blaydes 2011; Bueno de Mesquita et al. 2003).

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