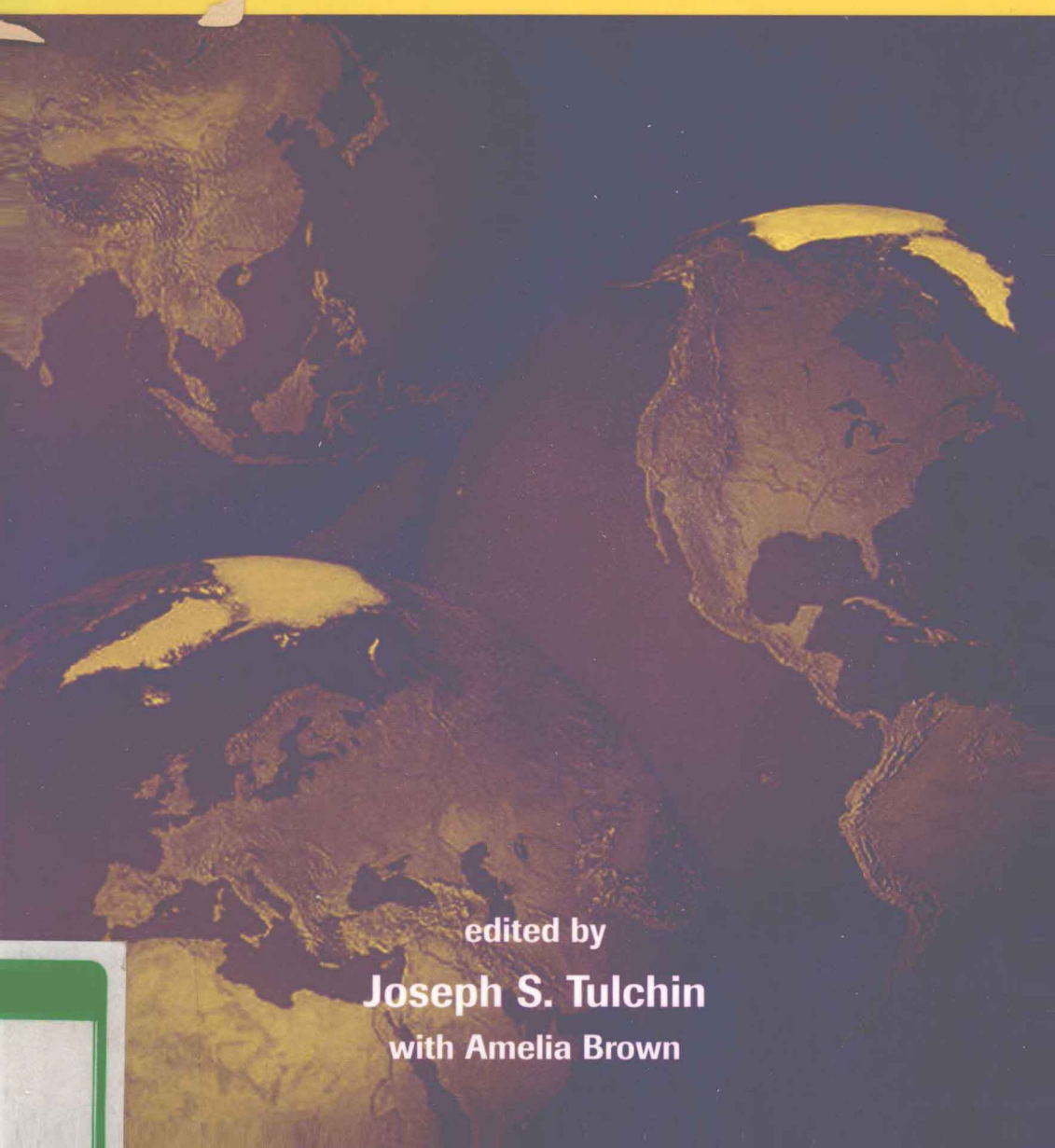


DEMOCRATIC GOVERNANCE

& SOCIAL INEQUALITY



edited by

Joseph S. Tulchin

with Amelia Brown

Democratic Governance and Social Inequality

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Introduction: Globalization, Social Inequality, and Democracy

Bolivar Lamounier

As we begin a new millennium, we confront challenges that in some ways are much less severe than those of the twentieth century and in other ways are new and more daunting. The likelihood of state-to-state conflict, such as occurred with the two world wars of the previous century, has diminished dramatically. On the other hand, the potential reach of terrorist attacks, by hijacked airplane, nuclear weapon, or biological agent, creates a widespread sense of malaise. In the past forty years, we have seen a notable expansion of electoral-based democracies—what some scholars label a “universalization” of this form of government—a trend in stark contrast with the once-plausible prediction that totalitarianism would become the dominant political system in the world. The difficult choices that face societies today are no longer about war versus peace or dictatorship versus democracy. In an era of relative peace and the expansion of democracy, national concerns focus instead on how to improve governance and quality of life, and how to preserve national cohesion against centripetal forces that threaten to tear apart the social fabric.

It is in this context that this volume examines the challenges that social inequalities present to democratic governance around the world. The authors in this work view the issues of poverty and social inequality, and the difficulties in dealing with them, not as lingering leftovers of the nineteenth century, but rather as issues that are becoming even more important in the twenty-first century. Among the themes that this volume seeks to address are the following: (1) the effects of globalization on the distribution of income and wealth within national frontiers; (2) the impact of inequality on the stability and/or the quality of democratic governance; and (3) the future of democracies as redressers of social wrongs, especially in light of the apparent decline in the capacity of the public sector to take effective action to reduce inequality.

A central, if not primary, focus of the debate surrounding the issue of inequalities in income and wealth distribution is the relationship between the recent geographic expansion of democracy and the economic phenomenon of globalization. Democratization and globalization are not only simultaneous processes, but also, many would argue, mutually reinforcing processes. The more optimistic scholars see globalization as a solution to inequalities, not a problem—or, at least, believe that the problems that eventually arise or are aggravated by globalization can be resolved by more globalization. The pessimists contend that globalization will only serve to amplify inequalities and that this widening of income gaps will create ever-growing tensions that will challenge democratic governance by reducing or nullifying the capacity of national governments to act as redressers of social wrongs.

Although reality may not be as bleak as the pessimists portray, latent economic and political instabilities in the current international system should be taken seriously. On the one hand, as Steven Friedman points out in his contribution to this volume, there exists much greater accord among countries today on the requirements for economic growth, as the centrally planned economies of Eastern Europe have collapsed and the import-substitution policies of Latin America have been abandoned. However, the new surge of prosperity resulting from the shift toward more liberal economic policies has not been experienced uniformly among the countries that have adopted the new system. And it is questionable whether this prosperity will lead to the reduction of poverty and the reduction of existing inequalities in income and wealth.

On the political side, electoral democracy has never been as widespread. In the case of Latin America alone, almost all of the populace today lives under constitutionally established governments, and there has been a general reduction in factional antagonisms over the course of the past two decades. Countries with a rather spotty tradition of true democratic pluralism, such as Mexico or Paraguay, have been taking giant steps in this direction. Throughout the region, legislators, political parties, and judicial institutions are supervising and tracking performance and working together in a significant way with businesses and private organizations of many kinds to attempt to create governments that are more accountable for their actions. However, the notable geographic expansion of electoral democracy during these last three decades should not blind us to the fragility of this system in many parts of the world. In Latin America, grave problems persist in Colombia, Venezuela, and Peru. In Africa, among the countries that were seen as the most promising for the advancement of democracy, some, such as the Congo (Kinshasa) and Sierra Leone, are showing signs of backsliding. In all of the countries with a majority or

strong Islamic presence, Western-style democracy, where it existed at all, is beginning to recede, as indicated by recent events in Indonesia, Pakistan, or the Philippines. By the same token, in countries that were once part of the USSR the process of building a democratic system is getting bogged down and halted entirely, as evidenced by recent history in Ukraine, Belarus, or any of the Central Asian republics. The fragility of democracy in many countries can lead to tensions that are only heightened by strong social inequalities.

Social Inequality as a Threat to Democracy

Contemporary political science is rather inattentive to the subject of social inequality.¹ This inattentiveness seems to be part and parcel of excessive confidence in the triumph of democracy as a political and social system around the world. The persistence of posttransitional democracies in Latin America and many other parts of the world, rather than the reversal that many feared, and their robustness in the face of tensions that before would have undermined them, has given scholarship on democracy a celebratory tone. In line with this thinking is the belief that social inequalities no longer pose the threat they once did to democracy.

This exuberance may, however, be premature. Steven Friedman observes in Chapter 2 that many new, and even some old and well-established democracies, are having difficulty carrying out fundamental tasks such as ensuring public safety. As these cases illustrate, there is a significant difference between providing opportunities to participate in the political system and having the capacity to satisfy expectations of social well-being and to reduce social inequalities.² “Illiberal” democracies, as Larry Diamond has argued in his work, are all too common today. Competition, true competition, is not a term that can be applied to their electoral processes. These states do not fully qualify as democracies, especially when the elected authorities are not really accountable and laws are not equitably enforced and are often at sharp variance with social behavior. In the case of Latin America, illiberalism is most frequently attributed to the historical legacy of colonialism and Iberian culture. In this framework, social inequalities arise from the rigid social stratification that developed as an integral part of colonialism. The image of society viewed through this historical lens is one of a social system based upon repression as well as deeply rooted behavior patterns of deference and obedience—a troubled and anachronistic system destined to fall to pieces in the face of capitalist urban modernity. The problem with this view is that modernity alone cannot reduce the inequalities present in *objective*

conditions, such as education, skill development, income, and wealth. Modernity does, however, transform day-to-day social interactions and increase close or informal social contacts between classes. The result can be increased social conflict, as the social rules that once helped to prevent conflict start to fall away and as the focus on the objective inequalities that still remain becomes more intense. Given these new and complex realities, democratic leaders cannot quickly or easily eliminate the inequalities that Diamond refers to, even with the many human and material resources at their disposal. And because illiberalism is not only a product of remote historical factors but also of contemporary realities that reproduce themselves continually, some even gaining in intensity, it is not likely to disappear anytime soon.

But, is social inequality detrimental to democracy? Many scholars today would contend that social inequalities no longer have the same ability to undermine democracy as in the past. I would argue, however, that social equality still matters to democracy, both in theory and in practice. Democracy by definition should include a redistributive dimension.³ As Jonathan Hartlyn describes in Chapter 6, political science is now moving toward an expanded conceptualization of democracy that acknowledges “important—though still not well-specified connections—from socioeconomic issues of inequality and the strength of civil society, to political democracy issues” (p. 127).

The belief that social inequality affects the *quality* of democratic governments to a greater extent than the *stability* of these states has been one reason that many scholars have been disinterested in social equality. The distinction between quality and stability is useful and necessary to keep in mind, but we must be careful not to exaggerate the difference. In certain cases, what might appear to be a degradation in the quality of democracy can actually be a degradation in the stability of democracy. Consider, for example, the question of crime rates on the scale found today not only in Brazil or South Africa, but in countries such as Argentina and Russia, which have traditionally had much better social indices and, until now, had seemed somewhat immune to these problems. A society’s crime rate is related to its level of social inequality/poverty to some degree, even if the two phenomena do not correlate one-to-one. And high levels of crime can negatively affect both the quality and the stability of democracy. A democratic system that is unable to stop or prevent escalations in crime rates cannot be considered a “high quality” system. Furthermore, behind the façade of a seemingly stable democracy, civil well-being can be gravely threatened. Even the best-intentioned politicians may resort to repression or find themselves facing problems of corruption or police extortion when dealing with astronomical crime rates.⁴

Social inequalities, then, can undermine democratic governance, albeit indirectly. Through a sudden spike in the crime rate, a democracy can degrade abruptly. Once this deterioration passes the comfort level of a society's citizens, political stability can be cast in doubt. Over the long term, if inequality and other related societal tensions are able to continue uninterrupted, these tensions can erode the democratic rule of law. Furthermore, a sudden economic downturn, when widespread economic insecurities already exist, can produce social instabilities with sufficient strength to quickly affect the institutional stability of democracies.

Reducing Social Inequalities

The Role of the State

The decline in the importance of the traditional nation-state within the context of globalization is a white-hot issue in contemporary public debate. If in fact the power of the nation-state is declining, it will have wide-ranging implications for not only international relations, but also for domestic politics. The modern state has always been seen as the best environment for the efficient functioning of representative democracy. If observations about the diminishing power of the state are correct, the nation-state is disappearing as a territorial marker of political action at the same moment that the reach of democracy is widening. As Friedman observes, we are confronting the perverse paradox that millions of citizens are gaining the right to choose their leaders just when the choices are becoming irrelevant. These citizens are voting and making demands on their governments that remain unanswered, due to the fact that these governments are impotent to make effective public policy, particularly public policy targeted to reduce social inequalities.

For Faux and Mishel, this vision of the weakening of the nation-state has already come to pass: "What we have learned over the past two decades is that, in the real world, forced economic integration has led to a greater inequality of market incomes *and a declining ability to offset that inequality with safety nets and other public policies*" (2000:109, emphasis added). Chung-in Moon and Jae-jin Yang present a contrasting viewpoint in Chapter 7, on South Korea. They contend that neoliberal economic reforms have "served as a catalyst for the speedy transformation of [South Korea] into a welfare state" (p. 132). Steven Friedman and Theodore Lowi tend more toward the views of Faux and Mishel, although they are less pessimistic. They offer evaluations about

what exactly can be done to reinvigorate the democratic state as redresser of social inequalities.

Friedman advocates “a stronger link between state and society [which] can be achieved only by strengthening democratic politics in general, and the representative function in particular” (p. 37). “Bringing politics back in” seems to be an apt summary of his position. Building upon his well-known analyses of government and public policy in the United States, Lowi suggests that “bringing politics back in” will do little to reduce inequality, and may well compound an already complicated problem (p. 47). Instead he argues for “bringing the state back in.”⁵ Going along with this idea is Joel Rocamora’s scathing criticism of the “Washington consensus” in Chapter 4. Rocamora writes that richer industrialized countries demand fewer state interventions in the economy and insist that this is the way to develop “strong states,” while what is often actually necessary “in many countries of the South, is to strengthen the government’s capacity to intervene” (p. 85).

For most of the twentieth century, socialist and interventionist ideologies of varying shades saw the state as the instigator or promoter of social change. In fact, governments inspired by these ideologies had many opportunities to implement redistributive programs and the results were modest, to put it mildly. Latin America, in particular, has tried both austerity/gradualist programs and populist/revolutionary experiments in government, and today these can be seen as an impressive collection of failures, if the aim was to bring about a significant redistribution of income and wealth. One can argue that the results could have been even worse if they had opted for a model other than the import-substitution industrialization that predominated in the region. *Ex post facto*, however, neither the Mexican Revolution, with its strong intentions of restructuring the system from the ground up, nor Peronismo (grotesquely demagogic), whose fight against the rigid social stratification and aristocratic pretensions of the Argentine elite ought not to be underestimated, nor Brazilian Vargasism, a little excessive in its initial use of fascist rhetoric that the left came to be seen as progressive from 1945 onward, nor the many left-wing military regimes of the hemisphere, like that of General Juan Velasco Alvarado in Peru or the Sandanista movement in Nicaragua—none of these experiments left unequivocally positive balances or models for action capable of inspiring the hearts and minds of people today. If there is to be one exception it might be the Cuban Revolution; but, at forty, even this movement seems to be ailing, especially now that it has lost the financial patronage of the former USSR. The revolution also looks incapable of ideologically reinvigorating itself, which it must do in order to make an orderly transition from a one-party system to a pluralistic democracy.

The historical evidence that the state always has had an important role to play in the economy is no doubt important, and the analytical proof (which Lowi offers in Chapter 3, building upon the work of Karl Polanyi) is that the market is not conceivable without a politico-state framework. Lowi's argument for "bringing the state back in" can be seen as a healthy ideological counterpoint to that which George Soros has called "market fundamentalism." In considering the statist argument, one must face the following two questions. First, to what degree have countries with a lot of experience in state-driven growth models, such as Brazil, been able effectively to reduce social inequalities? Second, in an era of globalization, can the state maintain sufficient capabilities and functions to formulate and implement in a centralized manner public policy relevant to the reduction of social inequalities, and do so with an advantage over private or mixed-source solutions?

The impact of the two points cannot be underestimated. As Lowi demonstrates, mainstream political science has diluted the role of the state in the assumed "political market" (that is, a play of pluralistic forces that work together in some rational manner to define the public good). But the revaluation of the state suggested by Lowi involves the risk of transforming the concept of the state into an analytic black hole, whose dense gravity consumes the ability to see how meaningful and autonomous political activity can continue. Under the mantle of "legal integrity" that Lowi views as an essential attribute of the state, we could unconsciously feel impelled to restore the rather naïve aspiration of the old German notion of *staatslehre*: the state as a "unit of decision and action." In sum, I turn again to Lowi: it is necessary to create a comparative accounting of the redistributive effects of diverse state-driven development models of the past century, conceptually elaborate upon them within the context of the globalized world that is forming before our eyes, and investigate the degree of both cohesion and autonomy that we can realistically expect from the actions of the state.

Class as an Agent of Social Change

The debate about class as a political agent has a long history. The reformers and revolutionaries of the nineteenth century nurtured an unbounded optimism in overcoming "false consciousness," or rather, the subordination of individual and utilitarian motives of the short term to the collective and altruistic objectives of the long term. They projected upon this issue the idea that everything that related to the nation-state was to be firmly placed within the framework of political

struggle. Today, the question has to be examined in the context of the theoretical skepticism that predominates in thinking about the collective actions of class, the predominant perception of an erosion in the state's capabilities to effect social change through its policies, and in the more modest role played by the authors of public compensatory policies.

In fact, in the 102 years between the publication of Marx's *Communist Manifesto* and Marshall's "Citizenship and Social Class," the theoretical underpinnings that support the examination of class as a political agent did not change significantly. Marx envisioned that the proletariat would transform itself into a more cohesive revolutionary whole; Marshall did not go that far, but was optimistic about the potential of the working class to play a political role and assert a strong electoral presence. Philosophers since at least the eighteenth century (Hegel among them) have written about certain dilemmas inherent in collective action. A watershed work in this scholarship is that of Mancur Olson Jr. in *The Logic of Collective Action*, published for the first time in the mid-1960s. This work forced political scientists to revise the frequently inconsistent and ingenuous premises that they had relied upon to explain how individuals come together to act collectively as a group. Before Olson's writings, the predominant idea on the left was the historicist notion of the ripening of objective conditions, and that the proper progression of social struggles would transform false consciousness into class consciousness (and consequently into action). On the right, scholars were wedded, above all, to the theory of modernization, the idea that passivity and individual or clientalist conduct were traditional traits that inevitably would be superseded by the modern traits of activism and ideology. On all sides, scholars subscribed to the premise that sooner or later common interests would lead to common action. Under these assumptions and presuming that the main source of political action to be the nation-state, it was entirely logical to conclude that the destitute majority—or at least the working class—would become increasingly organized and would eventually change the world to reflect a more egalitarian vision, either through revolutionary means, as Marx believed, or through evolutionary reforms, as Marshall argued.

What we are witnessing today is a radical questioning of the assumptions about collective action outlined above. For every worker who joins a group and joins in collective action, we can easily identify dozens of others who seem to share common interests but who choose *not* to organize. When the individual feels that the costs of participation far exceed the benefits of joining, collective action becomes improbable. Whether the boundary for social inclusion is

labeled “traditional” or “modern,” the fact is that the individual impulse frequently works against the possibility of collective action. But this is not the only problem. When an individual chooses action over inaction, this does not always lead to *collective* action. Moreover, if the individual does choose collective action, it is not a given that he or she will choose *political* action—which is the crucial assumption of the theories discussed above. Thousands, even millions, of people the world over follow individual paths or choose to associate with highly organized collectives that are not political in nature, such as criminal groups (gangs or the Mafia) or drug distribution networks.

Lowi argues that multiclass alliances will not lead to the development of effective policies of social redress (see the passing reference on page 56), whereas Friedman and Xolela Mangcu contend the opposite in their chapters. Lowi just might be correct. If he is, the problem facing democracies grows much more complicated, since the old forms of class action—understood as autonomous action taken by the working class or the unwashed masses within the political context of the nation-state—are rapidly vanishing.

The sections above indicate just how complicated the problem of social inequality is. Solutions are neither obvious nor clear-cut. What is obvious, however, is that, at this turn of the century, neither the state-driven growth model practiced in Latin America and many other parts of the world for the greater part of the last century nor the market-friendly model that has begun to replace it have had very impressive results when it comes to global redistribution. If we are going to be able to analyze effectively why these policies have failed to remedy social inequalities and what alternative approaches might have better success, we must turn to comparative and interdisciplinary studies that go beyond the evaluations of specific social projects. The chapters that follow are a small step in this direction.

Notes

1. I am aware that poverty and social inequality are different concepts, but I treat them together in the present context because my primary focus is on countries in which both are severe—where the really destitute number in the millions and at the same time extreme inequalities exist in the distribution of income and wealth. I am also aware that social tensions have a variety of causes, not all of them tied to socioeconomic distribution. But it is important to understand the means by which social inequalities can be transformed into a threat to democracy.

2. I proposed a similar argument fifteen years ago in a work entitled “Brazil: Inequality Against Democracy,” which has been included in various volumes on democracy in developing countries edited by Larry Diamond

(Lamounier 1989, 1995, and 1999; see also Lamounier 1997). Although that work focuses on an analysis of the Brazilian case, I think it can apply to a more general analysis because it does point out some reasons why democracy is essentially unstable and precarious in poor countries with aggregate and large inequalities in the distribution of income and wealth.

3. In my aforementioned article, "Brazil: Inequality Against Democracy," I put forward an argument about the importance that inequality plays in relation to democracy, not only in historico-empirical terms (the question of the determinants of the permanence of democracy) but also in conceptual and analytical terms. I try to delineate a minimalist conceptualization of the ideas of Joseph Schumpeter, while taking issue with the fairly celebrated 1971 study by Robert Dahl, *Polyarchy: Participation and Opposition*. Accepting the Schumpeterian view of democracy as a political subsystem of society, I challenge the model that attempts to understand the historical development of stable democracies (which Dahl calls polyarchies) without incorporating a reduction of social inequalities (which I call socioeconomic decentralization). I propose an alternative model that explicitly incorporates a redistributive dimension and a progressive "equalizing of conditions."

4. See Frühling and Tulchin (forthcoming).

5. See Rueschemeyer, Skocpol, and Evans (1985).

PART 1

THINKING ABOUT
DEMOCRATIC GOVERNANCE