経済研究
Vol. 48, No. 2 Apr. 1997

特集 **Political Economy of Growth and Equity**

On Income Inequality and Democracy

——Seeking a Viable Data Base——

Francis G. Castles

Introduction

The main objective of this paper is to review some three decades of cross-national, quantitative, research on the relationship between income inequality and democracy. The paper is organised into two substantive sections. First, there is a discussion of the findings produced by quantitative research, which, rather than demonstrating the kind of cumulative results hoped for in this kind of endeavour, manifest very considerable variability. Second, there is an analysis of the data base from which these findings have been derived that shows how various problems of data comparability —— some previously noted in the literature and others not—— have contributed to the lack of cumulative findings in the past and that suggests the need to devise new research strategies in the future.

Findings

The relationship between social inequality and political forms has been discussed by political and social theorists throughout the ages. Their debates have been highly inconclusive. Some have argued with great vigour that inequality is a determinant of politics, with unequal societies being tyrannies and equal ones democracies. Other have argued, with no less vigour, that politics shapes inequality, with socialist thinkers suggesting that greater democracy is conducive to lesser inequality. Finally, there have been writers, like Seymour Martin Lipset (1959) and Clark Kerr (1964), who have suggested that any apparent linkage between democracy and income equality is spurious and a result of the fact that modern, industrialised societies are simultaneously democratic and equal societies.

The very wide range of theoretical readings of the relationship between income inequality and democracy clearly demands the use a comparative and empirical methodology to test the validity of competing hypotheses. Prior to the late 1960s, a lack of comparable data on the distribution of income in different countries effectively limited the possibility of empirical investigation. For the past three decades, however, quantitative research in this area has taken off, producing an increasingly sophisticated empirical literature, although, sadly, no more agreement as to the true nature of the inequality/democracy relationship. It is this body of findings that we discuss here.

Virtually all the studies making up this literature have sought to make global comparisons, including in the sample the widest possible range of democratic and non-democratic states. The adoption of a cross-national approach is hardly surprising, since, perhaps thankfully, in most countries, variability and instability of political forms has been insufficient to make the use of time-series analysis a possible option over the period for which reliable income distribution has been readily available. In a later section, we discuss problems with the data on which these findings are based ; here, we seek briefly to summarise the substance of three decades of empirical research.

The main theme of empirical debate in the late 1960s and in the 1970s was the impact of democratisation on inequality. The first contribution to the empirical literature was by Phillips Cutright in 1967. His goal was to test Lenski's theory of stratification (Lenski, 1966), of which a major component is the argument that democratisation modifies the inequality of income. Using 'intersectorial (sic) income inequality' (effectively, the extent to which workers in a given sector of the economy receive the product produced by that sector) as his measure of inequality and a 'Political Representativeness Index' for the period 1945–54 as his measure of 'constitutionalization', he demonstrates that, amongst a group of 44 non-communist, nations in the early 1950s, there was a negative and significant relationship between democracy and inequality, controlling for the level of economic development (Cutright, 1967).

This conclusion is revisited by Jackman in 1974, using the same measure of inequality for 60 countries circa 1960, but a different measure of democracy and controlling for a presumed curvilinear impact of economic development on income inequality. Using this model specification, Jackman's conclusion (Jackman, 1974, 38) is that "any zero-order relationship between democratic performance and the distribution of material rewards is spurious, and results from the prior effects of economic development on both variables." These conflicting findings are addressed by Rubinson and Quinlan in 1977, and are attributed to differences in the coding procedures used by the two earlier studies to construct their measures of intersectoral income inequality (Rubinson and Quinlan, 1977, 611).

The Rubinson and Quinlan paper introduces new themes to the empirical literature, first by employing a measure of personal income distribution in place of intersectoral inequality and second by using the method of instrumental variables to permit an estimation of reciprocal effects between inequality and democracy. This study finds that both the Cutright and Jackman measures of democratisation are negatively related to personal income inequality in a sample of 32 countries circa the mid-1960s, but that, in the final specification, these results are insignificant, taking into account the strong negative impact of inequality on democracy revealed by this analysis (Rubinson and Quinlan, 1977, 621).

The dialectic of new findings being subsequently reassessed and found wanting is repeated in the 1980s. Bollen and Grandjean (1981), using a new measure of democracy, demonstrate that democracy is unrelated to income inequality either as cause or effect for a group of 50 countries utilising personal income distribution data from the same source as in Rubinson and Quinlan. The new democracy index devised by Bollen (1979, 285–86) seeks to measure the extent to which countries manifest popular sovereignty and political liberty and departs from earlier formulations that had defined democracy in such a way that it was more or less conterminous with democratic stability (see Cutright, 1967 and Hewitt, 1977). The same finding of spurious effects is obtained in a paper by Bollen and Jackman in 1985, which seeks to show how previous findings have been influenced by a variety of model specification, measurement and sample-composition problems (Bollen and Jackman, 1985, 438). Correcting for these problems, the authors' analysis leads to the conclusion that "political democracy and economic inequality do not seem linked in any meaningful way," although they also concede that "it is possible that future studies with better measures, a larger sample, an alternative specification, or some combination of the above, might provide evidence of a democracy-inequality linkage" (Bollen and Jackman, 1985, 450).

However, the final offering in the debate of the 1980s provides a renewed affirmation of the democracy/inequality linkage. A paper by Muller (1988) suggests that the earlier disagreement in the literature may have stemmed from the operationalisation of democracy employed by the studies. His argument (1988, 51) starts from the fact that the larger the sample employed in earlier studies, the less likely it was that the authors found a significant relationship between democracy and inequality. In Muller's view, this is a consequence of an implicit misspecification of the relationship between democracy and inequality in studies employing a larger sample and typically measuring present level of democracy in terms of sovereignty and rights rather than democratic experience or stability. Muller argues that democracy's causal impact is not an immediate one, but is rather a function of the time that democracy has been in existence. Hence, small studies in which most of the democracies included are the long-term stable democracies of Europe, North America and Australasia will manifest stronger democracy effects than larger samples in which the influence of the older Western democracies is disguised by the non-influence of large numbers of new and unstable democracies. In order to establish this effect, Muller examines scatterplots of income inequality by years of democracy and argues that they show that "at least approximately 20 years of democratic experience are required for the egalitarian effect to occur" (Muller, 1988, 59).

Muller's study also seeks to respecify the impact of inequality on democracy along lines suggested by Dahl's discussion of the vulnerabilities of democracy to the concentration of economic resources (Dahl, 1971). He argues that previous research has failed to understand that a proper test of this hypothesis involves examination of democratic nations only, with the appropriate research question being whether democracies with higher levels of inequality have been more unstable than democracies which have manifested greater income equality. Muller's findings suggest that there is a strong negative bivariate relationship between the upper quintile income share and democratic stability in a sample of 33 democratic nations for the period 1961-80 (Muller, 1988, 63-64).

All of these findings and counter-findings grace the pages of the American Sociological Review over a period of almost two decades and clearly replicate the diversity of views of the prior theoretical literature. In the 1990s, the same forum serves for yet another rerun of the arguments. Simpson (1990) locates evidence for the proposition that inequality is a polynomial function of democratic rights, with the logic being that, in the early stages of democratisation, democratic rights will be utilised by elites to enhance their own economic advantage and that only when democracy is extended to the masses will it have an equalising effect. By mid-decade, however, that finding too is challenged. Nielson and Alderson (1995) seek to establish the polynomial linkage in the context of a wider study of the relationship between economic development and inequality using the most extensive available set of observations for 88 countries over three and half decades. However, they fail to replicate Simpson's findings.

The studies discussed so far are far from exhausting the literature relating to the topic of inequality and political democracy and political stability. Extending the democracy argument along lines suggested by a social democratic hypothesis, a number of writers have examined whether rule by socialist parties has led to greater income equality. In this area, an original positive finding by Hewitt (1977) using a restricted sample of democratic countries has been replicated using related variables (the strength of trade unions and, inversely, the strength of the political right) by numerous studies using a still more restricted sample base of advanced democracies (Stephens, 1979, Borg and Castles, 1981, Van Arnhem and Schotsman, 1982, Hicks and Swank, 1984 and Muller, 1989). While there have been some dissenting voices which have suggested that this finding is the spurious artifact of a negative relationship between higher voter turnout and equality in democratic nations (see Stack, 1979 and Weede, 1982), it is fair to suggest that, in this instance, there is much greater agreement amongst most researchers. As we shall seee later, a possible reason that these findings are more cumulative than those found elsewhere in the literature is that the samples of countries utilised for analysing the impact of social democratic partisan strength have generally been smaller and more standardised than has been the case with the more global studies used to analyse the wider relationship between inequality and democracy.

The Data

The main object of the remainder of the paper is to discuss the characteristics of the cross-national data base available for the study of the relationship between inequality and democracy which have given rise to the diverse findings mentioned in the previous section. These findings have been generated over a period of nearly three decades and have been based on a wide range of measures of income distribution and democracy for different periods. Limitations in the data may well be responsible for our present inability to arrive at meaningful conclusions concerning that relationship. The vast majority of studies use data relating to periods prior to 1980. Given the datedness of much of this material, an important step prior to our discussion is to present the latest and most comprehensive information available on the main variables constituting the cross-national data base on inequality and democracy.

This information is to be found in Table 1. The sources for the income distribution data in the table are various numbers of the annual World Development Report issued by the World Bank (latest edition 1995). Despite substantial caveats concerning the degree of comparability of this or any other extant compilation of cross-national income distributions (on which, see below), the World Bank data-set is now widely regarded as the standard source for data of this kind. As of the early 1990s, it provided income distribution data for some 64 nations. Economic development data is from Summers and Heston (1991) and is included since it serves as the standard control in all cross-national investigations of this and related topics. The source for the democratic rights data also reported in Table 1 is Raymond D. Gastil's Freedom in the World: Political Rights and Civil Liberties (1989), which provides information for all sovereign nations in the world plus a number of their dependencies (such as Hong Kong). The Gastil data set provides annual data for the years 1972-89. Data for subsequent years continue to be compiled and published under the auspices of Freedom House.

The data on income distribution come from periodic national surveys and the dates of the surveys which provide the basis of the calculations reported in Table 1 are to be found in the first two columns of that table. As far as possible, information on national income distributions has been provided for one time-point in the 1970s and another in the 1980s/early 1990s. It will be noted, however, that in just over half the cases data is not available for the earlier time-point. Moreover, even where data is available for both time-points, the irregularity and infrequency of income surveys in many countries means that the periods between surveys in different nations are of varying lengths and, in some cases, scarcely overlap at all (compare, for instance, the survey dates for Denmark, the Netherlands and Sweden in Table 1).

Table 1 also reports two measures of income distribution calculated from the data made available in the World Development Report. These are the ratio of the top quintile to the bottom two quintiles, which we describe, following Jackman (1980), as the Rich-Poor Ratio or RPR, and the ratio of the top quintile to the third and fourth quintiles, which we describe as the Rich-Middle Ratio or RMR. The former measure may be seen as an attempt to capture the breadth of the overall dispersion of income, while the latter may be seen as one way of capturing the conception that democracy rests on the presence of an economically prosperous middle class. In reality, however, the measures are closely related empirically: in the large sample of nations for the later period, the correlation between RPR80 and RMR80 is no less than .95. The final measures relating to income distribution in Table 1 are calculations of the percentage changes in RPR and RMR between surveys in the 1970s and 1980s/early 1990s. Clearly, these calculations are only possible for the smaller group of countries for which information is available for the 1970s as well as for the 1980s/early 1990s. It should be noted that these change figures are not readily comparable due to differences in starting and finishing dates and the varying lengths of the time-periods covered.

It is important to stress that problems of non-comparable time-points for income distribution measurement and of varying sample sizes depending on the time-period chosen for analysis are in no way unique to the World Bank data-set, but affect all cross-national income distribution data collections. This fact is, undoubtedly, one of the primary reasons why different studies based on different size samples for different time-periods have reached such diverse conclusions.

Gastil's democracy data also reported in Table 1 are derived from the summation of two separate scales measuring political rights and civil liberties. Political rights include such items as meaningful elections, fair election laws, multiple parties, recent shifts in power through elections, a significant opposition vote and the absence of military control. Civil liberties include such items as freedom from censorship, freedom of assem-

Table 1. Data on Income Distribution and Democracy

		GDP per capita PPPs-International $			1970s		Late 1980s/1990s		Percentage Change		Gastil Democracy Index		
	Year	Year	1977	1987	RPR70	RMR70	RPR80	RMR80	RPR(%)	RMR(%)	1978	1987	1994
AFRICA													
Algeria		1988	2518	2913			2.60	1.31			4	4	2
Botswana		1985-86	1412	2207			5.61	1.92			9	11	11
Coted'lvoire		1988	2060	1520			2.20	1.09			5	5	5
Ethiopia		1981-82	306	326*			1.94	1.10			2	3	5
Ghana		1988-89	918	808			2.41	1.17			7	3	7
Guinea-Bissau		1991	595	627			6.85	1.81			4	3	9
Kenya	1976	1992	843	881	6.79	1.97	6.12	2.21	−9.87	12.18	7	4	4
Lesotho		1986-87	888	949			6.45	1.95			6	5	8
Mauritania		1987-88	1056	809			3.26	1.17			4	4	2
Morocco		1990-91	1774	2014			2.71	1.26			9	4	6
Rwanda		1983-85	669	770			1.71	1.02			4	4	2
Senegal		1991-92	1156	1171			5.58	1.90			9	9	7
Tanzania		1991	482	538			7.74	2.15			4	4	4
Tunisia		1990	2225	2717			2.84	1.24			5	5	5
Uganda		1989-90	602	509			2.03	1.12			2	7	6
Zambia	1976	1991	1047	760	5.66	2.17	3.27	1.41	−42.23	−35.02	6	6	9
Zimbabwe		1990-91	1143	1204			6.05	2.27				5	6
ASIA													
Bangladesh	1973-74	1988-89	947	1251	2.32	1.07	1.69	1.00	−27.16	−6.54	8	7	10
China		1990	762	1261			2.40	1.02			2	4	2
Hong Kong		1980	7059	2961			2.90	1.28				9	9
India	1975-76	1989-90	857	1123	3.05	1.44	1.94	1.10	−36.39	−23.61	12	11	8
Indonesia	1976	1990	1033	1703	3.43	1.36	2.03	1.14	−40.82	−16.18	6	5	3
Japan	1969	1979	8996	12430	1.95	1.08	1.71	0.92	−12.31	−14.81	13	14	12
Jordan		1991	2726	3649			2.84	1.34			4	6	8
Korea, Rep.	1976	1988	2780	5080	2.68	1.20	2.14	1.11	−20.15	−7.5	7	8	12
Malaysia	1973	1989	3073	3891	5.01	1.72	4.16	1.61	−16.97	−6.40	9	8	7
Nepal		1984-85	940	739*			1.80	1.03			5	9	9
Pakistan		1991	969	1309			1.86	1.02			5	7	8
Philippines	1970-71	1988	1725	1603	3.80	1.70	2.88	1.34	−24.21	−21.17	6	12	9
Singapore		1982-83	5903	9395			3.26	1.36			6	7	6
Sri Lanka		1990	1390	2040			1.79	1.02			11	9	7
Thailand	1975-76	1988	1908	2698	3.28	1.42	3.27	1.50	−0.30	5.63	7	10	8
EASTERN EUROPE													
Bulgaria		1992	4494*	6097			1.49	0.92			2	2	12
Hungary		1989	4771	5650			1.34	0.86			5	7	13
Poland		1989	5064	4396			1.57	0.88			5	6	12

Table 1. (cont'd)

	Year	GDP per capita PPPs-International $			1970s		Late 1980s/1990s		Percentage Change		Gastil Democracy Index		
		Year	1977	1987	RPR70	RMR70	RPR80	RMR80	RPR (%)	RMR(%)	1978	1987	1994
SOUTH AND CENTRAL AMERICA													
Bolivia	1990-91	1977		1667			3.15	1.32			8	11	11
Brazil	1972	1989	3860	4317	9.51	2.52	9.64	2.63	1.37	4.37	8	12	10
Chile		1989	3203	3782					5.99	2.37	5	5	12
Colombia		1991	2648	3167					4.98	1.69	11	11	12
Costa Rica	1971	1989	3649	3335	4.57	1.66	3.88	1.40	−15.10	−15.66	14	14	13
Dominican Republic			2098	2231					4.60	1.73	12	12	9
Guatemala		1989	2517	2104					7.97	2.16	9	10	7
Honduras		1989	1471	1400					7.30	2.28	7	11	10
Jamaica		1990	2719	2308					3.04	1.35	11	12	11
Mexico	1977	1984	4900	5262	5.83	1.78	4.70	1.74	−19.38	−2.25	8	8	8
Panama	1973	1989	2793	3538	8.58	1.99	7.20	1.87	−16.08	−6.03	6	6	11
Peru	1972	1985-86	3044	3036	8.71	1.91	3.65	1.48	−58.09	−22.51	7	11	7
Venezuela	1970	1989	8169	6483	5.24	1.51	3.46	1.36	−33.97	−9.93	13	13	10
OECD													
(minus Japan)													
Australia	1975-76	1985	11662	14102	3.06	1.26	2.72	0.99	−11.11	−20.63	14	14	14
Belgium	1974-75	1978-79	10204	11727	1.98	0.99	1.67	0.85	−15.66	−14.14	14	14	14
Canada	1977	1987	13184	16602	2.90	0.97	2.30	0.95	−20.69	−2.06	14	14	14
Denmark	1976	1981	11047	13449	1.88	0.88	2.22	0.88	18.09	0.00	14	14	14
Finland	1977	1981	9387	12730	1.88	0.84	2.04	0.86	8.51	2.38	12	13	14
France	1975	1989	11053	12744	2.48	1.03	2.41	1.03	−2.82	0.00	13	13	13
Germany	1978	1988	11032	13017	1.94	0.99	2.14	0.98	10.3	−1.01	13	13	13
Italy	1977	1986	9016	11455	2.51	1.14	2.18	1.02	−13.15	−10.53	12	14	13
Netherlands	1981	1988	10902	11858	1.62	0.87	1.73	0.88	6.79	1.15	14	14	14
New Zealand		1981-82	10045	11688			2.81	1.13			14	14	14
Norway	1970	1982	10728	14812	1.94	0.86	2.02	0.89	4.12	3.49	14	14	14
Spain	1977	1988	7444	8219	2.51	1.14	1.66	0.88	−33.86	−22.81	12	13	13
Sweden	1972	1981	11706	14128	1.88	0.85	1.74	0.88	−7.45	3.53	14	14	14
Switzerland	1978	1982	13169	15491	1.89	0.91	2.64	1.16	39.68	27.47	14	14	14
United Kingdom	1979	1988	9769	12283	2.15	0.95	3.03	1.08	40.93	13.68	14	14	13
United States	1972	1985	14832	17186	2.82	1.02	2.67	0.99	−5.32	−2.94	14	14	14

Sources and Notes: Income distribution calculated from World Development Report (various issues). Real GDP per capita in 1985 international dollars from Summers and Heston (1991).
* =data interpolated from World Development Report. Gastil democracy data calculated from Gastil (1989) and Freedom House (1994). RPR=Ratio of top quintile to bottom two quintiles. RMR=Ratio of top quintile to third and fourth quintiles.

bly, the non-discriminatory rule of law in political cases, freedom of political organisation, free trade unions and free religious organisations. The democracy index presented here weights these two components equally and assigns high values to high levels of democracy. Scores range from a maximum of 14 to a minimum of 2. The great advantage of the Gastil index for research in this area is that it provides data on an annual basis. It should be noted, however, that like the earlier Bollen democracy index, it is an index of the extent of rights at a particular moment in time and, hence, not a measure of democratic stability. On the other hand, given that the Gastil time-series is now available for a period of more than two decades, there is no reason in principle why this index of democracy should not be used to calculate a measure of the endurance of democratic rights (Arat (1988) reports the creation of a democratic instability index using his own time-series measure of democracy for the period 1948-1977).

Problematic Issues

Having presented the most recent income distribution and democracy data which is available, the remaining task is to discuss certain problematical features of the data base from which findings concerning the inequality/democracy relationship have been derived. Previous writers in the field have tended to attribute what they have seen to be the mistaken findings of their predecessors to specific problems with the availability of data during earlier periods and the operationalisation of the data then available. The issues considered here are somewhat broader in the sense of highlighting problems confronting all those who seek to come to sensible empirical conclusions using this data base. They include some basic issues of data comparability, the bimodal character of the distribution of cases where advanced nations are compared with very poor ones, and some hitherto largely unnoticed difficulties concerning regional disparities in the cross-national data on income distribution.

Problems of Data Comparability

We have already noted one generic problem of comparability arising from the irregular timing of income distribution surveys and the consequent variation in sample sizes on which research findings have hitherto been based. Another major problem concerns the measurement of income inequality. Commentators are now agreed that the earliest studies in the area were vitiated by their use of intersectoral income inequality as a second-best proxy for measures of personal income inequality. While all studies now focus on distributions of personal income, cross-national research continues to be bedevilled by the fact that different nations utilise a wide variety of measuring instruments to arrive at their income distribution estimates (for a review of this literature, see Mahler, 1989). Discussing the data contained in the World Development Report, the World Bank notes such difficulties, including the fact that the data for most low and middle income countries refer to consumption expenditure, that surveys in some countries use the household rather than the individual as the unit of observation and that in some countries the ranking of units of observation is by per capita income (or expenditure) and in others by household income (or expenditure) (World Bank, 1995, 242-3).

Further problems arise of what we mean by and how we measure democracy. Earlier discussion has already noted the variety of democracy measures that appear in the literature and the active debate concerning whether the most appropriate measure is one of democratic stability or one of democratic rights. In this latter connection, Muller (1988) is undoubtedly correct in his view that different variants of an imputed inequality/democracy linkage imply different specifications of the variables, including the need for different kinds of measures of democratic functioning. The point to be noted here, however, is the probable contribution to the previous diversity of findings made by the wide variety of democracy measures utilised in the literature. The dangers are underlined by research reported by Lane and Ersson (1990, 133), which shows the correlations between some 7 different measures of democracy for a period around the 1960s, which range from as low as .15 to as high as .93. The measures include 3 used in studies summarised earlier, with Cutright's and Jackman's measures correlated at .64, Cutright's and Bollen's at .70 and Jackman's and Bollen's at .84. Whilst the last of these correlations does support Lane and Ersson's conclusion (ibid) that "the concept of a democratic regime is theoretically unambiguous," the other correlations clearly do not. A correlation of .70 means that the distributions compared share only 50 per cent of the same variance. On that basis it is hardly surprising that the use of novel democracy measures in the literature surveyed has gone along with new twists and turns in the dialectic of findings on the inequality/democracy relationship. What is clearly now required if studies of this relationship are to produce cumulative results are indices of democratic rights and political stability which are sufficiently robust to be utilised in repeated studies. The Gastil democracy index reported in Table 1 promises well in respect of democratic rights and, as already noted, may, with an increasing time-series of observations, serve also as a basis for the creation of a viable indicator of democratic stability.

Comparing Rich and Poor Nations

It is the standard, but usually unexplored, assumption of the kind of quantitative analysis that is employed in this literature that relationships between variables should not merely be discernible across samples as a whole, but also in major sub-sets of the data. In the absence of such a condition holding, the imputed relationship ceases to have any substantive meaning, since in the real world a given country inhabits there are no discernible differences between nations which do or do not manifest the characteristics under consideration. As Castles and McKinlay (1979, 184) have noted in another context, circumstances of this kind tend to occur where we encounter bimodal distributions of data in which findings are unduly influenced by a number of extreme observations at both ends of the distribution, leading to a situation in which it is easy to find a significant regression equation because the wide gap between the observations cancels out any variation within the groups located at the extremes. Cross-national research of global scope is inherently susceptible to this difficulty, with only a smallish number of countries being found in the middle ranges of the cavernous gulf between rich and poor nations and, judging by the Gastil democracy data in Table 1, with the gap between the established democracies and those countries largely lacking democratic rights being only somewhat less pronounced.

In order to check whether the inequality/democracy data base manifests such bimodal tendencies, we divide our sample into two: the OECD nations, which are largely rich, democratic and politically stable, and the remaining nations, which manifest greater variability in respect of all these characteristics, but which also exhibit a significant clustering of nations which are very poor and very undemocratic. In Table 2, we look at the simple correlations between the Gastil democracy index and GDP per capita, the Rich-Poor Ratio and the Rich-Middle Ratio for the total number of cases presented in Table 1 as well as for the separate sub-sets both for the late 1970s and the late 1980s.

The figures for the total sample in the first period indicate an apparently strong positive relationship between democratic rights and GDP as well as apparently strong negative relationships between democratic rights and inequality. These are, of course, the kinds of

Table 2. The Economic Correlates of Democracy

	GDP per capita		RPR		RMR	
1978 Non-OECD	.28	(45)	−.17	(15)	−.19	(15)
1978 OECD	.65**	(17)	−.05	(16)	−.31	(16)
1978 All	.77**	(62)	−.63**	(31)	−.72**	(31)
1987 Non-OECD	.20	(47)	.16	(47)	.18	(47)
1987 OECD	.40	(17)	.20	(17)	.15	(17)
1987 All	.70**	(64)	−.15	(64)	−.25*	(64)

Sources and notes: Pearson's Rs calculated from data in Table 1. ** = significant at .01; * = significant at .05. Figures in parentheses represent the number of cases for each calculation.

relationship that are indicated in the literature we have been discussing. However, once we examine the sub-sets of data, the apparent relationships disappear, with the single exception of that between democratic rights and GDP per capita in the OECD group. Moreover, that exception is more apparent than real, since the removal from the sample of the two poorest OECD countries at the time (Spain and Italy), makes the relationship in that sub-set wholly insignificant. Looking to the 1980s, much the same story can be told, with no significant relationships in either sub-set of countries, although by now evidence for the relationship between democracy and inequality for the total sample is also marginal.

These findings have very serious implications for all research in this area, both past and future. They suggest that the kinds of comparisons offered throughout the global political economy literature may be fundamentally flawed in virtue of its use of a sample, the bimodality of which is too great to allow meaningful comparison. Such a conclusion would clearly make sense of the fact that the only more or less consistent findings noted in the literature surveyed above related to the relationship between social democratic strength and inequality in a relatively standardised group of advanced democratic states, ie. countries all on one side of the bimodal divide. In the case under consideration here, the figures in Table 2 might be taken as suggesting, not that there are significant and determinate relationships between democracy and economic development and democracy and inequality, but simply that there are two quite distinct groupings of countries in our data-set: the rich, democratic and egalitarian nations of the West and the poor, undemocratic and inegalitarian nations of the Third World. If that is all that this data base can tell us, it is very sad, since we hardly need the apparatus of quantitative, comparative analysis to inform us of something that has long been a blatant reality of economic and political modernity.

The regionalisation of inequality

The final problem that needs highlighting is the fact that the incidence of income inequality involves a distinct regional clustering which goes beyond the distinction between rich and poor nations discussed above. Moreover, it also goes beyond the possibility that levels of inequality, will be affected by position in the world system, an hypothesis which has been tried and found wanting in a number of the specifications of the inequality/democracy relationship (see Bollen and Jackman, 1985 and Muller, 1988), although it has proved more successful in respect of the relationship between economic development and democracy (see Gonick and Rosh, 1988 and Burkhart and Lewis-Beck, 1994). For those who do not share the world system perspective, the unspoken assumption of the comparative political economy literature is that the great divide is between the West and the rest and that further regional disparities are irrelevant. In the studies surveyed in this paper, only Muller (1985) comments on regionalisation and his observation is that "when states are grouped by region, income distribution in Europe and North America is distinctively more egalitarian than in other regions" (Muller, 1985, 49).

A first step in establishing whether this is actually the only regional difference in the data is the organisation of the material in Table 1 into four continentally defined regions plus an OECD (minus Japan) grouping. For the earlier period, with relatively few cases for some regions, it would seem that the OECD group genuinely does manifest lower inequality scores than any other region, but it also appears that most of the really high scores are to be found in Africa and South and Central America rather than in Asia. Turning to the more recent data for the 1980s, a rather similar story seems to be apparent. In order to provide a more precise quantification of these disparities over time, Table 3 gives information concerning mean regional differences for income inequality for various time-points from the 1950s onwards. The data in Panel A come from Muller's 1985 data-set, which was the source of his observation that the fundamental divide in the data was between the Western nations and the rest. Using the income share of the top quintile as the measure of inequality, it is apparent that, even from the very earliest period, the Asian countries are rather more

Table 3. Average Income Distribution by Area

Panel A : Early Post-war Data	Income Share of Upper Quintile (%) 1958-62	Income Share of Upper Quintile (%) 1968-72
Africa	50.9 (2)	56.6 (11)
Asia	54.0 (10)	47.6 (11)
South and Central America	59.6 (9)	56.4 (14)
OECD (minus Japan)	44.5 (7)	42.1 (13)
Eastern Europe	n.a	35.2 (3)

Panel B : Later World Bank Data	RPR70	RMR70	RPR80	RMR80
Africa	6.23 (2)	2.07 (2)	4.08 (17)	1.54 (17)
Asia	3.19 (8)	1.37 (8)	2.45 (15)	1.19 (15)
South and Central America	7.07 (6)	1.90 (6)	5.35 (13)	1.78 (13)
OECD (minus Japan)	2.23 (15)	0.98 (15)	2.25 (16)	0.97 (16)
Eastern Europe	n.a	n.a	1.47 (3)	0.89 (3)

Sources and Notes : Data in Panel A calculated from Muller (1985, 50). Data in Panel B from World Bank and calculated from figures presented in Table 1 above. Figures in parentheses represent number of cases for each calculation.

equal than those of South and Central America, although closer to them than to the OECD nations. With only two cases, the results for the African nations are arguably anomalous. By the turn of the 1960s, however, Asia is clearly more akin to the OECD and separated by a substantial gap from the rest of the Third World.

Panel B provides a more detailed analysis of regional disparities of the data in Table 1. These averages confirm a picture for the 1970s of an Asian region lying between the OECD and the African and South and Central American regions, but much closer in values to the former than the latter. For the 1980s, the gap between Asia and the remainder of the Third World is maintained, but the differences between Asia, the OECD and, now, Eastern Europe appear quite marginal. Indeed, regressions for the 1980s, using regions as dummy variables, show that differences between Africa and South America on the one hand and Asia and the OECD on the other explain around 40 per cent of the overall variance in inequality, and that there is no statistical difference in inequality between Asia and the OECD. In these equations, the inclusion of terms for GDP per capita, democratic rights and world system location make absolutely no difference. The equations predict massively higher inequality in Africa and South and Central America and no other variables are even near to being statistically significant. In this story region is everything and political economy is nothing.

That regions matter and that the relationship between inequality and democracy is played out quite differently in different areas of the world is a message which is amply underlined by consideration of the countries of Eastern Europe. The three cases which appear in the 1980s columns of Tables 1 and 3 are illustrative of a group of nations in which the lowest average degree of inequality of any in the World Bank data-set was conjoint with a form of totalitarian rule, the legitimation of which rested precisely on the achievement of an egalitarian society. Today, the degree of democratic rights throughout Eastern Europe is much enhanced, but, if present policies fostering a market economy and a reduced social safety-net are carried through to their logical conclusion, it seems highly likely that we will be able to describe the first decade of democratic rule in much of Eastern Europe (and in the new nations of the former Soviet Union) as an era of rapidly increasing social and economic inequality. None of this implies the absence of a relationship between economic structure and democracy, but rather that the relationship to be observed is often a complex one, mediated by factors embedded in a nation's particular historical and cultural context and, to the degree that history and culture are sometimes shared properties of groups or 'families' of nations (see Castles, 1993), factors which may be quite specific to different regions of the world.

Conclusion

As discussed here, three decades of cross-national research on the relationship between inequality and democracy have not registered a great deal of progress. Nevertheless, some limited grounds for optimism exist. The problems of comparability that have impeded research to date may well be on the point of resolution as income distribution survey design becomes more standardised and as we develop more widely accepted measures of levels of political democracy and democratic stability. However, that is not going to get us very far unless we can think of research strategies that will overcome the difficulty of a bimodal distribution of cases and which can confront the reality of major regional disparities. Arguably, the answer to both of these problems is the same. The proper response to a bimodal distribution is to focus attention on explaining variance in the separate sub-sets, and with regionalisation as a major problematic, there is some prima facie reason to suppose that intra-regional comparisons might provide a worthwhile focus for the next generation of research on the democracy/inequality relationship. A necessary prerequisite of such a regional strategy is detailed studies of the relationship between inequality and democracy grounded in a historically contextualised understanding of individual countries of the kind that are to be found in the other papers presened at this colloquium.

(Political Science Program,
Research School of Social Sciences,
The Australian National University)

References

Arat, Z. F. (1988) "Democracy and Economic Development: Modernization Theory Revisited," *Comparative Politics*, Vol. 21, 21-36.

Arnhem, C. van and Schotsman, G. J. (1982) "Do Parties Affect the Distribution of Incomes? The Case of Advanced Capitalist Democracies." In Castles, F. G., Ed., *The Impact of Parties*, Beverley Hills: Sage.

Bollen, K. A. (1979) "Political Democracy and the Timing of Development," *American Sociological Review*, Vol. 44, 572-87.

Bollen, K. A. and Grandjean (1981) "The Dimensions of Democracy: Further Issues in the Measurement and Effects of Political Democracy," *American Sociological Review*, Vol. 46, 651-59.

Bollen, K. A. and Jackman, R. W. (1985) "Political Democracy and the Size Distribution of Income," *American Sociological Review*, Vol. 50, 438-57.

Borg, S. and Castles, F. G. (1981) "The Influence of the Political Right on Income Maintenance Expenditure and Equality," *Political Studies*, Vol. 29, 604-21.

Castles, F. G. and McKinlay, R. D. (1979) "Does politic Matter: An Analysis of Public Welfare Commitment in Advanced Democratic States," *European Journal of Political Research*, Vol. 7, 169-86.

Castles, F. G., Ed., (1993) *Families of Nations: Patterns of Public Policy in Western Democracies*, Aldershot: Dartmouth.

Cutright, P. (1967) "Inequality: A Cross-National Analysis," *American Sociological Review*, Vol. 32, 562-78.

Dahl, R. A. (1971) *Polyarchy: Participation and Opposition*, New Haven: Yale University Press.

Gastil, R. D. (1989) *Freedom in the World: Political Rights and Civil Liberties, 1988-1989*, New York: Freedom House.

Gonick, L. S. and Rosh, R. M. (1988) "The Structural Constraints of the World-Economy on National Political Development," *Comparative Political Studies*, Vol. 21, 171-99.

Hicks, A. and Swank, D. (1984) "On the Political Economy of Welfare expansion: A Comparative Analysis of 18 Advanced Capitalist Nations, 1960-1971," *Comparative Political Studies*, Vol. 17, 81-118.

Jackman, R. W. (1974) "Political Democracy and Social Equality: A Comparative Analysis," *American Sociological Review*, Vol. 39, 29-45.

Jackman, R. W. (1980) "The Impact of Outliers on Income Inequality," *American Sociological Review*, Vol. 45, 344-7.

Kerr, C., Dunlop, J. T., Harbison, F. H. and C. A. Myers (1964) *Industrialism and Industrial Man*, New York: Oxford University Press.

Key, V. O. (1949) *Southern Politics in State and Nation*, New York: Alfred Knopf Inc.

Lane, J-E. and Ersson, S. (1990) *Comparative Political Economy*, London: Pinter Publishers.

Lenski, G. (1966) *Power and Privilege: A Theory of Social Stratification*, New York: McGraw-Hill.

Lipset, S. M. (1959) "Some Social Requisites of Democracy," *American Political Science Review*, Vol. 53, 69-105.

Lipset, S. M. (1960) *Political Man: The Social Bases of Politics*, London, Heinemann. Mahler, V. (1989) "Income Distribution Within Nations:

Problems of Cross-National Comparison," *Comparative Political Studies*, Vol. 22, 3-32.
Moore, B. (1966) *Social Origins of Dictatorship and Democracy*, Boston: Beacon Press.
Muller, E. N. (1985) "Income Inequality, Regime Repressiveness and Political Violence," *American Sociological Review*, Vol. 50, 47-61.
Muller, E. N. (1988) "Democracy, Economic Development and Income Inequality," *American Sociological Review*, Vol. 53, 50-68.
Muller, E. N. (1989) "Distribution of income in advanced capitalist societies: political parties, labor unions and the international economy," *European Journal of Political Research*, Vol. 17, No. 4, 367-401.
Nielson, F. and Alderson, A. S. (1995) "Income Inequality, Development, and Dualism: Results From An Unbalanced Cross-National Panel," *American Sociological Review*, Vol. 60, 674-701.
Reuschemeyer, D, Stephens, E. H. and Stephens, J. D. (1992) *Capitalist Development and Democracy*, Chicago: University of Chicago Press.
Rubinson, R and Quinlan, D. (1977) "Democracy and Social Inequality: A Reanalysis," *American Sociological Review*, Vol. 42, 611-623.
Simpson, M. (1990) "Political Rights and Income Inequality: A Cross-National Test," *American Sociological Review*, Vol. 55, 682-93.
Stack, S. (1979) "The Effect of Political Participation and Socialist Party Strength on the Degree of Income Inequality," *American Sociological Review*, Vol. 44, 168-71.
Stevens, J. D. (1979) *The Transition from Capitalism to Socialism*, London: MacMillan.
Summers, R. and Heston, A. (1991) "The Penn World Table (Mark 5), *Quarterly Journal of Economics*, Vol. 106, No. 2, 327-368.
Weede, E. (1982) "The Effects of Democracy and Socialist Strength on the Size Distribution of Income," *International Journal of Comparative Sociology*, Vol. 23, 151-65.
World Bank (1995 and a variety of previous years), *World Development Report*, New York: Oxford University Press.