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WHY HAVE POOR DEMOCRACIES NOT ELIMINATED POVERTY?

A Suggestion

===== Ashutosh Varshney
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Why has India not eliminated poverty even though some countries have done so despite comparable income levels in the 1950s or early 1960s?¹ It is possible to turn this question into a more generic query: why have *long-lasting democracies* of the developing world failed to eliminate poverty? India is one among many such democracies, but the problem and logic appear to be more general.

While it is true that no long-lasting democracy in the Third World has allowed the conditions of its poor masses to deteriorate consistently or dramatically, none so far has successfully eliminated poverty (see Table 1). Democracies have been slow and steady, not spectacular, in attacking poverty. In comparison, countries with long authoritarian rule show no such pattern (see Table 2).² Over the past four or five decades, some like South Korea,

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1. In the past two decades of his scholarly life, Myron Weiner often asked this question. See especially, Myron Weiner, “The Political Economy of Industrial Growth,” *World Politics* 38:4 (July 1986). As is well known, South Korea and India had roughly the same per capita income in the early 1960s.

2. The World Development Indicators of the World Bank constitute about the only comparative database on poverty. I have relied on the figures available there and, wherever gaps exist, I have supplemented them with more in-depth country-based or region-based figures. For example, Economic Commission for Latin America and the Caribbean (ECLAC) constitutes one of the best sources for poverty figures in Latin America. For data problems, see the later sections of this article.

TABLE 1 *Poverty in Democratic Countries (Early 1990s)*

<i>Country</i>	<i>Population Below Poverty Line %</i>
India	35
Sri Lanka	25
Philippines	37.5
Botswana (1986)	33
Jamaica	34.2
Trinidad & Tobago	21
Costa Rica	22
Venezuela	33

SOURCES: World Bank, *Poverty Monitoring Database*, on the World Wide Web at <<http://wbln0018.worldbank.org/dg/povertys.nsf>>; International Monetary Fund (IMF), *Sri Lanka: Selected Issues* (Washington, D.C.: IMF, 1998), p. 51; and Oscar Altimir, "Inequality, Unemployment, and Poverty in Latin America" in *Poverty and Inequality in Latin America*, eds. Victor E. Tokman and Guillermo O'Donnell (Notre Dame: University of Notre Dame Press, 1998), p. 30.

TABLE 2 *Poverty in Selected Authoritarian Countries (Early 1990s)*

<i>Country</i>	<i>Population Below Poverty Line %</i>
<i>Best Performers</i>	
South Korea	Negligible
Taiwan	Negligible
Singapore	Negligible
<i>Moderate Performers</i>	
Thailand	13
South Africa	23.7
Mexico	14.9
Chile	15
Ivory Coast	17.7
<i>Worst Performers</i>	
Guatemala	53
Honduras	47
Peru	54
Ethiopia	46
Niger	61.5
Senegal	54
Uganda	69.3

SOURCES: World Bank, *Poverty Monitoring Database*; and Altimir, "Inequality."

Taiwan, and Singapore, as is well known, have almost entirely removed poverty from their midst, and even countries like Indonesia made awesome progress on poverty reduction before the financial meltdown hit them. Others, especially from Sub-Saharan Africa and Latin America, have either allowed conditions to worsen or made only a small dent in poverty. Still others have reduced mass poverty moderately but not eliminated it. Democracies, in other words, have prevented the worst-case scenarios from happening, but they have not achieved the best results. In contrast, the performance of dictatorships covers the whole range of outcomes. Table 3 captures the situation.

Electorally speaking, the facts above present a political paradox. Unlike the U.S. or Europe (where less than 5% of the population lives in abject poverty), the poor constitute a large proportion of the population in developing countries. Their numbers being so small, the poor in richer economies can hardly leverage themselves into becoming an electoral or political check on the government. Policies developed in those countries depend primarily on the conscience of the elite. In the developing world, however, the poor constitute a large plurality of the population, sometimes even a majority. In principle, the poor ought to be able to exercise greater pressure on the government by virtue of their numbers alone. If the poor also have the right to vote and the political system is first-past-the-post (as is the case in India), then a 30% voting bloc can often be decisive. However, poor countries that are viewed as having had long-lasting periods of democratic rule—India, Sri Lanka, Costa Rica, Venezuela, Colombia, Botswana, Jamaica, Trinidad and Tobago, and the Philippines—on the whole still have a substantial proportion of their populations stuck below the poverty line.

In this article, I do not wish to ask why poor democracies have had success in preventing the worst outcomes. Some explanations are already available. If the numerical size of poor people is large and adult universal franchise is available—both, by definition, true in poor democracies—then one would not expect such democracies to be viciously and consistently anti-poor. The more puzzling question is why democracies have not done as well as East Asian authoritarian systems. Why isn't the democratic record better? This is a question that has not been addressed at length, yet it should be of great normative concern to those who value democracy and would also like to see democratic polities deal with poverty more successfully.

Surprising as it may seem, not enough is known about the relationship between democracy and poverty. Instead, a great deal of literature is available on the relationship between democracy and economic growth. Unless it is incorrectly assumed that what is good for economic growth is necessarily good for poverty reduction, the implications of the theoretical literature on economic growth are not straightforward. Inferences can only be drawn with appropriate caution.

TABLE 3 *Poverty Alleviation Performance, Regimewise*

	<i>Worst</i>	<i>Moderate</i>	<i>Best</i>
Democratic countries		√	
Authoritarian countries	√	√	√

It should first be obvious that democracies by themselves do not remove poverty; economic strategies do. Thus, the relevant questions are related to determining which economic policies work best at alleviating poverty. Moreover, one must ask whether democracies tend to adopt these policies and why.

While there are no good theories of how and why certain public policies are adopted by governments in the developing world, it is generally accepted that, leaving aside international pressures, policy change can result from two different kinds of sources: pressure from above or below. The former is applicable to both democratic and authoritarian polities. Both can, in principle, deliver a great deal for the poor if the political elite have a consistent commitment to them. The elite can force the state structure—especially the bureaucratic institutions—to turn that commitment into public policy.

In a democratic polity, however, the poor can also, at least in theory, exercise their numerical weight and push the government's economic policy toward their interests in two ways: political mobilization and voting. Both mobilization and voting can be viewed as forms of pressure from below. This mechanism, unlike pressure from above, is available in democratic systems, but not in authoritarian polities in a regular and periodic manner. In light of this reasoning, one should ask whether poor democracies feel enough pressure from below. If they do not, why is that so? If they do, what causes the gap between pressures from below and the actual outcomes? These are, I think, the questions most relevant to a discussion of democracy and poverty.

Given the existing state of empirical knowledge, especially the inadequacy of cross-country data on poverty and incomplete countrywide descriptions of anti-poverty policies and their execution, I do not believe these questions can be fully answered yet. However, some conceptual and general suggestions are possible, which can be examined more thoroughly in further research. In such a spirit of inquiry, this article presents an argument and states reasons why an analysis of poverty should be taken seriously and pursued critically. The argument relies heavily on the distinction between direct and indirect methods of poverty alleviation. This distinction is by now customary in the economic literature; my argument pushes it in a new, political direction.

As is well known, the direct route generally covers public provision of income or food (e.g., food-for-work programs, food subsidies, and credit and producer subsidies for small farmers) or assets to the poor (e.g., asset transfer through land reforms) and the indirect method is growth mediated—especially growth that incorporates mechanisms to enhance the ability of the poor to access, and benefit from, the growth process. Both direct and indirect methods can alleviate poverty. As Jagdish Bhagwati has argued, the key economic issue is which method is more productive (how resources are used) and more sustainable in the long run (how long the provision of public resources can be financed, without impairing the capacity to provide them further)?³

After decades of development experience with mass poverty, mainstream economic wisdom has veered round to the superiority of the indirect method and, I think, for good reasons. For reasons of space and focus, however, I will not argue about the relative economic merits of direct and indirect methods here, instead concentrating on the political issues. I will assume, but not reason in detail, that growth-mediated, indirect approaches to poverty alleviation are better. That literature is available in plenty and now attracts relative consensus across a wide range of the political spectrum.⁴

However, the politics and economics of the direct and indirect methods of poverty alleviation significantly diverge. Whether they are economically more productive or sustainable in the long run, direct methods—asset transfers or income transfers—have a logic that is clear and tangible. Most people, both politicians and others, can see the links proposed. Through land redistribution, land reforms can give land to those who have too little of it or none at all. Similarly, tenancy reforms can make poor tenants less dependent on the power and whims of landlords, potentially imparting a more secure source of income. A similar directness marks the symbolism of income transfers through credit and producer subsidies.

In contrast, the utility and value of the indirect methods of poverty removal may be obvious to the scholars and specialists of development, but the ways in which exchange rate devaluations, trade liberalization, bureaucratic deregulation, fiscal balancing, and privatization—in short, a more market-oriented economic strategy—might more successfully attack poverty is not easy to understand in political circles. Even if understood, these reforms are rather difficult to push in political campaigns. The links proposed by the indirect method are subtle and also based on a long-run perspective. Such indirect methods do not normally appeal to democratic politicians, for they not only

3. Jagdish Bhagwati, "Poverty and Public Policy," *World Development* 16:5 (May 1988).

4. For the latest account of the state of knowledge and for some of the controversies that still surround the question of the relationship between growth and poverty, see the World Bank, *World Development Report 2000-1* (New York: Oxford University Press, 2000).

have to understand arguments but also must try and carry constituencies with them and renew mandates in a relatively short run. That is why in no developing country has mass politics, mobilizing large numbers of average or poor citizens (as opposed to elite politics confined mostly to the Westernized upper and middle classes), pushed for trade liberalization, currency devaluation, and a market oriented economic reform. A political constituency for market-oriented economic reforms may exist in the middle and upper classes, but it is still to be built among the poor.

To be sure, since the mid-1980s, such moves toward economic liberalization have been sweeping the developing world. However, it should be noted that although market-oriented economic reforms are highly desirable in the developing world, they have thus far not emerged from below.⁵ Reforms have emerged from above—through economic bureaucracies, both national and international such as the World Bank—in moments of economic crisis that have demonstrated the exhaustion of statist and inward-looking economic strategies. The masses may have felt an acute dissatisfaction against the excessive and abusive powers of the state, especially in the former communist world, but a desire for lesser state interference in everyday life does not necessarily translate into a support for the market mechanism. Reliance on markets has simply emerged from the ruins of a discredited statist ideology of economic development, whose capacity to deliver mass welfare had seriously declined and that had resulted in a widespread abuse of authority by state officials. It would be an awful mistake to interpret the turn toward economic reforms in the developing world as a sign of vigorous mass support for them. As of now, reforms have simply been a welcome diversion from the excesses of bureaucrats and state functionaries. This diversion may cease to be an indirect source of support for reforms, if markets fail to deliver mass welfare. In short, as of now, democratic politics and market-oriented economic reforms are quite awkwardly aligned.

This elite-mass distinction, not always obvious in economic thinking, is absolutely central to the democratic political process. Pressured more by mass politics than authoritarian systems, where people are not free to organize, democracies tend to be more inclined toward direct methods of poverty alleviation. Moreover, since it can be shown that the direct methods are less sustainable or less effective in removing poverty in the long run, one can also understand why democracies in the developing world have been less successful than Singapore, South Korea, and Taiwan. In short, part of the reason that

5. The argument here and in the next paragraph relies heavily on, and is developed more fully, in Ashutosh Varshney, "Mass Politics of Elite Politics? India's Economic Reform in Comparative Perspective," *Journal of Policy Reform* 2:4 (December 1998), reprinted in *India in the Era of Economic Reforms*, eds. Jeffrey Sachs, Ashutosh Varshney, and Nirupam Bajpai (Delhi: Oxford University Press, 1999 and 2000). Also see "Introduction" and "Preface" in this book.

no democracy in the developing world has successfully eliminated poverty is simply that direct methods of poverty alleviation have greater political salience in democracies, but indirect, market-based methods of poverty alleviation are both more sustainable and more effective.

Clarifying Terms

Before I proceed further, let me state the sense in which I am using the terms “poverty” and “democracy.” Since multiple definitions are available, we must pre-empt speaking across intellectual registers.

“Poverty” as a concept is used in two ways. The standard usage of the term is narrower and consumption based, focusing primarily on a caloric floor that the average human body minimally needs to function. In this narrower sense, hunger and endemic malnourishment more or less define poverty. The \$1 per day yardstick used in purchasing power parity (PPP) terms by the World Bank conforms to this hunger-based definition of poverty.

The term “poverty” is also sometimes viewed more broadly. Under the rubric of human development, the broader usage includes education and health, in addition to consumption (hence income) in its calculations. I will not use the term “poverty” in this sense. Education and health certainly are valuable, but do not yet have a composite index of poverty in terms of human development. What minima of income, education, and health—combined with what weights—would constitute the poverty line in human development terms?

There is no answer yet. Nor is it clear there can be one, for it would require specifying a certain life expectancy at birth and a certain level of education as vitally necessary for the realization of human capabilities. That these are necessary for any worthwhile conception of human life may be beyond doubt, but what *level* will constitute the minimum acceptable threshold is unlikely to be stated in a uniquely acceptable way, even if we try.

The human development literature works better when one asks philosophical questions about whether income alone can enable human beings to realize their capabilities. Its utility is limited when one is dealing with the millions who do not have minimum incomes, or minimum nourishment, in the first place. Consider the amount of various commodities that one rupee could buy per day in India in 1993–94⁶: grain—400 gms; pulses—20 gms; milk—70 ml; edible oil—10 gms; vegetables—120 gms; fresh fruit—0.1 (quantity); eggs—0.2 (quantity); dried chile—4 gms; tea leaves—3 gms. In 1993–94, after buying these items, the person would still have about two rupees per day (about US\$0.05) left to purchase nonfood items. Remarkably, about one-

6. World Bank, *India: Achievements and Challenges in Reducing Poverty*, Report No. 16483-IN (Washington, D.C.: World Bank, May 27, 1997), p. 3.

third of Indian citizens could not afford the meager bundle above. Since this is how a large part of the developing world lives, it will be best to conceptualize poverty in terms of hunger and malnourishment.⁷

What do I mean by the term “democracy”? In the seminal accounts of democratic theory, two basic criteria have been used: contestation and participation. The first principle asks how freely the political opposition contests the rulers. The second inquires how many groups participate in politics and determine who the rulers should be. The first principle is about liberalization; the second about inclusiveness.

In democratic theory, poverty does not figure prominently. Democratic theorists expect that if socially or economically unequal citizens are politically equalized and if the deprived constitute a majority of the electorate, their political preferences would come to be reflected in who the rulers are and what public policies they adopt. By giving everyone an equal vote—irrespective of prior resource endowments—universal franchise, in theory, creates the *political* foundations of poverty removal in a country where a majority, or a large plurality, is poor. That poverty persists under these circumstances invites reflection on whether democratic politics is sufficient to remove poverty and on how the poor vote and mobilize.

The distinction sometimes drawn between procedural and substantive democracy ostensibly deals with this point, but it muddies analytical waters immeasurably. Procedural democracy emphasizes freedom of voting and mobilization, and substantive democracy stresses economic equality. However, if one wants to know whether democracies tend to reduce poverty, such a distinction cannot be made because it conflates the explanan and explanandum, or, to state it another way, the independent and dependent variables. One cannot reasonably figure out the impact of democracy on poverty or economic inequalities in general if economic equality and/or elimination of poverty are part of the definition of democracy.

A more coherent and alternative line of reasoning can be derived from democratic theory: If poverty, despite democratic institutions, comes in the way of a free expression of political preferences, it makes a polity *less* democratic, but it does not make it *undemocratic*. As argued elsewhere, so long as

7. What does this imply for literacy and education? Now that it is known that universalization of literacy was achieved in the West and near-universalization in much of East Asia when those societies were poor, it can indeed be said that primary education should, and can, be provided as a public good by the state at fairly low levels of GDP. For an argument on these lines, see Myron Weiner, *The Child and the State in India* (Princeton, N.J.: Princeton University Press, 1991). But to incorporate education as a measure of poverty, when nutrition is so abysmally low, is to complicate the matter unnecessarily. One should defend universal literacy as a value and expect and push states to do more about it, but it is less useful to make illiteracy constitutive of a poverty line in the developing world.

contestation and participation are available, democracy is a *continuous* variable (expressed as “more or less”), not a *discrete* or *dichotomous* variable (expressed as “yes or no”); variations in degree and dichotomies should be clearly distinguished.⁸ In Robert Dahl’s classic formulation, the U.S. was less of a democracy before the civil rights revolution of the mid-1960s, though it can be even more democratic in the future if economic inequalities come down further.⁹ Given contestation and participation, greater economic equality and/or an absence of poverty certainly make a polity more democratic, but greater equality or elimination of poverty, in and of itself, does not constitute democracy. There is no democracy without elections.

Democracy versus Authoritarianism: Records on Poverty

Is a generalization possible on whether a democratic or authoritarian polity is better at poverty alleviation in the developing world? Three difficulties complicate a simple response to this question.

First, it is necessary to identify which countries have been relatively stable democracies, that is, democracies for a long enough period. If one construes “long enough” to mean *more than half of the period since the late 1940s, or since independence*, then countries that would meet the criterion of longevity are few and far between: India, Sri Lanka, Botswana, the former British colonies in the Caribbean, Costa Rica, the Philippines between the late 1940s and 1960s and after the mid-1980s, Venezuela since 1959, and some other very small states, smaller than even Botswana and Trinidad.

At any rate, the total number of stable democracies in the developing world is small. Many more countries have become democratic in the past two decades than ever before, but if one looks at the entire post-1945 period, one would be hard-pressed to add a significant number to the short list above. In contrast, a large number of countries have remained authoritarian for long periods after 1945. This asymmetry means that the number of observations one can collect about the performance of *long-lasting* democracies is inherently limited. If this number was significantly large, then one could straightforwardly engage in a robust statistical analysis of their economic consequences. Until the current wave of democracies—the third wave—has produced many more democratic observations for inclusion, observers will have to primarily settle for nuanced qualitative reasoning.

8. For a fuller elaboration of this idea for South Asia, see Ashutosh Varshney, “Is India Becoming More Democratic?”, *Journal of Asian Studies* 59:1 (February 2000), pp. 2–25.

9. Robert A. Dahl, *Polyarchy: Participation and Opposition* (New Haven: Yale University Press, 1971), p. 29. Analogously, by allowing a great deal of contestation but restricting participation according to class (and also gender), England in the 19th century was less democratic than it is today, but it was democratic nonetheless, certainly by 19th century standards.

A second difficulty compounds the problem. If both democratic and authoritarian polities had roughly the same economic strategy, one could hold economic strategy constant and clearly identify the difference made by the nature of the polity. However, as is well known, both the nature of political systems and the strategy of economic development vary across countries. The great authoritarian successes at poverty removal (South Korea, Taiwan, Singapore) all have come from countries that came upon a market and trade orientation in economic policy sooner than most. If both the nature of polity and type of economic strategy vary, one must find a way to account for which aspect—political or economic—that led to what, and why.

Third, whether democracy made a difference to poverty—and to what extent—is not a cross-sectional question. If both country A and B, one democratic, the other authoritarian, had about a tenth of their population below the poverty line at time T, one would still not be able to say that they were equally successful in attacking poverty, unless at time T-1 the proportions of poor A and B were also the same. One needs at least two sufficiently distanced time-points for analysis, if not an entire time series. Such data on an inter-country basis do not exist. Based on an international poverty line of \$1 per day in PPP terms, global figures for poverty were first calculated for 1985.¹⁰ On that basis, it can be said that between 1987–93, about 30% of the world population remained more or less consistently below the \$1 per day poverty line and something is also known about the distribution of poverty across countries. But the number or proportion of the poor, either globally or countrywise, in the 1960s remains unknown. If, to put such numbers together, one goes by the reports available on each country, it becomes apparent that the criteria used by different countries to define and measure poverty do not match. Indeed, the criteria have not been consistently used within the same country. For some individual countries (such as India), such statistics do go back much further. They have also been consistently used to track progress on poverty reduction. However, such is not the case with most developing countries.¹¹ A methodologically defensible time series on poverty for the entire developing world is neither available nor can it be easily created for the pre-1985 period.

Luckily, even in the absence of such information, a few robust judgments are possible. Some conclusions do not require, or depend on, the fullness of data; partial data sets can suffice. On poverty alleviation, there is a huge variation in the record of authoritarian countries, but a certain consistency marks the performance of democracies (see Table 2). Authoritarian countries

10. World Bank, *World Development Report* (New York: Oxford University Press, 1990).

11. Indeed, the \$1/day poverty line used by the World Bank is based on the work done in India in the 1960s, when India began measuring the scale of the problem systematically.

have either exhibited spectacular success at attacking poverty (South Korea, Taiwan, and Singapore) or they have failed miserably (in much of Sub-Saharan Africa and Latin America), and many are in between. All developing countries, where close to, or more than half, of the population was still below the poverty line in the early 1990s, have in the past four to five decades been mostly authoritarian: Guinea-Bissau, El Salvador, Gambia, Guatemala, Haiti, Malawi, Lesotho, Madagascar, Niger, Peru, Rwanda, Senegal, Sierra Leone, Uganda, and Zambia.¹²

In comparison, those developing countries that have gone through long democratic tenures may not be colossal failures, but they can not boast of extraordinary successes either. As Table 1 illustrates, the proportions of population below the poverty line in relatively stable poor democracies for the latest single year in the period between 1990–97 (unless otherwise noted) are India (35%), Jamaica (34.2%), Botswana (33% in 1985/6), Venezuela (14.7%), the Philippines (37.5%), Sri Lanka (25%), Costa Rica (22%), Colombia (25%), and Trinidad and Tobago (21%).¹³ In the early to mid-1960s, South Korea, Taiwan and Singapore were as desperately poor as the other Asian and African countries and considerably poorer than Latin American nations,¹⁴ but by now they have wiped out mass poverty and become developed economies, with higher per capita incomes than some European countries.

12. Until a better data set on poverty—currently being constructed at the World Bank in preparation for the *World Development Report, 2000–2001*—is available, there is currently no uniquely acceptable way of identifying these countries. So for inclusion in this list, I have chosen a method that gives working and approximate but not precise figures. The method relies on a comparison of national and World Bank poverty estimates. A country is included in the above list if (a) both the national and World Bank poverty estimates more or less coincide around 50%, or (b) one of the two estimates is available and is significantly above 50%. In cases where there is a serious divergence between the two estimates, I have not included that country in the list. But even if the third category is included, it is significant that all countries in this set—Honduras, Kenya, Mauritania, Nepal, and Nicaragua—have been mostly authoritarian.

13. Most percentages cited here are based on the World Development Indicators published by the World Bank. Where unavailable, I have used other sources. Data on Latin American democracies come from Oscar Altimir, "Inequality, Employment, and Poverty in Latin America" in *Poverty and Inequality in Latin America*, eds. Victor E. Tokman and Guillermo O'Donnell (Notre Dame, Ind.: University of Notre Dame Press, 1998), pp. 3–35. On Sri Lanka, the World Development Indicators show only 4% of the population below the poverty line, but the International Monetary Fund (IMF) questions the World Bank statistics, rightly so, if one goes by Sri Lanka's own statistics: "[U]nder the international poverty line of \$1 a day Sri Lanka's poverty rate is only 4%; under more reliable measures based on local poverty lines and nutritional needs almost 25% of the population lives below the poverty line." See IMF, *Sri Lanka: Selected Issues* (Washington, D.C.: IMF, 1998), p. 51.

14. Irma Adelman and Cynthia Morris, *Economic Growth and Social Equity in Developing Countries* (Stanford: Stanford University Press, 1973), p. 214.

One should also note that no democracy has let poverty worsen over a substantial length of time, or dramatically; and no democracy, of course, has allowed famines to take place.¹⁵ Authoritarian polities have seen both of the latter, and have for long periods of time also managed to get away with it. Mobutu's Zaire, for example, economically declined for over two decades, and famines struck Ethiopia, the Sahel, Bangladesh, and China in the period after the 1950s. Democratic countries, even when struck by terrible droughts, pre-empted famines.

In short, the wild authoritarian fluctuations contrast sharply with a certain middling democratic consistency. Democracies may not be necessarily pro-poor, but authoritarian systems can be viciously anti-poor. To repeat, democratic attacks on poverty have simply been slow but steady.

Why Not Better?

Why is the record of democracies not any better? There are three theoretical possibilities: (1) the poor either do not vote, or local coercion makes it difficult for them to vote according to their true interests; (2) organizing the poor is difficult because of collective action problems; or (3) if they do vote, they vote on noneconomic grounds.

Possibility (1) requires a comparative investigation and disaggregation of turnout rates and an identification of whether those who abstain from voting are primarily the poor. While turnout rates can be put together for most democracies, their disaggregation in terms of class is not available.

On India, where disaggregated data on turnout rates are now available, the picture is exactly the opposite of what is implied above. The poor in India have tended to vote more than the middle and rich classes, the villages more than the cities, the lower castes more than the upper castes, at least in recent years.¹⁶ The incidence of coerced voting—coercion exercised by the local patrons or local rich—has also gone down significantly. If India is any guide, the conclusion should be that even when the poor vote, poverty alleviation can be slow, or politicians do not necessarily make removal of poverty their prime goal. No Indian election—of the 12 held for Parliament since Independence—has turned on the performance of the government on poverty alleviation.¹⁷

15. Amartya Sen, "Food and Freedom," *World Development* 17:6 (June 1989).

16. Yogendra Yadav, "Understanding the Second Democratic Upsurge" in *Transforming India*, eds. Francine Frankel et al. (Delhi: Oxford University Press, 2000), pp. 120–45.

17. However, one—in 1971—was heavily influenced by the election slogan and promise of "garibi hatao" (abolish poverty) by Mrs. Gandhi and her Congress Party. Not much came of the promise. Moreover, when Mrs. Gandhi was thrown out of power in 1977, the big issue was not poverty but her 18-month suspension of democracy (1975–77) and a draconian family planning program that her son initiated.

Theoretical possibilities (2) and (3), therefore, require very serious consideration. Possibility (2) points to the political mobilization of the poor putting pressure on governments to allocate resources to poverty alleviation, potentially changing the trajectory of politics, reflected either in party competition for the vote of the poor, or in empowering a party that stands for the interests of the poor. Possibility (3) also goes in the same direction, but in a different way. Mobilization may run into difficulties of collective action, but voting constitutes individual, not collective, action. One can express one's disapproval of a government by voting in a democracy. If all poor people, as individuals, vote on grounds of whether or not the government is alleviating poverty, they can easily outvote the incumbent in a first-past-the-post system.

Two reasons, I would like to suggest, ensure that voting and mobilization possibilities for the poor do not lead to a removal of poverty and do not become spurs for effective and sustained pro-poor governmental action. First, for the poor, poverty alleviation measures that are direct carry a great deal more weight in the short run than measures that are indirect and have a long-run impact. Given the subsistence, or near-subsistence, levels of their existence, such reaction is rational and to be expected. And second, the poor, like all of us, have multiple selves. They are not only members of a class of poor, but also of linguistic, religious, tribal, and caste communities. Often, their voting, like those of many others, is identity-based, not class-based—and so is their mobilization. Multiple selves drive a wedge between the poor as a class and the poor as a political collectivity, significantly reducing, if not eliminating, pressure on the government to act on behalf of the poor.

Direct Versus Indirect Measures

As is well known, direct methods of poverty alleviation consist of income transfers to the poor (producer and credit subsidies, or poor-based employment programs) and at a more radical level, land reforms. The indirect methods are growth mediated. Since growth today is linked to trade liberalization, and a generally more market-oriented economic strategy than was typically pursued until the late 1970s in the developing world, these growth-enhancing policies have also by implication become the indirect methods of poverty alleviation in economic thinking.

Two points, however, must be added for further clarification. First, the emphasis on growth-mediated strategy does not mean that any type of growth is considered desirable from the perspective of poverty alleviation. A labor intensive growth strategy is considerably superior to one that is capital intensive. Given their comparative advantage, trade-oriented growth tends to be more labor intensive for poor countries than import-substituting growth, which used to be capital-intensive. From the standpoint of poverty, there is a difference between South Korea and Brazil. Both relied heavily on a high-

growth strategy, but the former has been trade oriented since the late 1960s and the latter only since 1991.¹⁸

Second, a growth-mediated strategy of poverty alleviation does not entail a full-blown external liberalization of the economy. *Trade* liberalization can be argued to be superior to the liberalization of *capital* markets.¹⁹ Moreover, there is also the unresolved puzzle of whether “shock therapy” or gradualism is better in the transition to a market-oriented strategy. By going, wittingly or unwittingly, for a premature full capital-market liberalization, Indonesia ended up pushing several million people below the poverty line after the financial meltdown of 1991 led to an awful crisis, both of public and private finances; unlike China, Russia experimented with shock therapy rather than gradualism, producing chaos in the process.²⁰ To blame the post-1997 difficulties of Indonesia and Russia on economic liberalization *per se* is not to unpack the various elements of liberalization, some more defensible than others, and also not to ask questions about the possible sequencing of reforms. It is noteworthy that even those who do not believe that trade-based growth alone is enough for mass welfare, nonetheless, agree that growth is a necessary, if not a sufficient, condition for removal of poverty.²¹

Nor does a market-oriented liberalization, one might add, imply a complete absence of reliance on direct methods. Indeed, so long as growth is generating enough resources, it may even be possible for public authorities to allocate more for direct measures, such as food-for-work programs. Therefore, even the sustenance of some direct methods, if not all, may heavily rely on growth-generating policies, but the reverse may not be true. Direct measures can often be more effectively run in the framework of growth-enhancing and trade-oriented policies.

In politics, however, the direct and indirect arguments have a very different resonance. Whether their impact on poverty is lasting or not, direct methods

18. Jeffrey Sachs and Andrew Warner, *Economic Reform and the Process of Global Integration*, Brookings Papers on Economic Activity, no. 1 (Washington, D.C.: Brookings Institution, 1995), p. 23.

19. Jagdish Bhagwati, “The Capital Myth,” *Foreign Affairs* 77:3 (May 1998). Other major advocates of trade liberalization who have nonetheless opposed what has come to be known as capital account convertibility, unless certain initial conditions are satisfied, are Jeffrey Sachs, Joseph Stiglitz, and Paul Krugman.

20. For the various reform experiences, see Padma Desai, ed, *Going Global* (Cambridge, Mass.: MIT Press, 1997). It has also been suggested that due to the differential sizes of the agricultural sector at the inauguration of reforms, China had the option of gradualism but Russia did not. See Jeffrey Sachs and Wing Thye Woo, “Reform in China and Russia,” *Economic Policy* 18:2 (April 1994).

21. See Dani Rodrik, *Has Globalization Gone Too Far?* (Washington, D.C.: Institute of International Economics, 1997); and Raghav Gaiha, “Does Agricultural Growth Matter in Poverty Alleviation?” *Development and Change* 26:2 (April 1995).

have clearly demonstrable and short-run linkages with the welfare of the poor. The relationship of indirect methods—exchange rate devaluations, tariff reductions, privatization of public enterprises and, generally, a market-oriented economic strategy—with poverty removal is not so clear cut, short run, and intuitively obvious. This has serious political implications.

Consider trade liberalization and currency devaluation as an example. Under what conditions would their link with mass welfare be clear and direct? Were a country's economy heavily dependent on foreign trade, a lowering of tariff walls, a reduction in quantitative trade restrictions, and a devaluation of the currency would potentially be of great concern to the masses. In 1996, trade constituted more than 50% of the GDP of Singapore, Malaysia, Thailand, the Philippines, Mexico, Hungary, South Korea, Poland, and Venezuela, and between 40% to 50% of the GDP of Israel, Chile, China, and Indonesia. Changes, especially dramatic ones, in the trade and exchange rate regimes of these countries thus have a clear potential for mass politics.

However, it would be instructive to look at what the trade/GDP ratios for these economies were in the 1970s. Without doubt, they were much smaller. The political implication should be obvious. If external trade is a small part of the economy, changes in trade and exchange rate regimes will be of peripheral importance to the masses.²² For trade and exchange rate regimes to become part of mass politics, it may be necessary to make economies more trade dependent in the future. If globalization does proceed further, this scenario is quite possible. But it is important to recall that in the protectionist era that lasted right until the late 1970s and early 1980s, such political potential simply did not exist.

One can, of course, argue that even if trade dependence of an economy is small, several long-run or indirect linkages can be shown to exist between mass welfare on the one hand and overvalued exchange rates, or relatively closed trade regimes, on the other. Anne Krueger, for example, has argued that by making "import competing" industrial goods dearer for the countryside and also discouraging exports, an ISI-type trade and exchange rate regimes systematically discriminated against the countryside all over the developing world.²³ The implication is that a majority or large plurality of a

22. The overall size of the economy complicates the meaning of low trade/GDP ratios. Smaller economies tend generally to have a high trade/GDP ratio, making trade very important to their political economies. With the striking exception of China, however, the largest economies of the world—the U.S., Japan, and Germany—are less trade dependent. (Indeed, the trade/GDP ratio for India and the U.S. was roughly the same in 1996.) Still, trade politics, as is well known, have aroused a great deal of passion in the U.S. and Japan. The meaning of the same ratios can change if the leading sectors (autos, computers) or "culturally significant" sectors (rice for Japan, agriculture in France) of the economy are heavily affected by trade.

23. Anne Krueger, *The Political Economy of Agricultural Pricing Policy*, vol. 5, (Baltimore: Johns Hopkins University for the World Bank, 1990).

developing country's population was hurt, even when trade was a small part of the economy.

At this point in the reasoning laid forth here, the politics and economics of development significantly diverge. Agrarian politicians have long existed in most countries, but they have rarely, if ever, agitated for an open foreign trade regime, focusing instead on the absence of land reforms or on the unfavorable urban-rural trade, which may indeed have, as Krueger argues, caused less overall damage. If such indirect links were not even clear to the economists, who continued until the 1970s to look at rural welfare primarily through the lenses of internal terms of trade and direct benefits to the countryside, can a politician be expected to mobilize peasants over the underlying and subtle, though hugely important, links between foreign trade and mass welfare in a poor country? Long run and indirect links do not work well in democratic and mass politics: the effect has to be simple, intuitively graspable, clearly visible, and capable of arousing mass action.²⁴

More direct evidence on how the masses look at market and trade oriented economic reforms is also available. In the largest ever survey of mass political attitudes in India conducted between April–July 1996, a full five years after reforms were initiated, 32% of the urban voters knew of reforms, but only 12% of the rural electorate had heard of them, even though a change in trade regime implied that the protection offered to manufacturing relative to agriculture had gone down significantly and agriculture's terms of trade had improved.²⁵ Further, nearly 66% of the graduates were aware of the dramatic changes in economic policy, compared to only 7% of the poor, who are illiterate and mostly residents of the countryside. Thus, even as late as 1996, India economic reforms, toasted enthusiastically in the domestic and international economic community, had barely registered as an important event for the rural folk and poor. An equally big initiative launched as a direct attack on poverty, however economically unsound, would almost certainly have registered prominently.

Democratic preference for direct methods has on the whole—and so far—limited the ability of democracies to eliminate poverty. It also signifies the outer limits of democratic political action. For even if one could mobilize the poor as a cohesive force, their voting became entirely economic, and their united pressure led to something as dramatic as land reforms, the consequent effect on poverty, though positive, would not be as substantial, or as long lasting and sustainable, as had traditionally been imagined. Consider land reforms as an example. They are commonly seen as the most effective direct

24. For a fuller elaboration of this idea, see Varshney, "Mass Politics or Elite Politics?"

25. Yogendra Yadav and V. B. Singh, "The Maturing of a Democracy," *India Today*, August 31, 1997.

method of attacking poverty, and unlike food-for-work or subsidy programs, they are not often viewed as requiring fiscal resources of the state.²⁶ Since the availability of fiscal resources greatly, though not wholly, depends on economic growth, one could suggest that growth or no growth, land reforms can eliminate poverty.

This reasoning is not entirely convincing. For land reforms to remove poverty, two other conditions must be satisfied: (a) there should be enough land to go around, ensuring that a wholly suboptimal distribution of small plots does not constrain the post-reform productivity of the poor; and (b) new agricultural technology, which is relatively capital intensive and therefore not easily affordable by the poor, is made available at a subsidized rate by government.²⁷ A better utilization of labor inputs, possible and likely after the tenant is more secure or people work on their own lands, will by itself not bring about sustained increases in productivity and therefore income.²⁸ If plots end up being suboptimal or new technology—irrigation, high-yielding variety seeds, and chemical fertilizers—can not be bought by the beneficiaries, land reforms may bring in equality and introduce a measure of justice, but they can also leave most beneficiaries at a low level economic equilibrium, instead of facilitating a sustained increase in their incomes. Security to tenants and allocation of land to the tiller do not necessarily take them above the threshold of poverty line. The questions of productivity and access to new technology continue to be relevant.²⁹

26. The argument below is economic, not political. For the political conditions under which land reforms can be implemented and why these conditions are so rare, see Ronald J. Herring, *Land to the Tiller* (New Haven, Conn.: Yale University Press, 1983).

27. For more details, Ashutosh Varshney, *Democracy, Development and the Countryside* (Cambridge: Cambridge University Press, 1995), chaps. 2 and 3.

28. Ronald J Herring, "Dilemmas of Agrarian Communism," *Third World Quarterly* 11:1 (January 1989). For how such problems might be overcome as well as how long it might take to overcome them, see the important recent book on the Indian state of Kerala by Patrick Heller, *Labor as Development* (Ithaca, N.Y.: Cornell University Press, 1999). The Kerala economy has begun to grow at a substantial rate only in the 1990s—i.e., two decades after land reforms. Kerala had the most thoroughgoing land reforms in post-independent India.

29. This, I should emphasize, is not an argument against land reform or asset redistribution *per se*. It is simply a call for pushing the inquiry toward asking how it compares with other methods and whether other methods are more productive and sustainable, while simultaneously alleviating poverty. Land reforms are defensible, if one can show that they promote productivity and can be a source of sustained increases in income. In Latin America, where the Gini coefficients of land distribution are considerably higher than elsewhere, the land/man ratio is not entirely unfavorable, and there is enough land to go around, a case can still be made for land reforms. By contrast, where landlessness is not typically high (for example, Sub-Saharan Africa), the poor will not gain much from land redistribution. Other methods of raising productivity may be more relevant, including public investments in irrigation on a continent not known for high irrigation/total acreage ratios, or scientific research on seeds that use less water and therefore are more usable in semi-arid conditions.

If new titles to land, or security of tenancy, cannot guarantee an end to poverty, the effectiveness of income transfers—through credit or producer subsidies—to the poor is even more open to question. Such direct transfers to the poor, when a large plurality of the population is below the poverty line, are no panacea for the problem of poverty, and their fiscal sustainability can be highly dependent on the revenues generated by economic growth.

To conclude, the direct methods are less economically effective but politically more appealing in the short run, while the indirect methods are more economically effective but harder to sell politically. A better alignment of the political and economic may be possible in authoritarian countries, where politicians do not have to carry the masses with them and a preoccupation with the long run and indirect methods of poverty removal can simply be forced down the process, if a political elite is committed to the poor. Unless the trade dependence of an economy qualitatively changes—making more and more people dependent on trade for their welfare—a trade-oriented strategy will not ignite political passions in a democracy and the economically desirable methods will continue to be misaligned with the likely forms of democratic politics.

Conclusions

Democracies in the developing world have only had moderate success in reducing poverty. The reason, in part, is that while there has been an elective affinity between democracies and direct methods of poverty alleviation, direct methods are demonstrably not as effective in attacking poverty as the indirect ones.

One may wish to conclude by asking what the implications of the argument of this article are for the era of market oriented economic reforms. As is well known, since the late 1970s, what has come to be known as a “third wave” of democracies has produced many more democracies in the developing world than ever before. Moreover, since the mid-to-late 1980s, a lot of these democracies have also gone for a market-oriented economic strategy, which is primarily an indirect method of poverty alleviation. Markets and democracies have thus simultaneously proliferated. Will poor democracies eliminate poverty in the new era of market-oriented economic reforms?

Thus far, economic reforms have emerged from above—through policy initiatives taken by governments and encouraged by international financial institutions. The poor may have been hurt by the dirigisme of the previous economic era, but in few countries have the reform and reformers been voted in power due to the commitments of masses to a market-oriented strategy. At the mass level, the links between markets and mass welfare are not easily understood. Therefore, there may be, due to the excesses and discrediting of

dirigisme, indirect support for reforms, but it can't be called a direct and lasting political support on the part of the masses.

This poses both opportunities and dangers. Now that the political elite in most countries are beginning to appreciate the logic of growth- and outward-oriented strategies, it is possible to envision greater possibility of poverty removal in poor democracies. But few politicians are emphasizing the links between markets and mass welfare. Political language and rhetoric aimed at creating a mass constituency for reforms are not generally in evidence, and the argument that reforms can make life better for the masses, not simply for the middle class and the rich, has not emerged as an electoral argument in mass politics.

As a result, any significant short- to medium-run downturn that makes the masses precipitously worse off, despite the possibility of a final and long-run deliverance from poverty, can take the shine off reforms in politics and create a constituency for disciplining the uncertainties of markets through the agency of the state. It has to be more clearly demonstrated and argued in the political, not economic, realm that reforms are not only about economic efficiency but also about enhancing mass welfare, especially that of the poor. Only the latter can be the primary political rationale for economic reforms in a poor democracy.