

Chapter 17

Democracy and Poverty

Ashutosh Varshney

Two embarrassments mark the record of development since World War II: one pertaining to the market forces, another concerning democracy. In the mid-1980s, and especially in the decade of the 1990s, more and more countries embraced the logic of market-oriented economics. The argument for a freer acceptance of market-based economic strategies stemmed partly from the failure of *dirigisme*, the erstwhile dominant economic strategy, and partly from the assumption that the economic growth generated by market forces would lead to mass well-being and was a surer way of conquering poverty.

One can debate whether poverty has declined or not, and by how many percentage points. Even if one agrees that poverty has indeed come down in the era of globalization—which I happen to believe—the fact remains that global poverty is still extensive. As much as a third of the world, perhaps slightly less, could still be below the \$1 a day poverty line set by the World Bank.¹ Those who made a fervent case for the embrace of market forces might still say in their defense that the situation would have been better if governments had been more resolute in their embrace of neoliberalism. But it can't be denied that markets have been much freer in the past 20 years than at any time since World War II (Sachs and Warner 1995). And if a third, or even a fourth, of the world is still below the poverty line, one can only call it an embarrassment for those who thought markets would deliver the masses out of poverty (Stiglitz 2002). Markets may well be necessary for poverty reduction, but they are patently not sufficient, at least in the short to medium run. We need to make them work better for poor people. After the experiences of the 1990s, we need a humble admission of this basic point.

This chapter, however, is not about the “market embarrassment.” It is primarily about the embarrassment of democratic development. What is the nature of this latter embarrassment?

Poverty Reduction in Democracies: A Mediocre Record

In the most meticulous and comprehensive statistical examination yet of the relationship between democracy and development, Przeworski and colleagues provide compelling evidence for a hunch long held by observers of development. “The lists of miracles and disasters,” they argue, “are populated almost exclusively by dictatorships . . . The [economic] tigers may be dictatorships, but [all] dictatorships are no[t] tigers” (2000, 178).

Indeed, Przeworski and his team could explicitly have taken another analytic step, a step that can be logically derived as a syllogism from what they say. Moving beyond a bimodal distribution—miracles and disasters—they could have also constructed a third, in-between category. They would have found that democracies tend to fall almost exclusively in the unspectacular but undisastrous middle. No long-lasting democracy in the developing world has seen the developmental horrors of Mobutu’s Zaire, but none has scaled the heights of a Taiwan, Republic of Korea, or Singapore.

Can this argument be extended from economic growth, which is Przeworski’s focus, to the poverty-eradicating record of democracies in the developing world? Would it be true to say that while no democracy has attacked poverty as successfully as Singapore, Korea, or Taiwan, none has made economic life as awful for its poor people as Haiti, Chad, Zambia, or Niger, among the worst performers on poverty alleviation in the developing world (World Bank 2000, 282–83)?

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.

I argue below that the poverty-eradicating record of democracies in the developing world is, indeed, neither extraordinary nor abysmal. Democracies have succeeded in preempting the worst-case scenarios, such as famines (Sen 1989), and have avoided a consistent or dramatic deterioration in the welfare of the poor, but they have not achieved the best results, namely, eradication of mass poverty. The performance of dictatorships, by comparison, covers the whole range of outcomes: the best, the worst, and the middling. Some dictatorial regimes have successfully eradicated poverty. In others the problem has worsened, or no significant change in mass poverty is observable. In still others, the progress has been slow but steady, much as it has been in many democracies. The promise of democracy was greater in the eyes of liberals. Hence the embarrassment of democratic development.

Why should we have expected poor democracies to do better at poverty alleviation? One reason is sheer numbers. In the United States and Europe a very small proportion of the population, typically less than 5 percent of the

total, lives in abject poverty. Poor people in these richer economies, their numbers being so small, can hardly leverage themselves into a great electoral or political force in order to push governments to do more for them. But poor democracies possess, by definition, many poor people. In the developing world the poor constitute a large plurality of the population, sometimes even a majority. At least in principle, poor people in poor democracies, if not in poor dictatorships, *ought to experience over time some degree of empowerment by virtue of their numbers alone*. They should therefore be able to exercise pressure on the government to address poverty effectively through public policy. If the poor have the right to vote, then a 30 percent voting bloc can often be decisive, especially in a first-past-the-post electoral system, in which elections are often decided on the basis of a plurality of the popular vote. Election victories in a Westminster-style democratic system often do not require majorities, especially if the electoral contestation is between more than two political parties, as is often the case. Most stable democracies in the developing world, listed later on in this chapter, have a Westminster-style system. Yet mass poverty remains extensive in them.

Of course, it can be argued that the validity of this theoretical reasoning and expectation depends on whether the poor actually do vote, or vote as much as the richer classes do. If the poor do not vote, or are not allowed to vote because of manipulation or coercion by the local elite, or they vote according to the wishes of the local elite because the elite are the patrons and the poor their dependent clients, then we should expect poor people to remain as powerless as always, and thus incapable of exerting pressure on even a democratic government. What do we know about whether, and how freely, the poor vote in the developing world? Disaggregated statistics along the rich-poor divisions are not available for most poor democracies. For India, however, turnout rates have been systematically disaggregated, and it is clear that over the past 15–20 years the poor have tended to vote much more than the middle and upper classes (Yadav 2000, 2004). We also know that in this period, the patron-client relationships between the upper or dominant castes on one hand and the lower and generally poorer castes on the other have been considerably undermined across much of India (Varshney 2000a; Weiner 2001). Yet poverty alleviation in India has continued to be quite slow.

Voting, however, is not the only mechanism of influence available to poor people in a democratic polity. The poor can also, at least in theory, be politically mobilized into, let us say, a poor people's movement, and can thereby exercise their weight and push the government to adopt pro-poor policies.² Both mobilization and voting are available as options and can be viewed as two forms of *pressure from below*. These mechanisms are not present in the same way in authoritarian systems, for given the absence of political freedoms, opportunities for the mobilization of the poor are significantly fewer, and voting is either perfunctory or nonexistent. Of course, in theory, authoritarian polities can feel a significant amount of *pressure from above*—stemming from a commitment of the political elite to reducing poverty, or from international pressures—and may therefore make a significant attempt to eliminate poverty.

But dictatorships do not feel a systematic pressure from below, whereas democratic systems can be subjected to both kinds of pressure.

In short, as many political theorists have argued since the nineteenth century, universal-franchise democracies ought to significantly empower the poor. By extension, there should be a great deal of pressure on poor democracies to eliminate poverty. However, defying this theoretical expectation, poor countries that are viewed as having had long-lasting periods of democratic rule—India, Costa Rica, Venezuela, Colombia, Botswana, Jamaica, Trinidad and Tobago, and Sri Lanka, among others—still on the whole have a substantial proportion of their populations stuck below the poverty line.

This experience raises some questions. Do poor democracies really feel enough pressure from below to remove poverty? If they do not, then why not? If they do, then what causes actual outcomes to fall short? Do these governments follow economic policies that best tackle the problem of mass poverty? If not, why not?

In response to these questions, I make two arguments. First, if we draw a standard distinction between direct and indirect methods of poverty alleviation, it is possible to show that in the developing world, democracies find it politically easier to subscribe to the direct methods of poverty alleviation, despite the by-now widely recognized economic inferiority of such methods. Indirect methods have little political appeal in democracies, even though their greater long-term effectiveness is clear in economic thinking. Direct methods consist of public provision of income (for example, food-for-work programs, and credit and producer subsidies for small farmers) or a transfer of assets to the poor (for example, through land reforms). Indirect methods are essentially mediated by growth—not any kind of growth, but one that aims at enhancing opportunities for the poor to increase their incomes. Over the past two decades, the conventional wisdom in economics has moved toward the superiority of indirect methods, suggesting that they are more productive in use of resources and also more sustainable in the long run (in terms of how long the provision of public resources can be financed, without impairing the capacity to provide them further). The political logic, however, goes in the opposite direction in democracies. Because of electoral and mass pressures, democracies tend to have an elective affinity for direct methods of poverty alleviation. Not given to electoral renewal of mandates, authoritarian polities avoid this problem. If indirect methods are better at eradicating poverty, it follows that authoritarian countries—some, not all, as argued later—would have greater success with poverty eradication.

My second argument has to do with the distinction between class and ethnicity. At its core, class is an economic category, but ethnicity is defined in terms of a birth-based (ascriptive) group identity, imagined or real. Ethnic politics of subaltern groups is typically not couched in terms of poverty. Rather, it uses the language of *dignity and social justice*, in which poverty is typically only a component, incorporated in a larger theme emphasizing self-respect, equality of treatment, and an end to everyday humiliation. If the poor, irrespective of the ethnic group they come from, were to vote or mobilize strictly

on economic grounds, they would also press the decision makers to attack poverty a great deal more forcefully. However, at least in multiethnic democracies, not only is it easier to mobilize the poor as members of ethnic communities, but that is also how they often vote—along lines of ethnicity, not class. Poverty and denial of dignity together constitute a more serious force in democratic politics than poverty alone.

That being so, *even with direct methods*, a democratic polity is better able to attack poverty if (a) ethnicity and class roughly coincide for the poor, rather than clash, and (b) the subaltern ethnic group is relatively large. If the poor belong to very different ethnic groups (defined by caste, language, race, or religion), and no ethnic group is large enough to constitute a significant voting bloc, the pressure on the political elite to ease poverty decreases significantly.

In short, my argument is that no democracy in the developing world has successfully eliminated poverty because, on one hand, direct methods of poverty alleviation have greater political salience in democracies, and on the other hand, the poor are typically not from the same ethnic group. The former hurts the poor because it can be shown that some indirect, market-based methods of poverty alleviation—not all market-based methods, but those that generate employment for the poor and give them greater capabilities to pursue their interests and withstand shocks and crises—are more effective than direct methods in attacking poverty. And the latter goes against them because a split between ethnicity and class militates against the mobilization and voting of the poor as a class and dilutes the exertion of pro-poor political pressure on governments.

Conceptual Considerations

The term “poverty” today is used in three ways. The conventional usage is linked to consumption and hence income, focusing primarily though not exclusively on a caloric floor that the human body, on average, needs to function normally. In this narrow sense, hunger and endemic malnutrition more or less define poverty. In the richer parts of the world, we typically try to reduce the number of calories our bodies consume every day. In the developing world, the first challenge is not to reduce caloric intake but to provide a minimally adequate number of calories daily to millions of people. The \$1 a day yardstick used by the World Bank primarily conforms to this hunger-based definition of poverty, sometimes called *income poverty*.

The term “poverty” is also used more broadly, however, to encompass other fundamental dimensions of human life and development beyond income and consumption—for instance, deprivation with respect to education and health. This is sometimes called *human poverty*. Sen (1999) broadens this concept even more by adding to education and health other factors such as freedom, thus introducing the notion of *capability poverty*. I will not use the term poverty in these latter two senses. It is not that education, health, and freedom are not valuable; they certainly are. It is simply that I am clearer about

the relationship between democracy and income poverty than about democracy and the broader concepts of poverty.

In his seminal works on democratic theory, Dahl (1971, 1989) defines democracy in terms of two basic criteria: contestation and participation. The first criterion has to do with how freely the political opposition contests the rulers. The second asks whether all groups, irrespective of social and economic status, or only some groups participate in politics and determine who the rulers should be. The first principle is also called political liberalization, and the second political inclusiveness.

Democracy may have an identifiable impact on poverty, but it should be noted that poverty itself does not enter into the definition of democracy. The best we can say is that if poverty, despite the presence of democratic institutions, obstructs the free expression of political preferences, it makes a polity *less* democratic, but it does not make it *undemocratic*. So long as contestation and participation obtain, democracy is a continuous variable, not a discrete or dichotomous variable. Dichotomies need to be distinguished from variations in degree. As Dahl famously put it, before the civil rights movement of the 1960s the United States was less democratic than it is today, and America's future can be even more democratic if there is greater reduction in economic inequalities (1971, 29).³ In the presence of contestation and participation, an absence of poverty certainly makes a polity more democratic, but elimination of poverty by itself does not constitute democracy. There is no democracy without elections.

Another important conceptual issue should be clarified. In the advanced industrial countries, democracy is a stock variable, but in the developing world, it is a flow variable. In the poorer countries, a military coup or a wanton suspension of the legislature by the executive can dramatically alter the democratic score of a country, as it were. That is to say, on a 0–1 scale, the values of democracy in poorer countries can easily fluctuate between 1 and 0, but richer countries typically don't have coups and their governments don't normally suspend legislatures.

This difference in the institutionalization of political structures has serious implications for how we go about measuring the impact of democracy on poverty. For analytical tractability, it is necessary, first, to identify which countries have been relatively stable democracies—that is, democracies for a long enough period—in the developing world. An exercise like this is not necessary in the developed world, where democratic stability can be assumed. It is difficult, though not impossible, to analyze the impact of democracy on poverty if democracy itself is not stable.

If we construe “long enough” to mean *three fourths of the period since 1950 or since independence*, then countries that would meet the criterion of democratic longevity are few and far between.⁴ They include India, Botswana, Costa Rica, Venezuela, Papua New Guinea, Sri Lanka (between 1950 and 1983), and the Philippines (between 1950 and 1969, and since 1986). Also included are the former British colonies in the Caribbean (principally Jamaica, Trinidad and Tobago, Barbados, and the Bahamas), along with some other

very small states⁵ (Huntington 1983; Weiner 1989). Some would add Malaysia to this list as well, but it should be noted that Malaysia is by now seen as a long-lasting, consociational-type democracy, where participation may be high but contestation between political parties is limited by consensus, and political competition, by agreement, is designed around ethnic groups rather than individuals (Lijphart 1977).⁶ Malaysia, in other words, is a particular kind of democracy, not one in the standard sense.⁷ For our purposes here, we can count it as a democracy, given that universal-franchise elections are regularly held, so long as we remember the specific nature of electoral competition and consider its economic implications.

In short, it is the countries above that are critical for analyzing the relationship between democracy and poverty. Democracy has come to many more countries than ever before in the so-called “third wave” that began in the 1970s (Huntington 1991), but if we enlarge the canvas to include the entire post-1950 period, it will be hard to add many more countries to the small list above. By contrast, the number of countries that remained authoritarian for long periods after 1945 is very large. This asymmetry means that we have only a small number of observations about long-lasting democracies. If the *N* were larger, we could have a robust statistical analysis of their economic consequences for the poor. Until the new democracies of the third wave have established their longevity and thus produced many more democratic observations for inclusion, rigorous qualitative reasoning may well be our best analytic option (King, Keohane, and Verba 1994).⁸

Poverty Eradication: The Broad Picture

Whether democratic systems have reduced poverty, it should be clear, is not a cross-sectional question. We need at least two sufficiently distanced periods for analysis, if not an entire time series. Such data on an intercountry basis do not exist. Global figures for poverty were first calculated for 1985 based on an international poverty line of \$1 a day (World Bank 2000). Though doubts remain as to the authenticity of such large-*N*, intercountry statistics, the World Bank’s figures are now customarily used for discussion of world poverty.⁹ Note, however, that even if we agree with the World Bank, all we can say is that even of late, about 30 percent of the world population has remained more or less below the \$1 a day poverty line.

We simply do not know the numbers of the poor, either globally or in individual countries, for the 1950s or 1960s in any systematic sense. If, to gather such statistics, we rely on the reports available for each country, we find that the criteria used by different countries to define and measure poverty do not match, and often the criteria have not been consistently used even within the same country. A methodologically tight time series on poverty for the entire developing world is not available, nor is it easy to create figures for the pre-1985 period.

Luckily, some broad conclusions can nonetheless be presented, for they do not depend on statistical accuracy but on statistical reasonableness. Complete

data sets would be necessary if we were to make finer judgments—for example, if we were asked to rank-order all developing countries on poverty eradication, just as the United Nations Development Programme's human development reports rank all countries on a so-called human development index. But since all we need is categorical judgments, rather than a comprehensive rank-ordering, the available statistics, despite being incomplete, do permit some fairly robust conclusions.

On poverty alleviation, there is a huge variation in the record of authoritarian countries. Spectacular authoritarian successes at attacking poverty (Republic of Korea, Taiwan, and Singapore) coexist with miserable failures (in much of Sub-Saharan Africa and Latin America). And many countries also fall in the middle between the two extremes. According to *World Development Report 2005*, the following developing countries still had more than 40 percent of their populations below the international poverty line of \$1 a day in the late 1990s (or later): Burkina Faso, Burundi, Central African Republic, Ghana, Madagascar, Malawi, Mali, Nicaragua, Niger, Nigeria, Sierra Leone, and Zambia (World Bank 2004, 258–59).¹⁰ It is noteworthy that these countries *have all been mostly authoritarian over the past four or five decades* (Przeworski et al. 2000, 59–69).

By comparison, long-lasting democracies—India, Jamaica, Botswana, Venezuela, the Philippines, Sri Lanka, Costa Rica, and Trinidad and Tobago—are neither the biggest successes nor the greatest failures. In the early 1960s, Korea, Taiwan, and Singapore were roughly as poor, or poorer, than these countries (Adelman and Morris 1973), but by now they have wiped out mass poverty. Indeed, economically speaking (though not politically), Singapore today is a developed country, nearly as rich as the United Kingdom and without the obvious signs of poverty one sees in parts of Britain.¹¹

In short, the violent authoritarian fluctuations contrast sharply with a certain middling democratic consistency. Democracies may not necessarily be pro-poor, but authoritarian systems can be viciously anti-poor. Democratic attacks on poverty have simply been slow but steady—unspectacular but undistasteful, as it were. Why?

As noted above, there are two main reasons: the political preference in poor democracies for direct rather than indirect methods of reducing poverty, and the salience of ethnicity rather than class in multiethnic democratic politics. These factors are examined in detail below.

Direct versus Indirect Measures

As is often noted in the economic literature, direct methods of poverty alleviation represent income transfers to the poor (producer and credit subsidies, or targeted employment programs), and at a more radical level, asset transfers (land reforms). The indirect methods are growth-mediated. Economic growth, according to mainstream economic wisdom today, is best achieved through trade liberalization and a generally more market-oriented economic strategy than was typically adopted in developing countries until the

late 1970s. Thus these trade- and market-oriented policies have also, by implication, become the indirect methods of poverty eradication in economic thinking.¹²

Two clarifications, however, must be added. First, the emphasis on a growth-mediated strategy does not imply that all growth strategies are good for poverty alleviation. A labor-intensive growth strategy is better than one that is capital-intensive. Stated another way, there is a difference between Korea and Brazil. Both relied heavily on high growth, but the former went primarily for a labor-absorbing export-oriented strategy in the late 1960s and the 1970s, whereas the latter concentrated mostly on a capital-intensive import substitution strategy between the 1950s and 1970s. Korea has more or less eradicated mass poverty; Brazil has not.

Second, a growth-based strategy of poverty alleviation does not entail a full-blown external liberalization of the economy, nor does it imply a complete absence of reliance on direct methods. Many consider trade liberalization to be infinitely superior to the liberalization of capital markets (Bhagwati 1998; Sachs, Varshney, and Bajpai 1999; Stiglitz 2002), and there are a great many arguments about the ambiguous effects of dramatic privatization as well (Stiglitz 2002). Market-based methods may on the whole be better, but not all of them work. What is clear is that 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, relies heavily on growth-generating policies. *Direct measures can often be more effectively implemented in the long run in the framework of growth enhancing, trade oriented policies.*

In democratic politics, however, these arguments have a very different meaning. Whether their impact on poverty is lasting or not, direct methods have clearly comprehensible and demonstrable short-run linkages with the well-being of the poor.¹³ The impact of indirect methods—exchange rate devaluations, tariff reductions, privatization of public enterprises and, generally, a market-oriented economic strategy—on poverty is not so clear-cut, immediate, and intuitively obvious. Long-run and indirect links do not work well in democratic politics: the effect has to be simple, intuitively graspable, clearly visible, and capable of arousing mass action (Varshney 1999).

Direct evidence on how the masses look at market-oriented economic reforms is also available. In a large survey of mass political attitudes in India conducted in 1996, about five years after reforms were initiated there, it was found that only 12 percent of the rural electorate had heard of the reforms, although 32 percent of the urban voters knew of them (Yadav and Singh 1997). This was so even though a change in the trade regime implied that the protection offered to manufacturing relative to agriculture had gone down significantly and that agriculture's terms of trade had improved. Furthermore, only 7 percent of poor Indians, who are mostly illiterate, were aware of the dramatic changes in economic policy, compared to nearly 66 percent of college graduates. Thus, India's economic reforms, toasted enthusiastically in the

domestic and international economic community since 1991, had barely made an impression on the rural folk and the poor even five years after their inauguration. An equally dramatic direct attack on poverty, however economically unsound, would almost certainly have registered more prominently. Even as late as 2004, reforms did not figure prominently in India's election and mass politics; other issues were more important (Suri 2004).

An affinity between electoral democracy and direct methods has on the whole—and so far—limited the ability of democracies to eradicate poverty. A better alignment of the political and the economic may be possible in authoritarian countries, where politicians do not have to carry the masses with them in election campaigns and where the long-run and indirect methods of poverty removal can simply be implemented by decree (if a political elite is committed to the poor, which it may or may not be).

Class versus Ethnicity

The argument above emphasizes that direct methods of poverty alleviation, even though politically attractive in poor democracies, are not well suited to end mass poverty. The argument does not imply that direct methods will have no impact. To repeat, both approaches can make a dent in poverty; one is simply more productive and sustainable in the long run.

Within the parameters of direct action, however, the best results are obtained in societies where class and ethnicity coincide for the poor, not in those where class and ethnicity clash. The former are called ranked ethnic systems in the literature, and the latter unranked ethnic systems (Horowitz 1985). If ranked ethnic systems are also democratic, the poor can exert more effective pressure on governments, and the effect on poverty is greater than is normally possible in unranked ethnic systems. Why should this be so? And what kind of evidence do we have to support the claim?

In generating collective action, the greater power of ethnicity vis-à-vis class can be explained in three ways. Two of them treat all kinds of ethnic mobilization together, contrasting them with class mobilization. The third separates ethnic mobilization of the dominant groups from that of the subaltern. All three are relevant, the third especially so.

First, developments in collective action theory seek to show why ethnicity solves the collective action problem better than class does. Class action is bedeviled by free-riding (or, what would be analogous, by problems encountered in a prisoner's dilemma). But the main strategic problem in ethnic collective action is one of coordination, not free-riding (Hardin 1995). In prisoner's dilemma games, it is rational for individuals to not cooperate with others. Coordination games are different from the prisoner's dilemma game. Instead of privileging individual defection from cooperation, coordination games rely on "focal points" to facilitate convergence of individual expectations; hence they show how collective mobilization becomes possible.¹⁴ Ethnicity can serve as a focal point; class cannot, at least not easily.

The idea of focal points comes from Schelling's seminal treatment of the coordination problem in bargaining. In the famous Schelling example:

When a man loses his wife in a department store without any prior understanding on where to meet if they get separated, the chances are good that they will find each other. It is likely that each will think of some obvious place to meet, so obvious that each will be sure that the other is sure that it is obvious to both of them. (1963, 54)

A focal point is distinguished by its "prominence" or "uniqueness": it has the instrumental power of facilitating the "formation of mutually consistent expectations" (84). Ethnicity can be viewed as one such focal point for mobilization. There is no equivalent in class action.

The second line of reasoning, not deployed in the political economy literature as the reasoning above typically is, has emerged from the theories of ethnicity and nation building. Compared to class, the shared identities of caste, ethnicity, and religion are more likely to form historically enduring bonds and provide common histories, heroes, and villains (Anderson 1983). Moreover, the poor as a class rarely have leaders from their own ranks. In contrast, a poor ethnic community can give rise to a small middle class, and thereby generate its own leaders. An example from India is worth noting. The people formerly known as untouchables, far and away India's poorest caste historically, were offered affirmative action in the public sector and civil service in 1950. As a result, a civil service-based middle class emerged by the 1980s and was able to organize the group in several parts of India in the form of a political party, the Bahujan Samaj Party (BSP).¹⁵ The BSP has been in power three times in the biggest state of India, Uttar Pradesh.

A third explanation also comes from the field of ethnicity and nationalism, focusing especially on the distinction between the ethnic politics of exclusion, which typically expresses the interests of dominant groups, and the ethnic politics of resistance, which reflects the interests of the subaltern (Varshney 2003). In subaltern ethnic politics, economic issues dealing with the poverty of the group are typically part of a larger template emphasizing equality of treatment and an end to quotidian insults and humiliation in public spaces—in schools, fields, and places of work and worship, and on roads and public transport. In contemporary times, the political equality of democracy clashes with a historically inherited world where group-based hierarchy, humiliation, and degradation continue to exist (Taylor 1992). The denial of basic human dignity and the practice of discrimination on grounds of one's birth, *when added to poverty*, constitute a much more powerful font of resistance than poverty alone.

Clearly, such a distinction between ethnicity and class may not be present everywhere. It will certainly not mark the politics of monoethnic societies such as Korea, Japan, and Taiwan, or societies where the subaltern ethnic group is not only poor but also small and has yet to develop a middle class.¹⁶ For all of these reasons, in the literature on ethnicity, East Asia (Horowitz 1985) and

Latin America (Dominguez 1994) have traditionally been considered outliers, though with the rise of indigenous people's movements, that may have begun to change for Latin America. On the whole, East Asia and Latin America have seen a lot of class politics but not enough ethnic politics, at least not yet. In comparison, in South and Southeast Asia, Sub-Saharan Africa, and Eastern and Central Europe, ethnicity has often trumped class.

Ranked Ethnic Systems and Poverty: The Malaysian and Indian Examples

Let me now turn from theoretical reasoning to the empirical world. What examples can be cited for the claim that unless poverty is linked to ethnic identity, it does not necessarily become a great force in democratic politics?

While we know a great deal about the ethnic profiles of most poor democracies, intercountry comparisons on poverty, as already stated, are rendered difficult by the absence of a time series and by lack of consistency in measurement criteria. Still, from what we know, of all poor democracies—consociational or adversarial—Malaysia has shown by far the best results on poverty reduction. The proportion of population below the poverty line has declined in Malaysia from 49.3 percent in 1970 to less than 2.0 percent in 1997 (World Bank 2004, 259). We must, however, note two special features of the Malaysian political economy.

First, when democracy was instituted, the majority ethnic group, the Malays, was vastly more rural and poor than the largest minority group, the Chinese. Once inaugurated, democratic politics became ethnically structured, and the Malay acquired constitutionally mandated political hegemony through quotas in the political and bureaucratic structures. Once the majority ethnic group, led by its small upper and middle class, came to power, the political elite undertook a large number of direct measures, in both the countryside and the cities, to increase the incomes of their ethnic group, including allocation of private equity for Malay companies after 1970 (Jomo 1990).

Second, the direct measures were undertaken *within the larger framework of a trade oriented economic policy*. Since 1963, Malaysia has been an open economy, reducing its average tariff to less than 40 percent, not allowing non-tariff barriers to cover more than 40 percent of trade, and not letting its currency become overvalued by more than 20 percent (Sachs and Warner 1995, 21). By comparison, it may be noted that Sri Lanka, often compared to Malaysia in both size and potential (and, one might add, considerably more literate and peaceful than Malaysia in the 1950s and 1960s), used direct poverty alleviation measures only. It was able to alleviate poverty significantly, but not as much, or as successfully, as Malaysia. Unlike Malaysia, open since 1963, Sri Lanka remained a closed economy until 1978.¹⁷ By the late 1970s, the fiscal ability of Sri Lanka to run its direct antipoverty programs was clearly in doubt (Bruton et al. 1992).

Though indicative, these intercountry comparisons may not be as methodologically tight as intracountry comparisons, where a great many factors other than ethnicity can be controlled for and the effect of ethnicity on

poverty can be identified with greater certitude.¹⁸ In India, detailed and disaggregated statistics on poverty are available for individual states going back to the 1960s. Patterns of state politics and policy can thus be clearly linked to the outcomes for poverty.

The states of Punjab and Kerala have shown the best results.¹⁹ In Punjab, the green revolution, an indirect and growth-based method, has been key to poverty alleviation. In Kerala, the method was direct. Land reforms and extensive job reservations in government employment were the twin strategies.

Was the emphasis on direct methods in Kerala a result of the poor organizing themselves as a class? On the face of it, this would appear to be the case, primarily because a Communist party, repeatedly elected to power after 1957, led the campaign for land reforms and social justice. Its rhetoric was based on class.

However, both social history and electoral data make clear that there was a remarkable merging of caste and class in Kerala, the former defined ethnically, the latter economically. At the center of this coincidence is the Ezhava caste, estimated to constitute a little over 20 percent of the state's population. The Ezhavas traditionally engaged in "toddy tapping" (production of fermented liquor) and were therefore considered "polluting" by the upper castes. The catalogue of everyday humiliations for the Ezhavas was painfully long:

They were not allowed to walk on public roads; . . . They were Hindus, but they could not enter temples. While their pigs and cattle could frequent the premises of the temple, they were not allowed to go even there. Ezhavas could not use public wells or public places. . . .

An Ezhava should keep himself at least thirty-six feet away from a Nambodiri (Brahmin); . . . He must address a caste Hindu man as Thampuran (My Lord) and woman as Thampurati (My Lady); . . . He should never dress himself up like a caste Hindu; never construct a house on the upper caste model; . . . the women folk of the community . . . were required, young and old, to appear before caste Hindus, always topless. (Rajendran 1974, 23–24)

At the turn of the century, experiencing some mobility and developing a small middle class, the Ezhavas rebelled against the indignities of the Hindu social order and started fighting for their civil rights. Led by a famous Ezhava saint, Sri Narain Guru, sometimes called the Gandhi of Kerala, their protest movement aimed at self-respect and education. Self-respect entailed withdrawal from toddy tapping, a movement into modern trades and professions, and a nonviolent attack on the symbolic order. Since they were denied entry to temples and were only allowed to worship "lower gods and spirits," the Ezhavas, the Guru said, would have their own temples, in which they would worship "higher gods" to whom they would offer flowers and sweets, not animals and liquor reserved for the lower gods. Meanwhile, to improve their economic and social status, they would educate themselves. And to facilitate all of these activities, they would set up an organization. "Strengthen through organization, liberate by education" was the motto.²⁰

These issues, all caste-based, decisively restructured the politics of Kerala in the 1930s. Entry into temples, an attack on the social deference system concerning dress, access to public roads, and more equal access to education drove the civil rights campaign. It was only subsequently that tenancy rights and land reforms spurred the mobilization for economic rights, and it was not until 1940 that the Communist Party of Kerala was born.²¹

If the fit between the Ezhava caste and the rural poor had not been so good in the 1930s and 1940s, class mobilization would have made little headway. Class politics was inserted into the campaign for caste-based social justice.²² To this day, the Ezhava caste continues to be the principal base of the Communist Party Marxist (CPM). Historically, people of similar class positions, if Nair, have gone on the whole with the Congress Party; if Christian, with the Kerala Congress; if Muslim, with the Muslim League (Nossiter 1982, 345–75).

Concluding Observations

Democracies in poor countries have neither attacked poverty as successfully as some dictatorships in the past five decades, nor failed as monstrously as many authoritarian countries have. Dictatorships fall in all categories of performance: some have abolished mass poverty; many have allowed poverty to worsen; and still others, like democracies, have made some progress but have not eliminated mass poverty. By comparison, democracies have avoided the worst-case scenarios on poverty alleviation, but they have not achieved the best-case scenarios. They have simply been locked in the middle category: slow but not spectacular. Malaysia is about the only exception to this generalization, but there is consensus among scholars of democracy that it is at best a half democracy, never achieving the status of a fully competitive democracy since independence in 1957.

So why have democracies not done better? My argument is twofold. First, democracies have been more inclined toward the direct approach to alleviating poverty. Generally speaking, direct methods are not as effective as some (though not all) indirect growth-based methods, nor are they as fiscally sustainable. When direct attacks on poverty are made in the framework of growth-based strategies, they work much better. Until the era of trade- and market-oriented economic policies began in the 1980s, democracies tended not to embrace indirect methods, for while there were clear economic arguments in favor of growth-based methods, their political appeal in democracies was limited. The politics and economics of market-based approaches to eliminating poverty were not in agreement.

Second, the poor have not been a political force in poor democracies because they are often split among ethnic groups. Poor people are more easily mobilized as members of ethnic, identity-based communities than as an economic class. As a result, despite their large numbers, they are rarely, if ever, empowered as an economic class and are unable to pressure democracies as a united force. Only when the poor as a class and the poor as an ethnic group

coincide, and this class/ethnic group is also numerically large, has this obstacle typically been overcome—partially or wholly. Such coincidence, however, is not common. More often than not, ethnicity and class tend to cross-cut each other.

Whether the first equation above has changed with the worldwide rise of market-oriented economic policies is still to be investigated definitively. From what we know, market-driven growth processes may have reduced poverty to some extent, but substantial mass poverty still exists in the developing world (Houtzager and Moore 2003). It would appear that the key question continues to be how to make markets—domestic and global—work for the poor. At the very least, we need some detailed empirical studies of the process through which, since the late 1980s, some of the previously poor have crossed the poverty line and some of those above that line have fallen below. As years of fieldwork in developing countries have made clear (Narayan et al. 2000), we need to understand the world of the poor not through our own assumptions, but through careful empirical analyses of what matters in their world, and how, and why.

Notes

For their comments on earlier versions of this chapter, I am grateful to Jagdish Bhagwati, Amitava Dutt, Raghav Gaiha, Ronald Herring, Peter Houtzager, Phil Keefer, Atul Kohli, and two anonymous reviewers. I should note that some of these scholars continue to have differences with my arguments. Research assistance by Bikas Joshi and Xavier Marquez is also greatly appreciated. Some of the arguments made here are presented in a different form in Varshney (2000b).

1. The World Bank's calculation of the poverty line at \$1 a day is based on its assessment of a minimal consumption bundle that a human being needs in order to survive physically; this is converted into dollars and adjusted for the purchasing power in a given case. Food, sufficient to provide a minimum number of calories required by the human body, typically constitutes the largest proportion of this consumption bundle.
2. It can be argued following Olson (1965) and Bates (1981) that large numbers of the poor would in fact impede, rather than facilitate, collective action. But this is truer in authoritarian countries than in democratic ones (see Varshney 1995, 193–200).
3. Similarly, by allowing a great deal of contestation but restricting participation according to class (and also gender), England in the nineteenth century was less democratic than it is today, but it was democratic nonetheless, certainly by nineteenth-century standards.
4. The year 1950 is a convenient starting point, for beyond Latin America, independent since the early nineteenth century, decolonization of nonwhite colonies began with Indian independence in 1947, and more and more developing countries became independent after that.
5. For example, Mauritius, the Solomon Islands, and Vanuatu all have populations of less than a million. For a fuller listing, see Przeworski et al. (2000, 59–76).
6. Political parties in India and Sri Lanka may also seek to represent specific ethnic groups, but there has been no constitutional pact, or political requirement, that they

must do so. Parties are free to build cross-ethnic alliances if that aids their political fortunes.

7. According to Przeworski et al. (2000), Malaysia has never been a democracy. They do not recognize countries with consociational democracy as democracies, hence their categorization. I use Malaysia as an example of limited democracy in this chapter.

8. The analytic implication of such a small-N world, one might add, is very different from the one we encounter when we examine the impact of democracy on economic growth *globally*. Inclusion of both developed and developing countries makes the number of democracies sufficiently large, allowing for sophisticated statistical analysis (Barro 1997). However, Przeworski et al. (2000, ch. 1) offer a proposal about how this problem might be overcome for statistical analysis.

9. For example, see Reddy and Pogge (forthcoming).

10. With the exception of the Central African Republic (1993), Mali (1994), and Sierra Leone, poverty data in these countries were collected after 1995.

11. In 2003, Singapore's per capita income was \$24,180, compared to \$27,650 for the United Kingdom.

12. For a fuller elaboration, see Varshney (2000b).

13. ●n land reforms, my argument is slightly more complicated. Precisely because the direct linkages are so attractive, all democracies have had land reforms on the policy agenda, which is not true of all authoritarian countries. But few democracies or dictatorships have implemented land reforms. If land reforms are implemented, argue some scholars, they can successfully attack poverty (Herring 1983; Kohli 1987). For why this may be true only under very specific conditions, not generally, see Varshney (1995, ch. 1; 2000b, 733–35). It should also be noted that land reforms are typically implemented at the time of, or soon after, revolutions, or by foreign occupiers. Neither democracies nor authoritarian systems seem to have the political capacity to implement them.

14. Coordination games proceed according to the following logic. So long as others in the group are cooperating, it is rational for me to cooperate—for if all cooperate, the likelihood of the group gaining power (or realizing group objectives) goes up tremendously. Hardin (1995, 36–37) observes that “power based in coordination is super-additive, it adds up to more than the sum of individual contributions to it.” He notes that all one needs to keep the coordination game going is a “charismatic leader,” a “focus,” and a mechanism through which information about others cooperating is provided to each individual. “Coordination power is . . . a function of reinforcing expectations about the behavior of others.”

15. ●n the emergence of the BSP, see Chandra (2004).

16. ●r, as sociologists have often reminded us, societies where the hegemony of the privileged groups is yet to be broken.

17. With the exception of two brief periods, 1950–56 and 1977–83 (Sachs and Warner 1995, 23).

18. With respect to Sri Lanka, for example, it has been argued that compared to other countries, it had fewer inequalities at the time of independence. Thus, Sri Lanka's good, though not spectacular, performance is not simply a function of the policies pursued after independence. The performance was path-dependent. See Bhalla and Glewwe (1986).

19. For a quick overview of all states, see Ravallion and Datt (1996).

20. For a detailed analysis, see Rao (1979).

21. In a disarmingly candid statement (1994), E. M. S. Namboodiripad, a Kerala-based politician who was the greatest Communist mobilizer of twentieth-century

India, admitted before his death that the inability of the decades-long class mobilization in Kerala to overwhelm the religious divisions of the state might be rather more rooted in historical realities than Marxists had expected.

22. For a compelling argument that this merger facilitated the emergence of a Communist movement, see Menon (1994). While talking about the peasants and workers, the Communists could repeatedly use caste issues, which had great resonance in Kerala.

References

- Adelman, Irma, and Cynthia Morris. 1973. *Economic Growth and Social Equity in Developing Countries*. Stanford, CA: Stanford University Press.
- Anderson, Benedict. 1983. *Imagined Communities*. London: Verso.
- Barró, Robert. 1997. *Determinants of Economic Growth: A Cross-Country Empirical Study*. Cambridge, MA: MIT Press.
- Bates, Robert. 1981. *Markets and States in Tropical Africa*. Berkeley: University of California Press.
- Bhagwati, Jagdish. 1998. "The Capital Myth." *Foreign Affairs* 77 (3): 7–12.
- Bhalla, Surjit S., and Paul Glewwe. 1986. "Growth and Equity in Developing Countries: A Reinterpretation of the Sri Lankan Experience." *World Bank Economic Review* 1 (1): 35–63.
- Brunton, Henry, with Gamini Abeysekera, Nimal Sanderatne, and Zainal Aznam Yusof. 1992. *The Political Economy of Poverty, Equity and Growth: Sri Lanka and Malaysia*. New York: Oxford University Press for the World Bank.
- Chandra, Kanchan. 2004. *Why Ethnic Parties Succeed*. Cambridge: Cambridge University Press.
- Dahl, Robert A. 1971. *Polyarchy*. New Haven, CT: Yale University Press.
- . 1989. *Democracy and Its Critics*. New Haven, CT: Yale University Press.
- Dominguez, Jorge, ed. 1994. *Race and Ethnicity in Latin America*. New York: Garland.
- Hardin, Russell. 1995. *One for All: The Logic of Group Conflict*. Princeton, NJ: Princeton University Press.
- Herring, Ronald. 1983. *Land to the Tiller*. New Haven, CT: Yale University Press.
- Horowitz, Donald. 1985. *Ethnic Groups in Conflict*. Berkeley: University of California Press.
- Houtzager, Peter, and Mick Moore, eds. 2003. *Changing Paths*. Ann Arbor: University of Michigan Press.
- Huntington, Samuel P. 1983. "Will More Countries Become Democratic?" *Political Science Quarterly* 99 (2): 193–218.
- . 1991. *The Third Wave: Democratization in the Late Twentieth Century*. Norman: University of Oklahoma Press.

- Jomo, K. S. 1990. *Growth and Structural Change in the Malaysian Economy*. London: Macmillan.
- King, Gary, Robert O. Keohane, and Sidney Verba. 1994. *Designing Social Inquiry: Scientific Inference in Qualitative Research*. Princeton, NJ: Princeton University Press.
- Kohli, Atul. 1987. *The State and Poverty*. Cambridge: Cambridge University Press.
- Lijphart, Arend. 1977. *Democracy and Plural Societies: A Comparative Exploration*. New Haven, CT: Yale University Press.
- Menon, Dilip. 1994. *Caste, Nationalism and Communism: Malabar, 1900–1948*. Cambridge: Cambridge University Press.
- Namboodiripad, E. M. S. 1994. “Presidential Address.” Presented at the First International Congress of Kerala Studies, August 27–29. In *Proceedings of the International Congress on Kerala Studies*, vol. 1, *Addresses and Abstracts*. Thiruvananthapuram, India: AKG Centre for Research and Studies.
- Narayan, Deepa, with Raj Patel, Kai Schafft, Anne Rademacher, and Sarah Koch-Schulte. 2000. *Voices of the Poor: Can Anyone Hear Us?* New York: Oxford University Press for the World Bank.
- Nossiter, T. J. 1982. *Communism in Kerala*. Berkeley: University of California Press.
- Olson, Mancur. 1965. *The Logic of Collective Action*. Cambridge, MA: Harvard University Press.
- Przeworski, Adam, Michael E. Alvarez, Jose Antonio Cheibub, and Fernando Limongi. 2000. *Democracy and Development: Political Institutions and Well-Being in the World, 1950–90*. Cambridge: Cambridge University Press.
- Rajendran, G. 1974. *The Ezhava Community and Kerala Politics*. Trivandrum, India: Kerala Academy of Political Science.
- Rao, M. S. A. 1979. *Social Movements and Social Transformation: A Study of Two Backward Classes Movements in India*. Delhi: Macmillan.
- Ravallion, Martin, and Gaurav Datt. 1996. “India’s Checkered History in the Fight Against Poverty: Are There Lessons for the Future?” *Economic and Political Weekly* 31 (September, special issue): 2479–86.
- Reddy, Sanjay G., and Thomas W. Pogge. Forthcoming. “How Not to Count the Poor.” In *Measuring Global Poverty*, ed. Sudhir Anand and Joseph Stiglitz. New York: Oxford University Press. <http://www.socialanalysis.org/>.
- Sachs, Jeffrey, Ashutosh Varshney, and Nirupam Bajpai. 1999. Introduction to *India in the Era of Economic Reforms*, ed. Jeffrey Sachs, Ashutosh Varshney, and Nirupam Bajpai. New York: Oxford University Press.
- Sachs, Jeffrey, and Andrew Warner. 1995. “Economic Reform and the Process of Global Integration.” *Brookings Papers on Economic Activity* 1995 (1): 1–118.
- Schelling, Thomas. 1963. *The Strategy of Conflict*. New York: Oxford University Press.
- Sen, Amartya. 1989. “Food and Freedom.” *World Development* 17 (6): 769–81.

- . 1999. *Development as Freedom*. New York: Knopf.
- Stiglitz, Joseph. 2002. *Globalization and Its Discontents*. New York: W. W. Norton.
- Suri, K. C. 2004. "Democracy, Economic Reforms and Election Results in India." *Economic and Political Weekly* 39 (51): 5404–11.
- Taylor, Charles. 1992. *Multiculturalism and the Politics of Recognition*. Princeton, NJ: Princeton University Press.
- Varshney, Ashutosh. 1995. *Democracy, Development and the Countryside*. Cambridge: Cambridge University Press.
- . 1999. "Mass Politics or Elite Politics? India's Economic Reform in Comparative Perspective." In *India in the Era of Economic Reforms*, ed. Jeffrey Sachs, Ashutosh Varshney, and Nirupam Bajpai. New York: Oxford University Press. Previously published in *Journal of Policy Reform*, December 1998.
- . 2000a. "Is India Becoming More Democratic?" *Journal of Asian Studies* 59 (1): 3–25.
- . 2000b. "Why Have Poor Democracies Not Eliminated Poverty? A Suggestion." *Asian Survey* 40 (5): 718–36.
- . 2003. "Nationalism, Ethnic Conflict, and Rationality." *Perspectives on Politics* 1 (1): 85–99.
- Weiner, Myron. 1989. "Institution Building in India." In *The India Paradox: Essays in Indian Politics*, 77–95. New Delhi: Sage.
- . 2001. "The Struggle for Equality: Caste in Indian Politics." In *The Success of India's Democracy*, ed. Atul Kohli, 193–225. Cambridge: Cambridge University Press.
- World Bank. 2000. *World Development Report 2000/2001: Attacking Poverty*. New York: Oxford University Press.
- . 2004. *World Development Report 2005: A Better Investment Climate for Everyone*. New York: Oxford University Press.
- Yadav, Yogendra. 2000. "Understanding the Second Democratic Upsurge: Trends of Bahujan Participation in Electoral Politics in the 1990s." In *Transforming India*, ed. Francine Frankel, Zoya Hasan, Rajeev Bhargava, and Balveer Arora, 120–45. Delhi: Oxford University Press.
- . 2004. "The Elusive Mandate of 2004." *Economic and Political Weekly* 39 (51): 5383–98.
- Yadav, Yogendra, and V. B. Singh. 1997. "The Maturing of a Democracy." *India Today*, August 31.