POLITICAL TRANSITION, CORRUPTION, AND INCOME INEQUALITY IN THIRD-WAVE DEMOCRACIES

by Eric Chang

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Abstract

The paper examines the effect of democratization on income inequality in third-wave democracies. Using data from the World Income Inequality Database, this paper will show that income inequality has risen sharply in almost every third-wave democracy. This paper attempts to explain why income inequality rises at much faster rates in developing nations vis-à-vis developed nations. The paper argue that the key to solving this puzzle lies in a better understanding of the patterns of democratization and the consequences of corruption in new democracies. I empirically test the hypothesized corruption-inequality link at two levels: at the cross-national level using data for the world’s 30-odd countries experiencing democratic transitions during the early part of the 1990s and at the individual level using survey data from both the Afrobarometer and the East Asian Barometer. Empirical analyses at these two different levels yields supportive empirical evidence for my hypothesis, despite the fact that the measures of corruption and inequality, the model specifications, and the estimation strategies at the two levels are quite different.
INTRODUCTION
This paper seeks to understand why democratization results in greater income inequality in third-wave democracies. Income inequality, or more generally the distribution of wealth among citizens in a society, has been a central topic of concern and discussion for several disciplines. Briefly summarized, income inequality is found to reduce economic growth (Alesina and Rodrik 1991; Persson and Tabellini 1994), increase elite political polarization (McCarty et al. 2003), induce political instability (Londregan and Poole 1990; Alesina et al. 1996), and even threaten the survival of democracy (Przeworski et al. 2000; Boix 2003).

Despite its far-reaching political and economic consequences, informative anecdotal as well as hard empirical evidence has shown that income inequality has been skyrocketing in virtually every nascent democracy. To re-illustrate this empirical regularity, I utilize recent data on income inequality from the World Income Inequality Database. Since a great proportion of third-wave democratizations took place in the late 1980s, I choose the year 1990 as an arbitrary cutoff point and compare the average Gini coefficients for the ten years before and after that point for dozens of democracies around the world. As Figure 1 shows vividly, income inequality rose dramatically from the 1980s to the 1990s in virtually every region. What is particularly notable is that income inequality deteriorates at a much faster rate in the third-wave democracies (especially countries in Latin America, Eastern Europe, and Africa) than in their established European democratic counterparts. The dramatic inter-temporal rise in income inequality in new democracies also stands in direct contrast to Li et al.’s (1998) study, which finds only limited changes in Gini coefficients over time.

That democratization in third-wave democracies results in greater income inequality is not only empirically distinctive but also theoretically puzzling. Particularly, many studies have documented a more equal income distribution in democratic countries than in authoritarian regimes (Muller 1988; Reuveny and Li 2003). This empirical fact alone may not be surprising since various channels exist for responding to social demands in democracies, whereas such demands are easily ignored or even suppressed in authoritarian countries. Thus, in theory, one should intuitively expect a reduction in inequality when a country moves from an authoritarian regime to a democratic system. But why, in reality, do we find that democratization in every third-wave democracy leads to greater income inequality? Put differently, why does this cross-national empirical regularity between income equality and democracy fail to manifest itself inter-temporally? Obviously, the key mechanism identified by the conventional wisdom – social demands for redistribution – falls short of answering this question, as the democratic transition also unleashes strong social demands for redistribution and yet these social demands are attenuated and not translated into improved equality.

I argue that the key to solving this puzzle lies in a better understanding of the patterns of democratization and the consequences of corruption in new democracies. While democratization ideally takes place after the construction of a solid institutional foundation of rule of law, realistically most developing countries democratize by introducing elections before they have structured a system of accountability. This type of electoral democracy, despite legitimizing the government, does not hold the ruling elites accountable.

1 http://www.wider.unu.edu/wiid/wiid.htm
2 See Huntington (1991) for a detailed description of the third-wave democratization process around the world.
3 Figure 1 is illustrative in nature, and we should use and interpret the income inequality data with great caution given the paucity of observations, poor quality, varying sources and construction methods, and the limited cross-national comparability of these data.
4 For instance, the decade average Gini coefficient in Africa rose from 47.6% to 58.9%, for a total 23.4% increase between the two decades, while on average Western European countries only witnessed a 6% increase in Gini coefficients. The worst performing European country, the UK, registered a 10% increase (also see Atkinson 1997), which is less than the half the African average.
through an effective system of checks and balances. As a result, corruption becomes rampant at every level. Most importantly, the emergent corruption attenuates the social demands for redistribution during democratization, since corruption leads to tax evasion particularly among the rich and well connected. This evasion in turn reduces tax progressiveness and offsets the welfare implications of the tax system. Additionally, corruption misallocates social welfare and education program spending by redirecting that spending from those who are truly in need to those who are inside the patronage network. In short, corruption disproportionately enriches a small part of the population at the cost of the whole society and therefore leads to greater income inequality.

I empirically test the hypothesized corruption-inequality link at two levels: at the cross-national level using data for the world’s 30-odd countries experiencing democratic transitions during the early part of the 1990s and at the individual level using survey data from both the Afrobarometer and the East Asian Barometer. Empirical analyses at these two different levels yields supportive empirical evidence for my hypothesis, despite the fact that the measures of corruption and inequality, the model specifications, and the estimation strategies at the two levels are quite different.

DEMOCRACY AND INEQUALITY
In this section, I first briefly review the conventional stance concerning the egalitarian effect of democracy. I pay special attention to social demands for redistribution induced by expansion of the political base and their hypothesized link to income distribution. Then I critically evaluate the empirical validity of this claim in the context of third-wave democracies.

Why Is Democracy Believed to Reduce Inequality
While early investigations of income inequality focused mainly on economic factors, a growing consensus in the literature is that income inequality is jointly determined by both economic and political factors. One particularly intuitive proposition is that democracy, characterized by a more equal distribution of political power, should be more likely to generate a more equal distribution of economic wealth than its authoritarian counterpart. What leads to this difference between democracy and non-democracy with regard to income inequality is the availability of popular and competitive elections. In societies with no or few democratic rights, the state machinery is controlled by a few political elites who can easily increase and retain their wealth through predatory and repressive means. By contrast, as political participation broadens, democracy takes both political power and economic privilege from the few and places it in the hands of a majority, hence contributing to an egalitarian distribution of income (Hewitt 1977; Muller 1988; Simpson 1990; Reuveny and Li 2003; Lee 2005). As is commonly quoted from Lenski (1966, p.318), “…Now the many can combine against the few.”

According to this view, social demands for redistribution unleashed by popular suffrage are the key mechanism through which democracy is argued to reduce the income disparity among citizens. With expansion of the voting franchise, the lower and other socio-economically disadvantaged classes that previously were excluded from political arenas now have a chance to call for redistribution at the ballot box. Importantly, since these new political forces constitute a majority of the electorate (given the fact that income distribution is typically right skewed), any election-minded government will be forced (at least to a certain degree) to respond to such demands via redistribution policy. By its nature, redistribution policy transfers wealth from the rich to the poor, which in turn leads to a more egalitarian distribution of income in a society.

Several political economists formalized the above intuition into the well-known median voter redistribution model (Romer 1975; Meltzer and Richard 1981). Briefly summarized, the model begins with several theoretically intuitive and empirically verified assumptions. First, the poor benefit from
redistributive policies, whose costs are mostly borne by the rich. Therefore, the poor will demand redistribution, whereas the rich will oppose it. Second, the median voter is located below the average income voter in the income distribution, since empirically the income distribution is typically right skewed. Lastly, using Downsian logic, governments adopt the policy that is preferred by the median voter. Taken together these assumptions bring us the following theoretical prediction: democratic governments respond to social demands for redistribution, which are generated by the gap between the median and the average income voters, through progressive taxes and social transfers. Extending the traditional median voter model, Persson and Tabellini (1994) argue that redistribution demands in democracies provide the rich with a disincentive to invest domestically, so they are more likely to flee with capital to other countries with lower taxes, hence reducing economic growth in the home country. Franzese (2002a, Chapter 2) further shows that government responsiveness to redistribution demands are greater in counties with higher voting turnout rates. In short, as Lijphart (1997) succinctly puts it, the composition of the electorate has substantial political consequences for the composition of the government as well as for the content of government policies.

Social demands for redistribution do not simply manifest themselves in elections and then fade away thereafter. The power resource model, another influential school of thought in the redistributional politics literature, holds that the poor are able to sustain and even amplify redistribution demands despite the fact that capital is concentrated in the hands of the rich (Bradley et al. 2003). The key is that democracy grants and protects the freedom of association, enabling the poor to form labor unions and social democratic parties to represent their economic interests. Various studies demonstrate the egalitarian consequences of union density. Golden and Wallerstein (2006), for instance, argue that unions reduce inequality since they enhance pay standardization, raise awareness of inequality through shared norms of fairness, and, most importantly, empower low-pay workers against employers during the wage-setting bargaining process. On the other hand, empirical studies derived from partisan theory (Hibbs 1977) have consistently shown that social democratic governments are associated with higher welfare-state expenditure (Hicks and Swank 1992), lower unemployment (Alvarez et al. 1991), and greater investment in human capital (Boix 1997). More directly, Hibbs (1987) and Bartels (2004) both document a substantial partisan effect on the income ratio between the rich and the poor. In short, unions and social democratic parties jointly protect both the market and political power of the poor, thereby institutionalizing social demands for redistribution. Through these organized bodies, the poor are more likely to succeed in tilting the income distribution in their favor.

In sum, according to the conventional view the poor’s social demands for redistribution are unleashed through multiple channels and are answered by democratic governments. Despite some notable dissents (Jackman 1974; Bollen and Jackman 1985), several empirical studies subscribe to this view and document an egalitarian effect of democracy (Hewitt 1977; Li et al. 1998; Reuveny and Li 2003). Taking this democracy-equality argument to its logical conclusion, one should intuitively expect a reduction in inequality when a country moves from an authoritarian regime to a democratic system. Muller (1988), for instance, finds that income inequality gradually reduces as a country gains more years of democratic experience. Similarly, Robinson (2000) attributes the egalitarian trends in Europe in the past century to the democratization of these countries. Nevertheless, as Figure 1 shows, this intuitive proposition does not fare well in the context of third-wave democracies, for which we find the exact opposite pattern. This makes us wonder what went wrong in these nascent democracies. Why do social demands for

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5 On a parallel front, setting aside the effect of redistribution demands, the fact that democracy introduces political competition for office alone is argued to provide better redistribution outcomes. In an influential study, Lake and Baum (2001) compare public good provision between authoritarian regimes (where the government monopolizes the supply of public services and hence extracts rents) and democratic ones (where candidates for electoral office compete for the market of public services). The authors find that democracy is a better provider (both in terms of quantity and quality) of public goods, as measured by educational enrollment, life expectancy, and other indicators.
redistribution unleashed during the democratization process fail to result in a more egalitarian income distribution?

The Missing Link: Political Accountability
I argue that the key to solving this intriguing puzzle lies in more fully understanding the dynamics by which democratic governments process redistribution demands and translate them into policy outputs. Importantly, I argue that the presence of redistribution demands is only a necessary condition. The sufficient condition that determines the final distribution outcome is that the social demands have to be properly processed and adequately reflected in the well-being of the needy. Note that this sufficient condition is not by definition satisfied even in the context of advanced democracies. In a path-breaking work, Moene and Wallerstein (2001) challenge the conventional median voter redistribution model and show persuasively that the presence of social demands for redistribution does not necessarily guarantee an even welfare treatment of the poor. Instead, the redistribution demands will only lead to higher welfare expenditures when benefits are targeted to the median voter who is currently employed. On the other hand, the median voter’s preference for redistribution would actually decrease if the social program targeted outsiders – that is, the unemployed. Thus, according to Moene and Wallerstein, there is no direct one-to-one mapping relationship between social redistribution demands and policy outcomes; the critical determinant is whether the pivotal voter actually receives the benefit. In a similar vein, Rueda (2005) argues that social democratic parties do not treat the whole labor sector in the same manner. Instead, social democratic parties have greater incentives to represent the interests of the “insiders” who have protected jobs and are more electorally relevant while neglecting the welfare of outsiders who are either unemployed or transitionally employed and are therefore politically inactive.

What determines whether the sufficient condition will be met during the democratization process, then? I argue that the key to assuring the proper translation from social demands to better distributional outcomes lies in political accountability. When democratization brings political accountability to the hands of citizens in new democracies, citizens are empowered to evaluate incumbents’ performance and decide whether or not to throw the rascals out. Consequently, accountability creates a channel for citizens to exert their influence and to make elected officials act in the interests of the citizens (Ferejohn 1986). Specifically, when new democracies are equipped with institutional check-and-balance structures, citizens are able to take advantage of the conflicts of interest among political elites and elicit information that is otherwise unavailable to them (Persson et al. 1997). Hence, democratic accountability mechanisms help to constrain the ruling elites from abusing their powers and ensure that social demands for redistribution will be fully addressed in the policymaking process. Without proper accountability mechanisms, redistribution demands are vulnerable to electoral considerations and political manipulation and hence become attenuated in new democracies.

The theory of accountability and inequality is well supported in several empirical studies. For instance, in response to Bollen and Jackman’s (1985) claim that the relationship between democracy and equality is spurious once the level of economic development is taken into account, Muller (1988) argues that the lack of fully institutionalized political structures in new democracies is the main reason for a non-finding concerning the relationship between the level of democracy and inequality. In other words, according to Muller it is the level of institutionalization and accountability, not the level of democracy per se, that leads to the reduction of inequality. In a recent contribution, Lee (2005) makes a similar pitch and posits that the institutionalization of democracy is a prerequisite for the occurrence and execution of equity-oriented redistribution policies. Specifically, he argues that public sector expansion only reduces inequality in fully institutionalized democracies in which the working classes can channel their organized interests “through an efficient and sound bureaucracy capable of implementing progressive tax and transfer policies.”
While all these studies emphasize the importance of political accountability in the democratization process, accountability is unfortunately a rare commodity in new democracies. By sharp contrast, most citizens in new democracies find themselves poorly governed. As Keefer (2005, p.1) forcefully puts it, “Many democracies fall short of many autocracies in the provision of public services or the protection of human and economic rights.” In contrast to Acemoglu et al. (2002) and Engerman and Sokoloff (2002), who argue that the characteristics of democracy should be conducive to the establishment of property rights and human capital, Keefer finds overall that nascent democracies suffer from more corruption, lower provision of rule of law, inferior bureaucratic quality, and lower school enrollment.

Other studies in the field of political economy find similar patterns for the economic performance of young democracies. While democratic theorists advocate not only normative but also empirical advantages of democracy, research on the economic consequences of democratization leads to mixed evidence and sometimes even mutually conflicting conclusions. On the one hand, several studies report findings of favorable effects of democratization on economic growth. For instance, a recent study by Rodrik and Wacziarg (2005) shows that “Democratizations tend to follow periods of low growth rather than precede them” (p. 1). They also find that democratization helps to reduce volatility in growth, hence making economic trends more predictable. On the other hand, however, Barro (1996) finds an overall weakly negative effect of democracy on growth once other important determinants, such as the rule of law, free markets, human capital, and the initial level of GDP per capita are taken into account. Perhaps even more controversially, Glaeser et al. (2004) argue that dictators, not democratically elected governments, are the ones that should be credited for pulling the poor countries out of the poverty mud. The overall picture remains unclear even if we move to the policy side; as Kapstein and Converse (2006) thoroughly summarize, the relationship between democratic regimes and economic policies is complex and the debate on whether democratic governments differ from non-democratic governments in their fiscal policies is anything but settled.

DEMOCRATIZATION AND ITS DISTRIBUTIONAL CONSEQUENCES
In this section, I develop a three–step argument of why third-wave democratization leads to greater inequality. First, following the discussion on political and economic performance in new democracies in the previous section, I highlight differences in the modes by which and the conditions under which democratization takes place. Second, I discuss how democratization without institutionalization, the dominant type of third-wave democratization, may lead to an outbreak of corruption. Finally, I examine the mechanisms by which corruption leads to inequality in new democracies.

The Modes of Democratization
I argue that much of the debate over political and economic performance in young democracies results from overlooking the ways and the conditions under which democratic transition initially takes place. An influential tradition in the democratization literature posits that the outcome of democratization is path and history dependent. In their seminal book, O’Donnell and Schmitter (1986) hold that the mode of transition, shaped by the strategic interaction between state and society, critically determines both the path and the destination of democratic transitions. These authors identify four critical actors in the early phase of democratic movements, using the side of affiliation (democratic challengers or authoritarian incumbents) and the strength of ideology (hardliners or moderates) as guides. Importantly, they argue that a democratic transition is most likely to succeed when both moderate incumbents and challengers ally

6 For instance, Halperin, Siegle, and Weinstein (2005) posit that “democracies generally experience more rapid and consistent improvements in the well-being of their populations than do autocracies” (p. 65). Along the same line, in several of his works Diamond argues that democracy is often associated with better governance and economic growth.
with each other but is doomed to fail in the absence of such an alliance. In particular, a new democracy is more likely to survive using the mode of pacted transition because pacts that enhance trust and sharing among actors become institutionalized as a set of checks and balances in the new democracy (McFaul 2002). Meanwhile, Przeworski (1991) emphasizes the importance of the initial condition: democracy-enhancing pacts are most likely to appear when the distribution of power is roughly equal between both sides. Under such circumstances, political actors have higher uncertainty regarding their own strength and the odds of success if they switch to using force, and they hence have greater incentives to reach a compromise.

Cervellati et al. (2006) formalize the importance of the mode and the initial condition under which democratization occurs in a dynamic general equilibrium model. They suggest that the initial distribution of production factors, specifically the distribution of human capital and natural resources between the elite and the masses, critically determines the democratization path and subsequent economic performance in new democracies. In brief, they argue that an even distribution of production factors in the initial stage is more likely to result in “consensual democracy” because the new regime represents a Pareto improvement for everyone and hence is supported by all groups of society. A highly skewed ownership distribution, on the other hand, leads to a “conflictual democracy” since elites are not necessarily better off and therefore have less incentive to abstain from protecting themselves. Importantly, the authors show that new consensus-based democracies produce growth-enhancing environments and implement larger fiscal redistribution programs, since consensual democracy serves as a signaling device to coordinate the society’s expectations about the rule of law and to secure property right protections. By contrast, democracies that were born in a conflictual environment do not necessarily perform better than authoritarian regimes. In short, Cervellati et al. conclude that democratization per se does not guarantee the emergence of efficient economic systems; what is more important is the process by which countries democratize. Kaplan and Converse (2006) endorse this view and argue that the variance among democracies in terms of constitutional arrangements and institutional maturity matters more than the level of democracy itself with regard to delivering preferred economic outcomes.

The above discussion on the patterns of democratization and their economic consequences sheds light on the lack of accountability in new democracies. Specifically, it is important to emphasize the distinction between democratic transition and democratic institutionalization; the former refers to a process that transfers political power from a few elites to the popular masses, whereas the latter denotes the process of engraving democratic principles into the society. Huntington (1971) is one of the pioneers warning us of the potential incompatibility between these two concepts. He argues that democracies vary significantly in degree of institutionalization. More important are the political consequences when democratic transition and democratic institutionalization fail to occur in the right order during the democratization process. Concretely, Huntington posits that political systems will become unstable when political participation advances more rapidly than institutionalization.

Rose and Shin (2001) elevate Huntington’s view to a higher level by comparing the democratization processes observed in the first and third waves of democratization. They argue that the first wave of democratization took place in a “forward” manner. That is, before universal suffrage and competitive elections were introduced in these advanced democracies, these countries had already developed a state structure buttressed by a solid institutional foundation of rule of law, a vibrant civil society, and checks and balances among political actors. By contrast, third-wave democracies introduced free elections before these countries even had a chance to build and secure an institutional foundation. As a result, “The governors of these new democracies thus face a double challenge: completing the construction of the modern state while competing with their critics in free elections” (Shin and Rose 2001, p. 336). Due to the absence of fundamental institutions, Rose and Shin (2001) hold that most third-wave democratizations remain incomplete. As other scholars have also posited, a functioning and consolidated democracy needs
to be buttressed by behavioral, attitudinal, and constitutional foundations. While third-wave democracies enfranchise citizens and legitimize the government through elections, these democracies fall into the trap of electoralism by only fulfilling the electoral criteria of democracy without supplying an effective system of checks and balances to hold the ruling elites accountable (Diamond 1999; Bratton et al. 2005).

The Effect of Backwards Democratization on Corruption
The combination of competitive elections and a lack of accountability in new democracies can be explosive in several consequential ways. First, the pressure to stay in office may encourage opportunistic incumbents to engage in electoral fraud or economic manipulation. Since Nordhaus’ (1975) early contributions, a standing literature commonly known as the political business cycles (PBC) literature has emphasized that the desire for reelection leads incumbents to stimulate the economy just before elections, with subsequent adverse effects. Recent research places PBC theory in the context of political institutions, and the rejuvenated literature of institutional PBC splits into two complementary branches. The first approach emphasizes how institutions restrict politicians’ choice of, and capacity for, manipulating economic outcomes or policies for electoral gain (Persson and Tabellini 2003; Chang 2006). The second approach focuses on how institutions affect the degree to which information on the decision-making process is accessible and available to voters (Alt and Lassen 2006). In summary, the thrust of this institutional approach is that the likelihood and the magnitude of electoral cycles are highest in new democracies that are characterized by fewer institutional constraints and by insufficient information and transparency (Shi and Svensson 2003; Akhmedov and Zhuravskaya 2004; Brender and Drazen 2005). Interestingly, Block (2002) finds evidence of both fiscal and monetary policy expansions during elections across 44 Sub-Saharan African countries, though these expansions ironically appear only in countries with competitive elections. In a subsequent study, Block and his colleagues show that the size of political budget cycles is highest during founding elections in democratic transitions, and they conclude that political leaders in new democracies have an incentive to preempt potential challengers so as to minimize future competition (Block et al. 2003). Therefore, “backwards” democratization implies the emergence of electorally driven budgetary cycles and inefficient economic outcomes.

Second, and perhaps more critically, political parties in third-wave democracies are in general institutionally underdeveloped. For instance, Kim (2000) argues that parties in South Korea are ideologically indistinctive and are organizationally detached from civil society. Put even more bluntly, politicians have turned political parties into their own personal instruments. The accountability consequences of ill-developed parties are non-trivial. Literature on personal voting has long posited that when candidates’ personal reputations electorally outweigh party reputations, candidates will seek to build their own patronage networks and pursue personal votes. However, personal votes are costly to candidates, and the more personal votes a candidate needs to secure victory, the more incentive he has to seek illegal funds from special interest groups to finance the campaign, thereby engaging in corruption (Cain et al. 1987; Carey and Shugart 1995). Paradoxically, while democracy theorists consider electoral competition conducive to accountability, stiff competition under this personal vote scenario can actually serve exactly the opposite purpose. In fact, a candidate’s dependence on personal votes increases with his perceived electoral uncertainty. Competitive elections will magnify a candidate’s belief that he will lose in his reelection bid, and he therefore will try to collect more personal votes (and hence more illegal bribes) in order to win (Chang 2005). In short, a lack of institutionalized party politics leads to the prevalence of personalistic elections in new democracies. In turn, these personalistic elections increase candidates’ dependence on unlawful resources and result in higher levels of corruption and economic outcomes (e.g. tariffs, contracts, or subsidies) that are dominated by or favorable to various special interests at the expense of ordinary citizens. Hellman (1998) vividly illustrates how organized interest groups effectively hijacked the economic reform process in post-Communist Russia, reaped the benefits, and stonewalled other reform policies intended to create transparency, competition, and openness.

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7 See Drazen (2000) and Franzese (2002b) for comprehensive reviews of PBC theories.
Finally, democratization without institutional foundations may simply present a golden opportunity for self-enrichment and power abuse in new democracies. Moran (2001) demonstrates that bribes, kickbacks, and various forms of corruption are supplied in return for government favors and special treatment in Latin American countries when democratization is associated with privatization. Zakaria (2003 p. 98) points out that “although democracy has in many ways opened up African politics and brought people liberty, it has also produced a degree of chaos and instability that has actually made corruption and lawlessness worse in many countries.” Several scholars hold the same view in the context of East Asia. Quan (2004) argues that the third wave of democratization has been accompanied by an eruption of corruption in both the Philippines and South Korea. Chu and Lin (1996) suggest that with the expansion of electoral avenues in Taiwan, local factions and business sectors were presented with new and greater opportunities for political investment, and as a result the money politics and corruption that used to dominate the local level elections quickly seeped into national level elections. Similarly, Diamand (1999) argues that in the course of democratization, organized crimes in countries like Colombia, Mexico, Thailand, Russia, and Taiwan have gained substantial political power and immunity from judicial prosecution, and ultimately the political systems are infected by corruption.

In short, as Moran (2001) argues, the conventional view that democratization necessarily reduces corruption is subject to fallacy. While limitations of the currently available cross-national data on corruption prevent us from drawing a definite inference concerning the effect of democratization on corruption, all our discussions so far lead us to the same conclusion: democratization by itself is not an adequate deterrent against corruption. To the contrary, when countries democratize without institutionalization, election-winning incentives and pressures, underdeveloped party structures and ill-defined policy platforms, and the lack of credible accountability mechanisms jointly provide a breeding ground for corruption in third-wave democracies. Worth noting is the mutually reinforcing process between state building and democratic consolidation discussed in Bratton and Chang’s study (2005). These authors note that the decline of state capacity and citizens’ dissatisfaction with democracy feed on each other and create a vicious cycle in the setting of Africa.

**Why Corruption Worsens Inequality**

Corruption is now recognized as a cancer of a polity. Commonly referred to as the abuse of public office for private gain, political corruption is found to harm economic growth, lower levels of investment, foster underground economies, and distort the composition of governmental expenditures (Mauro 1995; Jain 1998). Furthermore, recent empirical studies have started to systematically explore the channels through which corruption may affect income inequality. In a pioneering contribution, Gupta *et al.* (2002) argue that corruption increases income inequality through the following mechanisms.

First, corruption distorts income distribution in a direct and self-explanatory way, since illegal benefits derived from corruption by definition accrue disproportionately to those who control and/or have access

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8 Widely used country-level corruption data, such as Transparent International’s CPI, are not ideal for comparison over time. As Transparency International’s background paper notes, the index primarily provides an annual snapshot of the views of businesspeople and country analysts, with less of a focus on year-to-year trends. It also warns us that year-to-year changes in a country’s score not only result from changing perceptions of a country’s performance but also from sampling and methodology changes. Another potential danger in using these data over time is that the CPI is likely to be self-referential. As Golden and Picci (2005) succinctly argue, survey respondents might respond to the level of corruption reported by the most recent CPI rather than reporting how much real corruption exists around them. In this sense, anyone using the CPI over time needs to proceed with great caution, and sometimes such use may even be inappropriate.

9 Additional indirect evidence is presented in Montinola and Jackman’s study (2002), in which they find that corruption goes up as the level of democracy first increases and then declines after some point. Similarly, Bäck and Hadenius (forthcoming) also identify a curvilinear relationship between democracy and administrative capacity characterized by bureaucracy quality and control of corruption.
to political power, while the costs are externalized to ordinary citizens. Second, corruption distorts the tax system in several ways (e.g. tax evasion) that favor the rich and well connected. This in turn reduces tax progressiveness and offsets the welfare implications of the tax system.

Additionally, corruption misallocates social welfare and education program spending by redirecting that spending from those who are truly in need to those who are inside the patronage network. Alternatively, corrupt politicians may auction off the provision of public goods, and under such circumstances delivery of social services will give priority to the rich (who can afford to pay higher prices) rather than the poor (who are the assumed beneficiaries of social programs) (Lui 1985). In either case, corruption will cause under-provision of social and education programs, which consequently prevents the formation of human capital, the upgrade of job skills, and the potential for social mobility for the poor. Therefore, corruption inevitably nullifies the egalitarian effects of social programs on income inequality.

Finally, Gupta et al. (2002) note that the corrosive effects of corruption and income inequality can be mutually reinforcing through two parallel mechanisms. First, in systems that are penetrated by and permeated with special interests, corruption disproportionately enriches the wealthy and thereby leads to a high concentration of wealth. Meanwhile, beneficiaries whose assets are obtained from non-market profits have incentives to bribe the government for favorable policies and information so as to maintain their market advantages. The favorable policies and information in turn yield higher returns to the assets owned by the rich, while extra uncertainty and risks in the investment environment bear down only on the shoulders of the poor. Under this vicious circle, inequality raises corruption, and corruption in turn strengthens inequality.

Alesina and Angeletos (2005) mirror the above view and argue that the vicious circle of inequality and corruption operates through government spending programs. The notion is that when wealth resulting from corruption is deemed unfair by the society or when the ability to seek illegal rents lies most in the hand of the rich, the poor will demand redistribution programs to compensate for the inequality induced by corruption. However, when the size of government increases, more opportunities for corruption also emerge, which again contributes back to a higher level of inequality and stronger support for redistribution. Alesina and Angeletos suggest that this vicious circle accounts for the political economy in Latin American populist regimes, which are characterized by a paradoxical coalition that includes both the poor who benefit from redistribution and the rich ruling elites who gain from corruption. Similarly, You and Khagram (2005) argue for a self-reinforcing relationship between corruption and inequality, with an emphasis on how inequality might turn corruption into an acceptable norm and practice for both the poor and the rich.

To sum up, the above discussion warrants several empirical inquiries, including (1) whether different modes of democratization affect the quality of new democratic regimes, (2) more specifically whether backwards democratization leads to greater levels of corruption, and (3) whether corruption in new democracies attenuates social demands for redistribution and hence leads to greater income inequality. This paper explicitly takes up the last question in the following section, while leaving the other questions for future research.

EMPIRICAL ANALYSIS
I attribute rising income inequality in new democracies to corruption, and I empirically test the hypothesized corruption-inequality link at two levels. At the cross-national level, I build upon data compiled by Reuveny and Li (2003), and I focus on the world’s 30-odd countries experiencing democratic transitions during the early part of the 1990s. At the individual level, I use survey data from
both the Afrobarometer and the East Asian Barometer that span more than 20 new democracies in Africa and East Asia.

**Aggregate-Level Analysis**

Reuveny and Li’s recent contribution (2003) is the first systematic empirical study to examine both the international economic and domestic political determinants of income inequality. In terms of domestic political factors, these two authors, following the conventional view regarding social demands for redistribution (see Section 2), argue that higher levels of democracy should be associated with lower income inequality. With respect to international factors, they argue that trade openness increases income inequality in developed countries but reduces it in developing countries. This differential effect of trade on inequality is guided by the Heckscher-Olin model and the Stolper-Samuelson theorem, which posit that the winners from international trade between developed and developing economies are the unskilled workers in developing countries and the skilled workers and capital owners in developed countries. Additionally, drawing from various insights, they argue that both foreign direct investment and exposure to foreign financial capital should reduce inequality.

Reuveny and Li test their hypotheses against cross-national time series data that cover 69 countries during the period from the 1960s to the 1990s. Their dependent variable is the decade average Gini coefficient. Controlling for the effect of domestic economic growth (i.e., the Kuznets curve), they find that both democracy and trade reduce the level of income inequality, that foreign direct investment increases inequality, and that foreign financial capital has no effect on inequality in either developed or developing countries.

This paper expands Reuveny and Li’s data and uses the following strategies to test the effect of corruption on inequality. First, I seek to replicate their finding and ensure the validity of their results, and as Model 1 in Table 1 indicates, I obtain results exactly identical to those that Reuveny and Li reported in their study (Table 1). Secondly, I only make use of the sub-sample of third-wave democracies to accord with the current paper’s theoretical focus. Finally, since my study focuses on third-wave democratizations, I further reduce the time span in their data to cover only observations in the decade of the 1990s. Meanwhile, I keep all of the significant covariates in Reuveny and Li’s study and add a decade-average corruption variable calculated from the corruption index in the International Country Risk Guide (ICRG). The corruption index in the ICRG is one of its political risk components, and it ranges from 0-6 with higher values meaning less corruption. Model 2 in Table 1 re-estimates this expanded regression model against the 31 useful cross-national observations in the 1990s. As we can see, Model 2 indicates that countries with less corruption are associated with lower inequality, and this analysis therefore provides supportive evidence for my corruption-inequality hypothesis ($p<.07$). Another useful observation from Model 2 is that the level of democracy becomes insignificant once we add the corruption variable into the model. These results correspond to our previous discussion that democracy does not unconditionally reduce inequality in third-wave democracies. Instead, when pervasive corruption plagues these democracies, democracy becomes no longer useful in guarding against inequality.

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10 See Reuveny and Li (2003) for the measurement for each variable.
Individual-Level Analysis

While the results from the previous aggregate-level analysis seem encouraging, additional analysis on individual-level data is useful for both theoretical and empirical reasons. First, despite the proliferation of aggregate-level studies of income inequality, individual-level analysis on income inequality is grossly under-developed.\(^{11}\) While income inequality is by construction an aggregate-level phenomenon, this imbalance is still unfortunate given the fact that citizens’ perceptions concerning income inequality may strongly affect their behavior. Thus, it is informative to examine whether the influence from the country-level inequality might have dipped into the individual level. Milanovic (2003) forcefully argues that citizens’ perceptions of inequality provoke their sense of injustice, since it is human nature for people to compare themselves to their peers. Their self-placed positions in the income distribution become a surrogate of how they think the society values them. In this sense, the perceived level of inequality is “a social expression of their own worth (p. 3).” Additionally, citing the fact that participants commonly turn down an unfair (yet Pareto-enhancing) offer in the dividing-a-dollar ultimatum game, Milanovic argues that rational individuals have implicitly embedded inequality into their utility functions. Hence, it is of great importance that we enrich our understanding of income inequality at the individual level.

Second, while the previous aggregate-level analysis is informative, the model is static in nature, meaning that its inferences are drawn from cross-national variation. As a result, it inadequately captures the dynamic between corruption and inequality implied by the theory. As I shall elaborate on below, turning to individual-level survey data provides at least a partial solution to this problem of dynamism.

\(^{11}\) To the author’s knowledge, only Bartels (2005) have attempted to examine the sources of income inequality among individuals.
The individual-level data come from two parallel cross-national survey projects: the Afrobarometer and the East Asian Barometer. The Afrobarometer is a collaborative survey project that studies citizens’ social, political, and economic attitudes in more than a dozen African countries. The East Asian Barometer conducts similar research in the context of Asia. I utilize the most current data from both surveys projects (Round 3 from the Afrobarometer and Round 1 from the East Asian Barometer) to obtain information on political corruption and income inequality at the individual level for 17 African countries and 5 East Asian countries. Country sample sizes range from 1,144 (Mongolia) to 2,400 (South Africa) randomly selected respondents, and the pooled African (East Asian) dataset consists of 24,349 (6805) successful interviews.

As discussed above, one empirical advantage of using survey data is the ability to measure the dynamics of income inequality. Specifically, the Afrobarometer asks respondents the following question: “Please tell me whether the gap between the rich and the poor in this country is better or worse than it was a few years ago, or whether it has remained the same.” The answer scores on a metric of 1-5, where 1 represents “much worse” and 5 “much better.” Table 2 summarizes citizens’ perceptions concerning past changes in inequality in both African and East Asian countries. At first glance, we can quickly see that rising income inequality is indeed a common concern: a great majority of the African respondents believe that the gap between the rich and the poor has increased over the past few years, while only slightly more than 10% think the opposite. In several countries like Lesotho, Malawi, and Nigeria, more than 50% of respondents say that income inequality has gotten much worse. While East Asian countries present a less extreme picture, overall more respondents still report that inequality has become worse than better.

<table>
<thead>
<tr>
<th>Country</th>
<th>Much Worse</th>
<th>Worse</th>
<th>The Same</th>
<th>Better</th>
<th>Much Better</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benin</td>
<td>37.8</td>
<td>42.5</td>
<td>10.9</td>
<td>6.8</td>
<td>4</td>
</tr>
<tr>
<td>Botswana</td>
<td>32.5</td>
<td>30.6</td>
<td>20.6</td>
<td>13.7</td>
<td>.8</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>17.9</td>
<td>34.2</td>
<td>25.6</td>
<td>10.3</td>
<td>1</td>
</tr>
<tr>
<td>Ghana</td>
<td>32.7</td>
<td>26.5</td>
<td>19.4</td>
<td>14.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Kenya</td>
<td>43.3</td>
<td>25.7</td>
<td>15.0</td>
<td>11.1</td>
<td>.9</td>
</tr>
<tr>
<td>Lesotho</td>
<td>56.8</td>
<td>21.4</td>
<td>9.0</td>
<td>10.5</td>
<td>.3</td>
</tr>
<tr>
<td>Madagascar</td>
<td>18.6</td>
<td>38.6</td>
<td>22.6</td>
<td>15.2</td>
<td>.2</td>
</tr>
<tr>
<td>Malawi</td>
<td>67.8</td>
<td>15.9</td>
<td>6.9</td>
<td>5.3</td>
<td>2.4</td>
</tr>
<tr>
<td>Mali</td>
<td>30.0</td>
<td>33.3</td>
<td>17.3</td>
<td>16.0</td>
<td>1.6</td>
</tr>
<tr>
<td>Mozambique</td>
<td>19.9</td>
<td>30.8</td>
<td>23.2</td>
<td>14.9</td>
<td>1.6</td>
</tr>
<tr>
<td>Namibia</td>
<td>18.0</td>
<td>24.6</td>
<td>30.9</td>
<td>19.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Nigeria</td>
<td>52.9</td>
<td>27.6</td>
<td>11.7</td>
<td>6.4</td>
<td>.6</td>
</tr>
<tr>
<td>Senegal</td>
<td>13.8</td>
<td>40.2</td>
<td>14.7</td>
<td>19.6</td>
<td>2.1</td>
</tr>
<tr>
<td>South Africa</td>
<td>27.6</td>
<td>24.5</td>
<td>24.6</td>
<td>17.1</td>
<td>3.4</td>
</tr>
<tr>
<td>Tanzania</td>
<td>34.4</td>
<td>23.3</td>
<td>12.7</td>
<td>11.7</td>
<td>4.6</td>
</tr>
<tr>
<td>Uganda</td>
<td>37.8</td>
<td>31.3</td>
<td>14.3</td>
<td>14.0</td>
<td>.7</td>
</tr>
<tr>
<td>Zambia</td>
<td>55.8</td>
<td>25.7</td>
<td>14.7</td>
<td>1.8</td>
<td>.7</td>
</tr>
<tr>
<td>All African Countries</td>
<td>35.2</td>
<td>29.2</td>
<td>17.3</td>
<td>12.0</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Table 2.A: Citizens’ Perception on the Past Change in Inequality in Africa

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12 There are 18 countries covered in Round 3 of the Afrobarometer surveys: Benin, Botswana, Cape Verde, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mali, Mozambique, Namibia, Nigeria, Senegal, South Africa, Tanzania, Uganda, Zambia, and Zimbabwe. Due to incompatible scaling for some questions, I drop Zimbabwe from the analysis. Meanwhile, 8 countries are covered in Round 1 of the East Asian Barometer surveys: China, Hong Kong, Japan, Mongolia, the Philippines, South Korea, Taiwan, and Thailand. I drop 2 non-democracies (China and Hong Kong) as well as 1 advanced democracy (Japan), resulting in 5 countries in the East Asian sample.
Table 2.B: Citizens’ Perception on the Past Change in Inequality in Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>Much Worse</th>
<th>Worse</th>
<th>The Same</th>
<th>Better</th>
<th>Much Better</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Korea</td>
<td>17.5</td>
<td>43.5</td>
<td>30.9</td>
<td>7.8</td>
<td>.3</td>
</tr>
<tr>
<td>Mongolia</td>
<td>35.2</td>
<td>36.8</td>
<td>13.7</td>
<td>10.6</td>
<td>3.8</td>
</tr>
<tr>
<td>The Philippines</td>
<td>10.2</td>
<td>15.6</td>
<td>47.7</td>
<td>21.5</td>
<td>5.0</td>
</tr>
<tr>
<td>Taiwan</td>
<td>18.9</td>
<td>21.0</td>
<td>33.4</td>
<td>23.5</td>
<td>3.2</td>
</tr>
<tr>
<td>Thailand</td>
<td>1.6</td>
<td>7.7</td>
<td>41.4</td>
<td>40.2</td>
<td>9.1</td>
</tr>
<tr>
<td>All Asian Countries</td>
<td>15.4</td>
<td>24.8</td>
<td>32.9</td>
<td>20.5</td>
<td>4.2</td>
</tr>
</tbody>
</table>

How do we account for variation among individuals in terms of their perceptions of past changes in inequality, then? This paper argues that political corruption is a key determinant. Following the standard approach in survey research, both the East Asian and Afrobarometer surveys ask respondents about levels of perceived corruption. Since political corruption is a complex set of activities that involves more than a single actor, the East Asian Barometer asks respondents how widespread they think corruption and bribe-taking are in both the national government and local government, respectively. The Afrobarometer further differentiates among various political actors and provides respondents with a more detailed list, including the president, members of parliament, the independent electoral commission, elected local government councils, the ruling party, opposition parties, the army, the police, and courts of law. Each item is rescaled to a metric of 1-4, where 1 means “hardly anyone is involved” (in the East Asian Barometer) or “not at all” (in the Afrobarometer) and 4 indicates “almost everyone is involved” or “a lot.” Following the theory, the variable of political corruption is hypothesized to have a positive impact on perceived income inequality in the data from both barometers.

I next incorporate several control variables that are deemed important in the literature. First, Political Sophistication, or the quantity and organization of a person’s political cognitions (Luskin 1987), is argued to affect virtually every dimension of political behavior among voters (Zaller 1992). In the context of income inequality in the U.S., Bartels (2005) examines whether well-informed citizens have systematically different perceptions and preferences toward income inequality and President Bush’s tax policies than their ill-informed counterparts. Utilizing a quiz item approach to measure political information, Bartels finds a strong effect of political information in raising citizens’ awareness of income inequality. I follow Bartels’ approach and gauge the quality of political information respondents possess in the Afrobarometer data. Specifically, I use an additive scale constructed from counts of correct answers to six political knowledge items asked in the survey. The scale is then normalized to range from zero to one, where one indicates that a respondent answered all questions correctly. In the East Asian Barometer data, the lack of directly comparable questions forces me to rely on an imperfect proxy: the extent to which respondents are interested in politics. I expect the effect of political sophistication to be positive in the data from both barometers.

Moreover, it is reasonable to assume that citizens’ perceived level of income inequality may be determined by their positions in the economic structure. In particular, socio-economically disadvantaged groups and those who perceive little upward income mobility in the near future should be more sensitive to the rising of inequality. Hence, I control for citizens’ perceptions of economic conditions. Specifically, the Afrobarometer asks respondents to rate their own present living condition and their expected living condition in twelve months. In a similar vein, the East Asian Barometer asks respondents to rate their present economic condition as well as predict their own economic condition for the next five years.

Seligson (2002) proposes an alternative approach that asks respondents whether they have personally witnessed or suffered from corruption. Although it effectively captures citizens’ exposure to day-to-day corruption, it cannot tap into higher-level corruption that takes place behind the scenes.
years. After reversing the scale, each variable ranges from -1 to 1, where -1 represents “fairly bad or very bad,” 0 “neither good nor bad,” and 1 “fairly good or very good.” Taken together, these questions jointly measure citizens’ current and projected economic situations, and I expect these variables to have negative effects. Finally, I control for citizens’ economic ideology. How economic ideology affects citizens’ perceived level of inequality is less developed in the literature, but the conjecture here is that citizens who hold more socialist attitudes on the general Left-Right economic scale should be more alert to the issue of rising inequality. The East Asian and Afrobarometer surveys tap into citizens’ economic ideology in slightly different ways. The Afrobarometer asks respondents whether they agree with the statement “People should look after themselves and be responsible for their own success in life” or with the competing statement “The government should bear the main responsibility for the well-being of people.” I argue that those who choose the second statement prefer a bigger role for government. Therefore, I create a dummy variable that equals one for those who attribute welfare responsibility to the government. The East Asian Barometer, on the other hand, asks whether citizens agree with the following statement: “The government should maintain ownership of major state-owned enterprises.” Following the same reasoning, I create a dummy variable that equals one for those who prefer a larger government, and the coefficient for the economic ideology dummy variable is hypothesized to be positive.

Model 3 and Model 4 estimate the effect of corruption on inequality, controlling for citizens’ level of political sophistication, perceptions of economic conditions, and economic ideology in the African and the East Asian countries. It is important to emphasize two points before proceeding. First, I am cautious about the potential for omitted-variable bias, most notably from such unobserved country-specific characteristics as culture or geography. Therefore I include country dummy variables in the models. Second, due to shared experiences and common environment, observations within a country are likely to be more similar than ones across countries. Therefore I account for potential clustering within countries to avoid underestimating the standard errors and making overly optimistic inferences.

**Table 3  Estimation Results: Individual Level Analysis**

<table>
<thead>
<tr>
<th></th>
<th>Model 3 Afrobarometer</th>
<th>Model 4 East Asian Barometer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corruption</td>
<td>.185*** [.040]</td>
<td>.219*** [.071]</td>
</tr>
<tr>
<td>Political Sophistication</td>
<td>.076 [.053]</td>
<td>-.013*** [.005]</td>
</tr>
<tr>
<td>Current Economic Condition</td>
<td>-.191*** [.015]</td>
<td>-.046* [.027]</td>
</tr>
<tr>
<td>Expected Future Condition</td>
<td>-.129*** [.027]</td>
<td>-.079** [.031]</td>
</tr>
<tr>
<td>Economic Ideology</td>
<td>.086*** [.012]</td>
<td>-.051 [.044]</td>
</tr>
<tr>
<td>N</td>
<td>18553</td>
<td>6053</td>
</tr>
</tbody>
</table>

Note: Country cluster robust standard errors in brackets. *p < .1; ** p < .05; ***p < .1. Coefficients for country dummies and thresholds are suppressed in the interest of space. The dependent variable is citizens’ perception on the past change in inequality.
Note immediately in Table 3 that the corruption variable coefficient is highly significant with the expected sign in both African and East Asian countries, indicating that citizens who perceive higher levels of corruption are more likely to observe rising inequality. To facilitate interpretation, I regroup the inequality variable into three categories, and I calculate the predicted probability after re-estimating the model. The results suggest that the probability that a respondent in Africa who sees a clean political system observes rising inequality is 61.2%, holding everything else constant at the mean. This probability, however, rises to 77.5% in the eyes of citizens who believe their politics have been totally corrupt. In East Asia, while the issue of rising inequality is not as dramatic, corruption continues to exert a substantial effect. Particularly, a respondent in East Asia who considers her political system corrupt will be concerned with rising inequality with a probability of 50.1%. This is a significant increase over 26.5%, which is the probability that a citizen perceives rising inequality given that she considers the political system clean. Finally, the results in Table 3 suggest that the other variables conform well to the theory. Poor economic conditions have consistently led to greater concern about inequality in both African and East Asian countries. Political sophistication and ideology also affect citizens’ perception of inequality in African countries but less so in East Asia.

CONCLUSION
This paper attempts to solve the puzzle of why democratization results in greater income inequality in third-wave democracies. I argue that the answer lies in a better understanding of the ways countries have democratized. When third-wave countries democratize by opening up elections before they have secured a system of accountability, the resultant corruption wildly distorts the income distribution and leads to greater inequality. The corruption-inequality hypothesis is well supported by empirical analyses using both cross-national data and individual-level survey data, despite the fact that the measures of corruption and inequality, the model specifications, and the estimation strategies at the two levels are quite different.

Several issues remain for future research, however. First, while this paper argues that corruption leads to higher inequality, others may rightfully argue that inequality worsens corruption (You and Khagram 2005). Therefore, it is critical to address this reciprocal relationship to ensure unbiased estimates in the empirical analysis. Additionally, examining whether a mutually-reinforcing relationship between corruption and inequality exists also contributes to our understanding of the long-term relationship between democracy and inequality. Specifically, several scholars have argued for an inverted U-shape relationship between democracy and inequality, in the hopes that the rise in inequality associated with democratization will only be temporary and that as institutionalization progresses democratization will eventually reduce inequality. Simpson (1990), for instance, argues that inequality rises with democracy up to some threshold and then starts to decline. However, I argue that this view of a “political Kuznets curve” (Chong 2004) could be overly optimistic. Rising inequality coupled with and fueled by pervasive corruption can turn into an ever-lasting nightmare for both political leaders and ordinary citizens in new democracies, unless some external shocks (such as institutional reforms) successfully break down this vicious circle.

At a broader level, a greater endogeneity concern exists with regard to inequality and democratization itself. The demand for income redistribution induced by inequality has been viewed as the engine driving regime transitions in the latest political economy approach. In Acemoglu and Robinson’s (2006) study, it is indeed inequality that triggers democratization; democracy is conceptualized as a coordination solution for both the rich and poor, since democracy delivers redistribution in a credible manner to the poor while preserving the property rights of the rich. The bottom line here is that if inequality precedes and initiates democratization and also affects the ways countries democratize (as Cervellati et al. argue), then countries with higher initial levels of inequality are “doomed” and are held captive by inequality because greater
initial inequality leads to conflictual democratization, which in turn furthers inequality. In this sense, we are inevitably led to a theory of predestination rather than a theory of democratization.
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