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## **Free but unequal:**

Synthesis report: democracy,  
inequality and the state in  
Latin American and Africa

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This paper synthesises the findings of a four-country project entitled 'Democracy, inequality, and the state in the 21<sup>st</sup> century'. The four participating countries were Argentina, Brazil, South Africa, and Uganda.

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## MORE ABOUT THIS PROJECT

This report discusses the outcome of a four-country project entitled 'Democracy, inequality and the state in the 21<sup>st</sup> century'. The project has attempted to shed new light on the problem of democracy's relationship with inequality in the current world environment by allowing for a dialogue in four countries -- Argentina, Brazil, South Africa and Uganda – between specialists in economics and social policy on the one hand and political analysts on the other. The project was funded by the International Development Research Centre (IDRC) of the Canadian government. It was originally conceptualised by Bolivar Lamounier of IDESP, São Paulo, and later elaborated upon by Steven Friedman. At the final meeting of the project team, Friedman was delegated to compile the synthesis report.

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Democracy, like tradition in the old joke, is not what it used to be.

It was not so long ago that the prospect of universal franchise inspired revolutionaries and horrified economic elites. For both, votes for all could not but pose a deadly threat to social inequality. Once the right to decide was claimed by the majority of citizens they would, it was assumed, use their new power to demand a greater share of society's resources: evidence of how widespread this assumption was is that it is possible to derive from Marx's writing the notion of a democratic legislated revolution, in which the politically empowered proletariat use their majority in parliament to abolish private ownership and its attendant inequalities.<sup>1</sup>

In reality, democracy offered those at the bottom of the social and economic pile a way into the market economy, not a means to abolish it. But economic elites offered more to secure this incorporation (and head off the perceived threat of revolution) than the right to be free – in many societies, as the franchise was broadened, those who acquired it used it to elect governments which employed social policy to reduce inequalities. The welfare state, underpinned by the notion that democratic governments owed their citizens a variety of social and economic entitlements as well as the basic government function of protecting their persons and rights, was largely a product of the extension of the vote to all. If liberal democracy made an unlikely vehicle for revolution, it did appear to be strongly, if not inherently, inimical to social inequality.

This apparent property of representative democracy was described, analysed – and advocated – in T H Marshall's seminal *Citizenship and social class*.<sup>2</sup> Marshall was writing in immediate post-World War Two Britain, when a Labour government was implementing the welfare state consensus which had been forged during the War. He was, therefore, deeply influenced by the emergence of the welfare state, which was to dominate European thinking on social policy for decades and to have a significant effect on thinking in Southern countries. In essence, he argued that political citizenship would inevitably become a vehicle for its social equivalent: the tension between granting the formal rights of citizenship to all but restricting economic benefits to a few could not endure and the recognition that all should enjoy political rights would inexorably lead to the extension of social rights and an inevitable reduction in inequality as those on its 'wrong end' used their franchise to erode it. A theoretical account of how this comes to pass is offered by Przeworski's analysis of the way in which the emergence and growth of labour parties in universal franchise democracies produced a series of strategic calculations and consequent bargains which did not threaten the survival of the market economy but ensured rising living standards for the working class.<sup>3</sup>

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<sup>1</sup> To be sure, much of Marx's writing expresses deep scepticism of using the franchise to achieve socialism, and this view is usually attributed to Engels. But Marx too considered an electoral route possible -- Karl Marx, letter to the *New York Tribune*, August 25, 1852, cited by Seymour Martin Lipset, Introduction, in T H Marshall, *Class, citizenship and social development*, Westport, Conn: Greenwood Press, 1964.

<sup>2</sup> *ibid.*

<sup>3</sup> Adam Przeworski, *Capitalism and social democracy*, Cambridge: Cambridge University Press, 1987.

This is, of course, a largely accurate account of the emergence of the welfare state in the liberal democracies of Western Europe. But, as the concept paper for this project<sup>4</sup> noted, it does not appear to describe the current wave of democratisation in the ‘South’ or ‘developing world’. Elites are less fearful today and democratisation a far less contentious issue, comfortably consistent with feasible transitions to free market economics rather than its demise. In South Africa, market pressure was a driving force for democracy. In Argentina and Brazil, economic crisis became key determinants of the military demise. In Uganda, while international allies of the current government tolerate its ‘no party system’ because it is seen to be pursuing ‘good governance’, there is no expectation that multi-party politics would enhance redistributive pressures when it has proved eminently compatible with market liberalisation elsewhere in sub-Saharan Africa and a move to multi-partyism is more likely to be applauded than feared by the international interests who dominate its economy. But as political democracy and free markets became theoretically and practically intertwined, the egalitarian basis of historical democratisation pressures has been lost. The third wave of democracy is the result of a simultaneous wider commitment to at least the form of democracy and a higher belief in the autonomous existence of market rules that fall outside the scope of democratic deliberation. Whether by consent, imposition or default (the last-named a possible result of the lack of strong social forces pressing for greater equality), the price of extending democracy across the globe appears to be a narrowing of the issues considered appropriate for its attention.

While, therefore, the liberal democracy which Marshall expected to confer the means to achieve ‘social citizenship’ is now more evident across the globe than ever before, it rarely if ever ensures narrowing inequality – indeed, the converse, greater enfranchisement and widening inequality, is the norm. On the surface this suggests either that, *a la* current economic orthodoxy, citizens have come to realise that there is no alternative to inequality, or that democratic systems have somehow lost that ability to translate public preferences into social policy which Marshall observed.

The concept paper implicitly rejected both explanations. Following Przeworski, it suggested that citizen preferences do not automatically translate into policy, law or action in democratic societies. They do so only if they are expressed in organisation: citizens must be capable of combining into political parties or interest associations or both if their preferences are to become policy. And, because social differentiation in complex societies ensures that no one group with sufficient commonality of interest to be capable of collective social action constitutes a majority, preference only becomes policy when social coalitions or alliances are established which are capable of shaping the policy agenda. The difference between the democracy described by Marshall and Przeworski and that we observe today, therefore, lies not in the triumph of a particular economic recipe or the mysterious mutation of democracy’s properties, but in a change in the nature of social organisation and the alliances it produces. In other words, it was suggested, Marshall’s ‘social citizenship’ was less the outcome of an inexorable liberal democratic logic

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<sup>4</sup> Steven Friedman, *Democracy, inequality and the reconstitution of politics*, Woodrow Wilson International Center for Scholars, Washington DC, forthcoming.

as the consequence of a particular moment in history when those with an interest in egalitarianism – workers – also enjoyed the capacity to organise. And the consequence of this view is that democracy's current coexistence with inequality is a result of the absence of effective organisation for equality and the coalitions it might be expected to produce.

It must be stressed that this is only a hypothesis – and that it is also an oversimplification since labour's egalitarian role is not self evident. Thus our Brazilian study argues forcefully that labour's role is not always egalitarian – indeed, that it has acted and continues to act in that country as an obstacle to greater equality (even while it appears to play an egalitarian role in our other case studies). And even if the hypothesis is accurate, the degree to which egalitarian impulses express themselves in a manner capable of translation into implementable policy may depend on a variety of factors ranging from each society's history of inequality (and, conceivably, the extent to which this makes alternatives seem plausible) through the accessibility of democratic institutions to social actors, to state capacity to act on egalitarian impulses.

This paper summarises an attempt to examine these questions in four 'Southern' countries, two in Latin America (Argentina and Brazil) and two in Africa (South Africa and Uganda).

### *Introducing the study*

All the case studies but Uganda are multi-party democracies with recent authoritarian histories. Uganda is a 'no party' or 'movement' democracy: while we endorse the judgement of our Ugandan study, which insists that the country is not a democracy,<sup>5</sup> its current system does contain features close enough to those of democracies to allow our colleagues in that country to ask much the same questions as the teams in the three formal democracies. More specifically, NGOs and civil society do enjoy freedom of association, there is considerable media freedom and vestiges of popular democracy through village local councils with limited powers. However, our country paper stresses that freedom of association, organisation and assembly is not extended to political parties. Uganda was chosen as a study because it is often cited by donor countries as a 'success story' which has achieved significant growth and poverty reduction: it was, for example, the first country to be granted a degree of debt relief in the Highly Indebted Poor Countries initiative. This seemed to make it a more interesting candidate than a country which might be a formal democracy but which was seen to be repeating the elite acquisitiveness of post-independence Africa's pre-democratic phase.

The project sought to address three questions: Can democracy - or moves towards it - be sustained in the South if current inequalities persist or grow? What political constraints and options face democratising societies which attempt to address poverty and inequality in the next decade and beyond? Taking into account the political realities which face these societies, what social policy options are feasible given current interna-

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<sup>5</sup> John Jean Barya, with a contribution from Godfrey Bahigwa, *Democracy, inequality, and social policy in Uganda: challenges for the 21<sup>st</sup> century*. (forthcoming)

tional and domestic constraints on ‘developing’ states and economies? It was founded on four hypotheses:

- Whatever view is taken of ‘globalisation’, states have not lost their capacity to shape political, social and economic outcomes. The debate is over whether they do so in changed conditions and, if so, what these demand;
- If states matter, so does politics. The degree of inequality which is compatible with democracy and stability depends on dominant norms and social understandings expressed through parties and interest groups: the political context therefore shapes the effect of inequality on stability. Equally importantly, the viability of measures to deal with inequality depend to a considerable degree on politics since no strategy or policy is viable unless it commands political support (or at least acquiescence) from influential and potentially influential groups in society;
- Attempts to address inequality are likely to succeed only if - an aspect largely ignored in current literature - a coalition in their support exists or can be built which ensures that projects enjoy sufficient support among key interests to make them economically viable, enough legitimacy among inequality’s ‘losers’ to ensure that they generate social stability.
- Within these political realities, viable social policy options must take into account the capabilities of the states and economies in which they are formulated and the international realities within which ‘developing’ countries operate.<sup>6</sup>

At the outset, it is perhaps worth noting that social and economic trends in the four countries do not seem as stark as many current analyses of global trends in the ‘South’ would seem to suggest: Argentina best approximates the presumed trend - there is clear evidence of widening inequality since democracy was re-established (although the pattern began under the military junta which ruled between 1976 and 1983). South Africa, too, has experienced widening inequality over the past couple of years but only after a narrowing in the first few years after democracy was achieved – if official figures are to be believed. In Uganda, the Gini coefficient has increased, but only marginally – although here suspicion of official data is pronounced - while in Brazil, inequality appears to have declined since the current president, Fernando Henrique Cardoso, was elected six years ago. But this introduction of nuance does not alter the problem proposed by the study: in none of the countries is there evidence of a sustained and unambiguous egalitarian trend since democratisation – and, as we shall see below, in all there is reason for pessimism about prospects for such a trend. So the world described by Marshall has changed and, for the moment, political citizenship without its social equivalent seems a Southern norm, not an aberration.

The four country studies are a first, tentative, attempt to explain this, to examine the implications for democracy and prospects for achieving greater equality within a democ-

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<sup>6</sup> The rationale for the project and its hypotheses are discussed in greater detail in Bolivar Lamounier, Steven Friedman and Joseph Tulchin, *Towards a new economic paradigm: crafting a research agenda for the 21<sup>st</sup> century*, Woodrow Wilson International Center for Scholars, Washington DC, forthcoming.

matic framework. It is anything but definitive: it is purely an analytical exercise which relies not on fresh fieldwork but on an interchange in all the countries between political analysts on the one hand, ‘technical’ specialists in economics and social policy on the other. The issues raised here are too important, and also too complex, to allow grandiose recipes to be generated by an initial exercise of this sort. We hope, however, that we have been able to begin a conversation on the relationship between inequality and democracy in the ‘South’ and to suggest some crucial lines of inquiry.

## THE ROOTS OF INEQUALITY

Understanding inequality’s historic roots is important for two contrasting reasons.

First, in some parts of the world, it may serve as an antidote to excessive romanticism of the past. Thus, opposition to current economic orthodoxies is often couched in explicit or implied reference to a past in which protections for the poor were greater, inequalities narrower. But closer scrutiny may reveal that inequality’s roots lie deeper than initially supposed, an understanding which may bring both greater intellectual clarity and more appropriate policy responses. Secondly, and by contrast, current inequalities may be seen as a consequence of a ‘path dependency’ which is largely immune to intervention: it has, for example, been argued that inequality in Latin America has remained at relatively constant high levels for centuries, regardless of political trends.<sup>7</sup> An implication, of course, is that the problem is too intractable to permit alteration by changed political alliances.

The country studies suggest that the four societies confront inequality in the context of very different histories. But in general, the evidence does indeed warn against portraying an idyllic egalitarian past – but it also offers some evidence that egalitarianism is possible.

In Brazil and South Africa, inequality is deeply embedded in history, although for somewhat different reasons. In Brazil, a colonial history of inequality was maintained and entrenched by a domestic political modernisation path which was acutely elite dominated and was, at least since the accession to power of Vargas in 1930, buttressed by a corporatism which ‘was efficient as a means to co-opt and control labour, but only at the price of granting special access and privileges to better organised and/or strategic sectors’.<sup>8</sup> Lamounier notes that, in a context of extremely low average (nation-wide) politicisation, ‘it seems fair to hypothesise that this helped freeze ancient inequalities’. In sum, those with the capacity to organise – the economic elite and organised workers – enjoyed access to resources at the expense of the weakly organised. This analysis sharply challenges the view which sees current trends, in which the Cardoso administration has sought to dismantle many of the interventionist measures associated with the import substituting industrialisation (ISI) model, as a foreclosing of egalitarian options. On the contrary, it suggests that a further liberalisation process, in which the social protections en-

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<sup>7</sup> Jorge Castaneda, verbal presentation, Woodrow Wilson International Center for Scholars, Washington DC, November 1998.

<sup>8</sup> Bolivar Lamounier, Idesp first report, unpublished paper, August 2000.

joyed by ‘insiders’ would be attenuated, is a means to reduce inequality since it creates new options for the poor.

In Brazil, inequality’s deep historical roots may well serve to contain rather than prompt pressure for greater equality – perhaps by making social cleavages appear part of the natural order. The poor have, in recent elections, opted for the candidate considered better at fighting inflation, not the one with the most egalitarian programme. While that choice may well be rational, given the baleful effect of inflation on the poor, it does also suggest that the poor have concluded, at least for now, that their interests are most likely to be realised within the current economic framework. But our case study suggests that an electoral majority for a left-wing or populist option is now a possibility: if it materialises, Brazil will enter waters uncharted for seven decades with unpredictable effects.

The South African case shows certain similarities to Brazil, since it also entailed incorporating organised labour at the expense of the poor and weak. Here, however, unions were not the only beneficiaries of incorporation; nor was the vehicle for inclusion non-racial corporatism. It was, rather, race: a fairly successful exercise in white class compromise, accomplished within a racially defined multi-party system, excluded the black majority and ensured that it competed energetically with Brazil for world leadership in social inequality. One feature was the recognition of non-black<sup>9</sup> trade union rights within a structured bargaining system and the exclusion of black workers from official trade union rights (although unionism among black workers was not banned ensuring that white unions were incorporated at the expense of their black equivalents). In both these cases, then, the dismantling of state-conferred privilege served to open up opportunities for inequality’s victims.

The South African case diverges from Brazil in that it suggests that reasonably egalitarian negotiated compromises are possible: it is through precisely this device that the conflicts which wracked white society were resolved during the period of minority rule. The circumstances in which this was achieved, racial minority rule, might seem a reminder of the levels of solidarity of which human beings are capable if a common identity can be used as a vehicle for ganging up on others – not as a guide to egalitarian potential. However, it has been argued – and credible evidence has been adduced in support of this analysis – that this history may make the white minority significantly more open to redistributive sacrifices than, say, Brazil’s economic elite, both because the indefensibility of racial minority rule makes it very difficult for those who benefited from it to defend inequality and because it instilled a notion of solidarity which is capable of being transferred from an identity ‘in’ group to include the erstwhile ‘other’.<sup>10</sup>

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<sup>9</sup> Black workers classified as ‘coloured’ and ‘Indian’ were permitted to join legally recognised trade unions. Black Africans were not. See, for example, Steven Friedman, *Building tomorrow today: African workers in trade unions, 1970-1984*, Johannesburg: Ravan Press, 1987.

<sup>10</sup> This argument is made, in varying forms, in Douglas Pierce, *Post-apartheid South Africa: lessons from Brazil’s ‘Nova Republica’*, Johannesburg: Centre for Policy Studies, 1992; Evan Lieberman, National political community and the politics of income taxation in Brazil and South Africa in the 20<sup>th</sup> Century, *Politics and Society* (forthcoming); Steven Friedman and Ivor Chipkin, *A poor voice?: the politics of inequality in South Africa*, Johannesburg: Centre for Policy Studies, 2001.

Also, a history of racially motivated inequality may, as our case study suggests, constrain elites favouring inegalitarian policies, forcing the governing party to retain redistributive approaches and projects, even as these operate alongside attempts both to liberalise and to support the creation of a black business class. However, the latter goal indicates the complexity of a legacy of racial inequality: just as it creates implied pressures to address black poverty, so does it provide a rationale for measures which address racial, but not social, inequality by promoting black professional and business advancement, at times at the expense of the poor.<sup>11</sup>

Argentina and Uganda, by contrast, look back on a history of much flatter social hierarchies, albeit for very different reasons. Argentina is the starkest example of a society in which politics is a key shaper of equality or inequality. Thus, as our country study<sup>12</sup> shows, an early history in which a residual or liberal welfare state displayed many of the characteristics of England in the 19<sup>th</sup> century – with its emphasis on rewarding only the ‘deserving’ poor – was followed by swings between egalitarian populism and inegalitarian military rule. Certainly, relative egalitarianism was not purely a result of politics – our country study cites comparatively high income, urban concentration and an extended public schooling system which promoted social mobility, as well as ‘the irruption of mass politics ... increasing social conflict ... and strong unions under relatively stable full employment conditions’. It was also, our study notes, a response to social conflict prompted by ‘a large migrant population concentrated in a few urban centres during Argentina’s export-led incorporation to the world market’.<sup>13</sup> But, to a degree, its 20<sup>th</sup> century history can almost be seen through the lens of classic class conflict theory – the labour-led class alliance takes egalitarianism to the limits of the possible, and the military then intervenes on behalf of the propertied classes to restore ‘economic order’.<sup>14</sup> The junta which seized power in 1976 called a halt to egalitarian experiments; by the time it was replaced by an elected government, the shift in the economic policy climate precluded another vigorous populist experiment.

This history provides ample fuel to refute the ‘path dependence’ thesis: during the last century, greater equality was possible in Argentina when labour based parties were in power, unlikely when they were not. But it also seems to provide strong support for claims of an egalitarian past betrayed by a neo-liberal present, particularly as it is the country in this study in which the phenomenon of the ‘new poor’ – people extruded from the middle classes by economic change – is most pronounced.

But not only is the history more complicated than the ‘broad brush’ analysis suggests – to name but one example, the egalitarian period is relatively short, spanning some 30 years of the 20<sup>th</sup> century. The redistributive experiments, as we shall show presently, were conducted in such a way as to undermine prospects for democracy when the junta de-

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<sup>11</sup> See land subsidy change discussed in Friedman and Chipkin, *A poor voice?: the politics of inequality in South Africa*.

<sup>12</sup> Ernesto Calvo, Juan Carlos Torre and Mariela Szwarcberg, *The new welfare alliance*. (forthcoming)

<sup>13</sup> *ibid.*

<sup>14</sup> Guillermo O’Donnell, *On the state, democratization, and some conceptual problems*, cited in Calvo et al, *The new welfare alliance*.

parted in the 1980s. If, then, Argentina shows that egalitarianism in the South is possible, it shows too that it was built on unsustainable foundations and that the flawed assumptions which underpinned it are relevant to policy today.

In Uganda, a fairly low Gini coefficient of 0,36 in 1992/93 rising to 0,383 in 1999/2000-<sup>15</sup> is a result less of shared wealth than of pervasive poverty, the consequence of a predominantly agrarian, peasant, economy. The colonial period stunted the growth of an indigenous business or professional class and the initial post-independence regime, although it was not democratic, did introduce social policy reforms which ensured that the end of colonisation was not followed by a severe widening of inequality. These gains were later undermined although not undone by the Amin dictatorship, but again the effects seem to be relatively indiscriminate – misery was largely shared. In the view of the authors of our case study, the current regime's embrace of economic liberalisation is likely to widen inequality sharply off a relatively low base. The figures quoted here suggest that the process is relatively mild – although the authors express scepticism at official data, raising doubts about our ability to discern trends. It is perhaps worth noting, however, that political and social life in most aspects is strongly hierarchical, reducing egalitarian pressures and social forces.

Uganda's history, too, seems to suggest that possibilities may be greater than is often assumed. The fact that the initial post-independence period was, according to our country paper, marked by significant social policy reforms which curbed inequality, does suggest too that African governing elites are capable of formulating and implementing egalitarian policies – a claim which is not self-evident to many. But the current neo-liberal experiment does not seem to be altering the trend markedly if the only figures available to us are believed. The relatively flat social hierarchy of the past is also as much a result of pervasive poverty and the paucity of an indigenous economic elite as it is of effective social policy: there may be little public enthusiasm for policies which reduce inequality by cutting elite living standards while leaving those of the poor much the same. The poverty figures quoted in the country paper suggest that the problem was widespread before the Museveni government began its current macro-economic approach, cautioning against proposed remedies which rest on a return to an idealised post-independence past. A relatively egalitarian, albeit poor, past seems to be a weak resource in the hands of social reformers since, as noted above, it is accompanied by the sustained suppression, for much of the post-independence period, of authentic popular mobilisation and organisation. A tradition of obstructed popular participation – and a tiny trade union movement – leave those at the bottom of the social ladder with little potential recourse if pressures for widening inequality do gather pace.

### *The limits of populism*

It was argued earlier that Argentina's egalitarian period contained the seeds of its own destruction. An elaboration of that analysis is important to an understanding of current choices as well as past trends.

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<sup>15</sup> Barya, with a contribution from Bahigwa, *Democracy, inequality, and social policy in Uganda*.

Argentina's egalitarianism was built, not on the classic class compromise of Europe, but variants of populism which, far from offering a plausible alternative to the current malaise, may well have been the source of the constraints which cause it. The contrast between class compromise and populism is offered here not in another attempt to mould the South in a Northern image, but to point to a perhaps indispensable element of any viable egalitarian agenda - the ability to secure the compliance of the affluent, thus ensuring that a commitment to greater equality will not be met by the withdrawal of skills and capital and non-compliance with public payment obligations. But in Argentina (as in Brazil), sharp social polarisation may explain why, where redistributive goals have been embraced, a compromise with the affluent on reasonably egalitarian terms does not seem to have appeared as an option.

The response, perforce, was populism, which largely seeks to evade rather than resolve the fundamental conflicts in society which obstruct egalitarianism. In Argentina, the effect, as noted above, has been to ensure that each egalitarian experiment is aborted by a military coup as the costs to the economic elite are perceived to become unacceptable.<sup>16</sup> More importantly perhaps, populism, because it does not appear able to contemplate a negotiated response to elite economic power, cannot extract resources from the affluent to pay for reductions in inequality. The result is a resort to 'smoke and mirrors' – myriad ways of spending money the state does not own – until, after a few decades, reality intervenes and the bill must be paid. Indeed, one member of our team argues also that ISI – the dominant policy in much of Latin America in most of the period after World War Two – should be seen as 'an economic populist response to mounting social-political pressures in the fast growing urban areas by a poorly institutionalised and exclusive party and political system' which also has the effect of depriving rural sectors – land owners and rural workers – of their political influence and the benefits of economic development.<sup>17</sup> The result has been to ensure that democracy is achieved at the same time as years of redistribution by sleight of hand have denuded the state of the funds it would need to respond to egalitarian demands.

Recourse to populism has had another effect of some interest in Brazil and, perhaps, other parts of Latin America: to blur the contours of programmatic or ideological politics. Thus, Brazil's ISI model 'was pursued by strange bedfellows- a coalition ranging from the authoritarian military to the left (at the beginning represented basically by the Communist Party)',<sup>18</sup>. One consequence is that economic liberalism in Brazil has not historically been the preference of business and the affluent. If current policies are seen as 'liberal' – and it is an indication of this history's power that those who pursue them do not welcome the 'liberal' label – then they are a sharp departure from the past and may, for that reason, lack a strong base in political culture and the party system, explaining some of the political difficulties which this approach has experienced in Brazil at present. Another –in the view of our Brazilian team – is that the 'left' alternative also diverges from the norm: the chief current vehicle of the Brazilian left, the Workers Party (PT) is thus

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<sup>16</sup> In Argentina, this became known as 'knocking the door of the headquarters'.

<sup>17</sup> Carlos Pio, personal communication, 24/7/01.

<sup>18</sup> Bolivar Lamounier, personal communication, 26/7/01.

seen less as a 'traditional' Marxist party than as a 'messianic' alliance of intellectuals, clergy, public employees and the like.

These dynamics highlight an analytical point of some importance to those concerned to analyse the prospects for egalitarian politics in the South – that classic European ideological labels are sometimes misleading and that egalitarian potential does not necessarily depend on the victory of the 'left' over the 'right'. An approach which seeks to identify the inegalitarian as well as the egalitarian impulses within the 'left' as well as the 'right' may be essential if the composition of a plausible egalitarian coalition is to be understood – witness the South Africa paper's concern with the left's relative inability to represent the poor. This may also militate against classic class compromise of the sort analysed by Przeworski because the political fault lines may differ significantly from those in the societies which he examined.

These points suggest that the current Argentine fiscal restraints, which, our country paper argues, have made a return to the egalitarian past inconceivable, may owe more to the political choices of the past than the economic technicalities of the present. Is this analysis applicable to our African studies? Historically, the context is rather different. South Africa's apartheid state secured elite willingness to pay for (white) redistribution and therefore did not need to pursue the populist route. The task was made easier, however, by the fact that they were being asked to pay for measures which would benefit whites only, a prospect which was made palatable both by identity ties and by the economic benefits to be gained from a captive black labour force which was not permitted to make any welfare claims on the state. More interesting, however, is a contemporary dynamic in which macro-economic populism is eschewed (the prospect that a post-apartheid government may take this road was much discussed in the period before the 1994 election and wide consensus on the need to avoid populism was reached during this period) but in which a particular variant of 'avoiding the problem' is current. In essence, this entails dealing with social needs – specifically, that for reparations for victims of apartheid – not by increasing taxes or negotiating a legislative or policy change with organised business, but by appealing for direct contributions by business people, premised on their need to atone for their role in apartheid.

While this does not lead to the pressure on public resources experienced in Argentina, it does create a context in which open negotiation between the government and business becomes difficult. The result is not a common understanding of the requirements of growth and redistribution, but a context in which business, reluctant to be seen to deny guilt for apartheid, makes the 'right noises' in public and may even make lavish gestures towards the causes to which its accusers wish it to contribute. But, since it remains deeply suspicious of the motives of a government for which most business people did not vote and composed of people which most have been socialised to distrust, business's key operational decisions tend to frustrate the broader objectives of the new democracy. Thus contributions to good causes are accompanied by decisions to move assets to Europe or Australia or North America.

In Uganda, the context is again altered by the absence of a powerful domestic business class with which an egalitarian government might negotiate. As our case study im-

plies, the primary analogous relationship is that between the government and the international financial institutions and, by extension, with foreign rather than domestic business. Here the disincentives to populism are substantial: whether because the global economic environment has indeed changed or because policy-makers believe it has, government decision-makers see no value in spending money which they do not have as a substitute for negotiating an accord with the owners of assets. Indeed, in the current context, what egalitarian impulse there is in the political system is contained firmly within the parameters set by the international institutions. The choices this context would pose for a government with a domestically-generated redistributive plan is of some importance to analysts attempting to understand possible future trajectories, but is not an issue at present.

While the Ugandan case does appear to be the exception, a future egalitarian project will be unable to avoid the reality proposed here: that, however much new realities may have been said to have altered the context in which the democratic welfare state originated, one cornerstone of that state seems unavoidable – that a democratic egalitarian path is not feasible unless the compliance of business and the affluent is achieved sufficiently to ensure that redistributive programmes do not prompt a withdrawal of investment or other forms of non co-operation with the government which must implement the redistributive agenda. Clearly, the manner in which this may be achieved in the current context – and, where applicable, the respective weight of domestic and foreign business in these calculations – is an important area for research and analysis.

## **FUTURE PROSPECTS**

Given these contexts, what immediate prospects for greater egalitarianism are suggested by our four studies? The general conclusion is that they do not provide much immediate hope for those who favour reduced inequality.

Brazil is perhaps the country in which this prognosis may seem most controversial, since our country study takes very seriously the prospect that next year's presidential election may be won by either the PT's perennial candidate 'Lula' da Silva or by a populist, in the wake of negative public perceptions of the Cardoso administration. This prospect would no doubt delight many on the left throughout the world, who see in the PT a vehicle of radical egalitarianism. Our country paper does not, however, share this enthusiasm – for two reasons, one implied, the other explicit, both of importance to the theme of this study.

First, it suggests that this option would almost certainly fail. In the current intellectual climate, this may seem to many in the mainstream so self-evident a point that it requires no further elaboration – the left or populist alternative is assumed to break so many laws of economic gravity that it is certain to end in disaster or to become an empty election promise. Yet it is not at all self-evident. There are, of course, historical examples in which workers' parties have pursued successful redistributive strategies. While most are

in Western Europe, not all are.<sup>19</sup> Nor, as a period of Argentine history shows, are populist experiments always doomed to fail in their redistributive intent.

The prediction of failure in the Brazilian context seems therefore to rest on an assumption mentioned earlier – that, in a context in which class compromise has not been attempted, the affluent's compliance will be withheld from a government perceived to be pursuing an agenda hostile to the interests of business. Certainly, there is nothing in Brazilian or Argentine history to suggest that a smooth adaptation of the affluent to a left of centre or populist government is likely: after all, if it was not possible in an era in which options of this sort were tolerated, why should they be today, when they are dismissed as illogical? Scepticism about the left option is here based less on technical analysis of policy as on a reading of likely political reaction. It should be noted that negative business reaction to 'left' election victories is hardly restricted to Latin America: Labour Party victories in Britain initially prompted falls in the stock exchange, only for sentiment to recover to a degree later. Negative business reaction to the initial shock is, therefore, not in itself a necessary indication of failure. But the evidence suggests that such an administration would need, in a relatively short time, to reach some form of understanding with business and our Brazilian analysis suggests that this would be beyond the reach of the PT or a populist president. This implies that judicious welfare policies within a broader package of adjustments to the current international market environment – the attempted strategy of the Cardoso administration – constitute the limits of the possible.

The second issue makes the first appear far less regrettable than it may seem since it suggests that the strategy outlined above may be the most appropriate means of addressing Brazilian inequalities. This is based on the proposition, widely held by Brazilian social policy specialists,<sup>20</sup> that the 'left' or populist alternatives are a cause of, not a solution to, inequality. Thus a key proposed strategy is lowering the barriers to formal sector entry by reducing labour protections and entitlements. Similarly, a wide consensus in favour of policies targeted at the poor are an implied criticism of decades of generous entitlements to organised workers and the middle class. But this seemingly happy coincidence, in which the limits of what is feasible also describe what is necessary, turns out to be less cheerful than it seems, for it constitutes something akin to a political impossibility theorem. Thus one interviewee, Marcelo Neri, notes that the future benefits of the required social policy change will be dispersed among society's politically weakest social groups while short-term costs are concentrated on the most powerful; he concludes, in perhaps a profound understatement, that: 'Politicians... lack incentives to support reform.' Similarly, Jose Pastore notes that those who benefit most from existing labour laws are exactly those with the strongest capacity to exert political influence and also those who have most to lose. So, as in other societies, the argument for targeting may have 'technical' merit but no prospect of implementation under democratic conditions.

It is worth noting here that these reservations expressed by our Brazilian technical team members appear to hold regardless of which administration is in power, although it

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<sup>19</sup> Gosta Esping-Andersen, *Welfare states in transition: national states in global economics*, London: Sage, 1996.

<sup>20</sup> Carlos Pio, *Report on the perspectives of egalitarian social policies in Brazil*. (forthcoming)

is possible to argue that a centrist coalition such as that currently assembled by Cardoso would have the best prospect of implementing it: having attracted the support of the affluent because it is an alternative to the left, the coalition would have some leeway to address poverty in pursuit of economic and political stability. Nor does the current governing coalition rely on those interests who have a stake in the *status quo* – organised labour in particular. But the history described in our country study suggests that this coalition too faces political constraints which may prevent it implementing a targeted social policy agenda. Thus, despite Cardoso's ability to implement significant parts of his policy agenda, 'social policy proposals originating in Congress were few and of little relevance over the last six years'.<sup>21</sup> So another victory for the current coalition (predictions of a left or populist victory over the centre-right have been made before in Brazil, only to be contradicted by events) would not, in this analysis, be likely to prompt a surge of social policy initiatives aimed at redressing inequality.

This may be so partly because many of the constraints to egalitarian policy detailed in our country study are still in place. These include 'the consociational arrangements embodied in proportional representation, multi-partyism, voting for individuals (instead of for rigid party lists), and a federal structure weighted in favour of smaller states which probably reduced regional and inter- and intra-party conflict, but at the price of accommodating every conceivable interest and blocking any significant redistributive policy'. Other factors include 'the absence of strong agrarian and labour opposition to the State-led industrialisation model; a weak party system, since representative pressures had been pre-empted by the original State-Society imbalance discussed above and further dispersed by corporatist and consociational rules; the high degree of internalisation of conflicts by the public sector'.<sup>22</sup>

In sum, the Brazilian study suggests that the relatively slow and incremental adjustments of the past six years, as obstacles to economic participation are removed even if the state does not implement egalitarian policies, may represent the best possibility for reductions in inequality, but one which remains constrained both by the pressures facing the coalition which is politically capable of implementing it, and by the reality, common to all 'targeted' social policy strategies, that they seek to benefit the politically weak at the expense of the organised and the strong. Our Brazilian country team suggests that this analysis may be too pessimistic. 'Well targeted' social policies, they note, clearly do find enough political support to allow the current administration room to introduce some 'very well targeted' programmes – and has afforded the same space to regional PT and populist administrations. But they do acknowledge that this opening may quickly close 'if political pressures point in the opposite direction'. After 'well targeted' policies are put in place, their 'good social impacts' tend to generate a political demand for their continuation and expansion which proves politically irresistible.<sup>23</sup>

In Argentina, the labour-led redistributive alliance appears to have been fatally weakened, both by a hostile government during the 1976-1983 dictatorship, and by the eco-

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<sup>21</sup> Lamounier, Idesp first report, unpublished paper, August 2000.

<sup>22</sup> *ibid.*

<sup>23</sup> Carlos Pio, personal communication, 26/8/01.

conomic effects of the terminal stages of the populist model. First, the reigning in of union bargaining power produced widening income inequality. Then, in the wake of the debt crisis of 1982, the dismantling of a fairly generous social policy regime produced increased ‘welfare inequality’. The trigger to this second phenomenon was ‘welfare flight’ by the middle classes: ‘fiscal stress undermined the quality of the services provided by the state while larger consumer power provided strong exit incentives to those that could afford it, which in some relatively urbanised areas like the city of Buenos Aires represented a sizeable portion of the population’.<sup>24</sup> This phenomenon is not peculiar to Argentina – our study cites Esping-Anderson’s description of similar developments in Canada and Great Britain – and it is, to a degree, the result of the success as well as the failure of ‘flat rate universalism’ – a ‘universalistic system’ which ‘promotes equality of status’ and is to be contrasted with the means-tested, targeted, policies favoured by most of our Brazilian technical specialists. Thus Esping-Andersen argues that this system’s solidarity ‘presumes a historically peculiar class structure, one in which the vast majority of the population are the “little people”, for whom a modest, albeit egalitarian, benefit may be considered adequate. Where this no longer obtains, as occurs with growing working-class prosperity and the rise of the new middle classes, flat-rate universalism inadvertently promotes dualism because the better-off turn to private insurance and to fringe-benefit bargaining to supplement modest equality with what they have decided are accustomed standards of welfare’.<sup>25</sup> But, while this development is presented as a perhaps inevitable, albeit ironic, price of success, it is worth noting that not all welfare states have experienced it: ‘flight’ seems to be a consequence of a severe erosion of the public system which did not occur in, for example, the Scandinavian countries. So ‘welfare flight’ may be more contingent on local circumstances – and politics – than Esping-Andersen seems to imply.

In Argentina, this analysis holds only for the core - the major cities such as Buenos Aires. At the periphery, in the poorer states, our country study notes: ‘The flat-rate universalism of the *little people*, as Esping-Anderson referred to, became more sustainable ... as the more dispersed upper middle classes could not achieve the *critical mass* required to justify private intensive investment on social goods like health in their own provinces.’ This, they note, produces a contradictory outcome for Marshallian analysis: ‘*Green areas*, using O’Donnell’s suggestive metaphor,<sup>26</sup> see a more dramatic retraction of publicly provided services than those in which clientelism runs rampant and government responsiveness seems the weakest – *brown areas*’. The message seems to be that Argentines may have solidaristic social policy – flat rate universalism – or a working democracy, but not both.

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<sup>24</sup> Calvo et al, *The new welfare alliance*.

<sup>25</sup> Esping-Andersen, *Welfare states in transition: national states in global economics*, cited in Calvo et al, *The new welfare alliance*.

<sup>26</sup> O’Donnell, *On the state, democratization, and some conceptual problems*, cited in Calvo et al, *The new welfare alliance*.

Argentina seems to suffer from a particular constraint, which emerged more in collegiate discussion between the researchers than in the published papers: the role of the banking system, which creates a context in which current understandings of the power of globalisation seem understated. In essence, the financial system is contained by a set of foreign banks, all of whom are considered likely to react to populist experiments with speed – the negative sentiment which is assumed to greet excessive egalitarianism everywhere in the South will emerge not from a distant city but from a few streets away.

In sum, the case study which most seems to vindicate the proposition that political coalitions are a surer determinant of prospects for egalitarian social policy than technical considerations turns out to offer little immediate prospect of a return to egalitarianism. The reason seems to lie in the costs of a failure to ‘tame’ the affluent, either by reaching a workable agreement with them or by persuading them that it is in their interests to cooperate with egalitarianism. This appears to explain both the 1976 political backlash which broke the back of union bargaining power and the resort to populist measures which denuded the fiscus of the resources needed to sustain generous welfare entitlements. As the better off find more attractive alternatives to public welfare provision, and the constraints on egalitarian social policy apparently grow, a return to the pre-1976 period is not foreseen.

South Africa’s prognosis may, as suggested earlier, be leavened by the demands of racial solidarity and the nature of the governing alliance which includes both the trade union movement and a range of organisations who seek to speak for the poor. But there are significant counter-trends of which the much-stressed shift to a degree of economic liberalisation, expressed in a 1996 policy document which committed the government to a market-friendly, internationally-oriented, growth path is perhaps not the most important: as one of the South African technical specialists noted, the effect has largely been to create a rationale for deficit reduction – without which the economy would have faced a level of devastation far greater than that experienced at present – and a highly qualified and haltingly implemented stated interest in privatisation and labour market flexibility.<sup>27</sup> More important, perhaps, may be the already mentioned cases in which the need to create an indigenous black business class, an aim the current government shares with most post-independence sub-Saharan African governments (but which it pursues in the context of a much larger and more diverse market economy) is seen to take precedence over the priorities of the poor.

But perhaps the most stubborn constraint to egalitarianism in South Africa is the absence of a coherent political vehicle for the poor. As our country paper notes, this is most starkly expressed in the failure of those who seek to speak for the poor – the trade unions, social movements and non-governmental organisations who campaign for redistributive policies – to understand the logic of economic life at the grassroots and the choices which it poses. And this in turn is a consequence of their failure to build a solid base among the poor. The fact that there has been no coherent voice in support of the state social pension system, the most significant source of protection for the poor, illustrates this. In fairness,

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<sup>27</sup> See contribution by Iraj Abedian to Friedman and Chipkin, *A poor voice?: the politics of inequality in South Africa*.

there may be signs of a shift – the Congress of SA Trade Unions is now leading a campaign for a basic income grant for all – but it is far too early to see in this a sign of a coherent egalitarian politics in which there is at the very least a reasonable match between the demands of those who speak for the poor and the experiences of those who live in poverty. Nor is there evidence yet of a concomitant commitment to organising the poor and expanding the range of citizens who participate in public life.

Thus, while South Africa's claimed lurch into market-oriented liberalism may be exaggerated, a vigorous egalitarian coalition may not be in prospect. Besides the points mentioned here, the strength of identity politics may constrain possibilities for an egalitarian alliance – while there is evidence of cross-racial co-operation at the grassroots in support of common socio-economic demands, this is at this stage an exception to a trend in which interest battles are fought within identity camps, reducing their intensity and creating constant pressures to moderate redistributive demands in the interests of a common loyalty. Also, the nature of organisation among those at the bottom of the economic ladder remains a closed book to most public decision-makers – as well as to researchers. At least some of it is inimical to egalitarian politics since it consists of widespread allegiance to traditional authorities, local dispensers of land and rudimentary housing or, indeed, in some parts of the country, to drug barons. Much more needs to be known before it is clear what, if any, counter-trends exist. But at present it seems fair to suggest that many poor people are concerned far more with maintaining a beneficial relationship with the local power holder than in mobilising for democratic egalitarian politics.

Finally, we noted at the outset that the accessibility of democratic institutions is an important influence on the salience of egalitarian politics. Here, South African prospects particularly seem to lack, promise given evidence that trust in democratic institutions is low and that citizens are, for example, likely to have enjoyed less contact with a public representative or government official than citizens of most Southern African states.<sup>28</sup> This may be a chicken and egg problem – in the sense that it is difficult to determine whether inaccessible government is a cause or effect of weak organisation at society's grassroots, raising the possibility that institutions will become responsive when organised grassroots citizens make them so – but creates a further constraint to the insertion into the policy debate of policies which reflect the stated needs of the poor.

In sum, then, a combination of current alignments in the governing party (which translates into a preference for policies which seek to deracialise business rather than those which stress the needs of the poor), the lack of a credible articulator of the concerns of the poor and mobiliser of grass-roots citizens, and unresponsive democratic institutions combine to limit progress against inequality.

Uganda's prospects are shaped by some similar dynamics. Policy, the country paper finds, is largely the outcome of a tight alliance between the government, NGOs and donor agencies, in particular the international financial institutions. This suggests that citizen participation in public life is limited largely to voting and participation in institutions which express the society's two fundamental cleavages, ethnicity and religion. Elites are

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<sup>28</sup> Robert Mattes, Yul Derek Davids and Cherrel Africa, *Views of democracy in South Africa and the region: trends and comparisons*, Cape Town: Institute for Democracy in South Africa, 2000

thus relatively well insulated from pressure for redistribution. The constraints are, as the country paper suggests, worsened by the ban on political party activity which, besides limiting options, turns electoral contest into a clash between individuals, not social forces.

More clearly than in the other studies – even allowing for the role of banks in constraining Argentine options ‘on site’ – Ugandan policies are framed not in relation to domestic business but the international financial institutions. This makes the prospect of a fruitful compromise much more remote since IFI officials have no stake in the society. It is, of course, extremely difficult to negotiate with institutions who have no incentive to make concessions and who are, arguably, needed by the domestic political elite far more than they need it. This is particularly so given a political system in which the government is concerned to incorporate key social groups in corporatist arrangements – such as guaranteed seats in Parliament for interest groups – rather than to allow them to mobilise in support of egalitarian development goals.

The weak penetration of the market economy – note the country’s paper’s demonstration of heavy dependence on agriculture (much of which is presumably subsistence activity) - ensures that citizens do not have access to substantial independent resources which may serve as a platform for organisation and participation in decisions. As long as this persists, the relative insulation of the elite is likely to continue, and the ‘governing triangle’ of government, NGOs and IFIs with it.

In all our studies, changes in production technology create substantial labour surpluses, particularly among those without the skills the new economy requires. Our Argentine study notes the degree to which ‘classic’ egalitarian programmes such as Sweden’s were motivated at least partly by an employer response to labour shortages; this is said even to have mitigated business response to Peron’s redistributive policies. Clearly, these conditions no longer obtain.

The unpropitious trends noted here are real enough. But it is important to stress that they describe only the immediate obstacles to change. To say that an egalitarian politics is not imminent is not to say that it is implausible for ever. There are many examples in history - apartheid South Africa and the former Soviet Union are cases in point - in which a seemingly stable *status quo* has proved to be far more fragile than it seemed. It is, therefore, possible that trends lurk beneath the surface which may make the current apparent equilibrium far less stable than it appears. It is, therefore, necessary to examine the counter-trends which may point towards a new democratic egalitarianism.

### *Countertrends: an uneasy equilibrium*

While there may be no evidence that social forces are emerging in the four countries able to produce a winning egalitarian coalition, neither is it a foregone conclusion that the combination of democracy and inequality is stable. Stresses may be evident which point to the unsustainability of the present, even if they do not necessarily tell us much about the shape of the future.

*Inequality and democracy*

In both Latin American cases, there is compelling evidence of the stress which continued or widening inequality is imposing on incumbent governments. They are detailed in the Brazilian study while, in Argentina, discussion at our second working meeting revealed the degree to which the government is perceived to be unable to address the society's economic challenges – confirmation of this came several months later with the Argentine debt crisis of 2001.

Unhappiness with incumbents does not, of course, necessarily imply dissatisfaction with the democratic system. It may well be that the end of the Cold War and a growing perception by Latin American elites that democracy is no longer a threat to their assets combine to make a reversion to authoritarianism unlikely. But current trends may test that proposition to its utmost. In Brazil, the effect may be to install a left populist government, confronting its elite with a reality – at the national rather than state level - which they have not been forced to face since the 1930s. The experience of Workers' Party or populist rule in the states does appear to suggest that 'cohabitation' is possible, and the new government may be constrained by history from doing anything which would seriously provoke the affluent. But the prospect of a new populist or left experiment at a time of significant vulnerability to global economic volatility is hardly one which invites dogmatic confidence on democracy's future. In Argentina, the issue at present does not seem to be that which prompted democracy's demise in earlier periods – a new left populist experiment. But, if the current Radical government continues to be seen as a cause of economic stress, is it inconceivable that a new experiment might be tried, prompting a new backlash? While return to authoritarian rule is today unlikely, new authoritarian strategies of conflict management are already emerging in Argentina. And if democracy itself is not at risk, the quality of democratic life is already suffering from the new state of affairs.

In neither country is inequality the direct cause of the discontent – the problem seems to affect all social sectors. But, at the very least, economic stress in the context of large or strongly worsening inequality seems more likely to prompt populist responses with the consequent dangers described here. In any event, in societies with long histories of state-induced growth, current difficulties could easily be (and in Brazil, it seems, already are) seen as an indictment of liberalisation, increasing public pressure for renewed statism.

Implications for egalitarianism at this stage are at most indirect: as noted above, the threat, if there is one, comes not from the grassroots rebelling at inequality but from a wide range of interests reacting to generalised economic difficulty. If baleful predictions were indeed to be vindicated and democracy was to collapse in either country, inequality would not be the proximate cause and the results would not be egalitarian. All it does suggest is that the 'virtuous circle' of current liberal thought, in which liberal democracy coexists happily with a brand of market economics which produces widening inequality, may be less entrenched and stable than conventional wisdom would have us believe. And if that means that democracy's survival is not assured, it may mean exactly the same for a growth path which lacks a substantial egalitarian component. Instability is, by definition, fluid: if the evidence is not yet conclusive that those on the 'wrong end' of inequality do

not yet expect the democratic system to offer them tangible improvements, how certain is it that continued instability will not produce new egalitarian demands, testing the system's ability to translate them into concrete outcomes?

In South Africa and Uganda, the link between democracy and inequality may be more clear. There is also a degree of similarity between the two societies in one important respect: in both, the current political system and its incumbent government reap a valuable dividend entirely unrelated to its ability to address concerns for greater social and economic equality. In South Africa, the 'democracy dividend' is a result of the immense importance to the vast majority of citizens of freedom from racial domination – and, of course, the widespread identification of the governing African National Congress with the achievement of that goal. Ironically, a strong strain of thought, which remains influential despite the persistent lack of evidence to sustain it, holds that most black South Africans see democracy purely as a vehicle through which the government will 'deliver' material goods and services. As the country paper notes, this fails to explain why, despite consistent claims from much the same sources that most citizens were not 'delivered' to, they arrived at the ballot box in droves, mostly to endorse the ruling party. There is nothing unusual or mysterious about this: like other movements which are seen to have freed formerly subject peoples, the ANC derives considerable popular affection from its former status as a 'liberation movement', regardless of the nature or effect of its social policies. Similarly, Uganda's Museveni and his National Resistance Movement attracted considerable support and approval from a 'peace dividend' derived from their role in bringing to a country racked by conflict a large measure of stability (outside those rural areas where an insurgent war continues). In both cases, inequality is not a threat to democracy because citizens see value in the latter (or an approximation of it) whether or not it can address the former.

But dividends of this sort, while they may be more enduring than we might imagine, do not last forever. In some contexts, this may lead to disenchantment with the governing party and the search for an alternative, although this seems to take at least a generation. Before then, it may prompt disillusion with democracy. In South Africa, survey evidence, on most indicators, suggests that trust in democratic *institutions* has declined sharply since November, 1998; South Africans are often less enthusiastic about democracy than citizens of neighbouring states such as Botswana, Malawi and Lesotho. However, confidence in democratic *processes* – such as voting – remains high.<sup>29</sup> This seems, ironically, to be a reaction to a post-1999 administration which appears to have misread the nature of its mandate – it has stressed its ability to 'deliver' goods to citizens rather than to offer them an effective say in governance, discounting the 'democratic dividend' which is its greatest current resource. It is clearly too early to base an analysis on opinion poll data – the last public test, the local government elections of late 2000, suggested that the governing party had suffered some setbacks, apparently as a result of its supporters staying away from the polls, but that turnout, and the ANC share of the national vote, was roughly the same as it had been five years' earlier.

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<sup>29</sup> Robert Mattes and Derek Davids, POS data for pulse democracy audit, unpublished IDASA document, May 2001.

There is a certain irony to South African trends. While the analysis advanced in this paper suggests that decline in public confidence in the government and system (if this indeed proves to be a trend rather than a mid-term expression of irritation) is a function not of their failure to address inequality but of an inability to recognise intangibles such as citizens' sense of efficacy as a resource, the overwhelming assumption throughout the elite, regardless of position and party, is that disenchantment is a consequence of continued poverty and inequality. Since there is a degree to which elites make their own realities – because perceptions, whether they are supported by evidence or not, shape behaviour which in its turn creates new facts – that South African decision-makers and opinion-formers seem largely convinced that there is a serious tension, if not an irresolvable contradiction, between democracy's survival and failure to address inequality is perhaps more decisive than a lengthy scholarly debate about the 'objective reality'. If there is an equilibrium between democracy and inequality in the society, no-one whose opinion is likely to shape events is willing to acknowledge this and that is in itself probably enough to ensure disequilibrium.

In Uganda, assessing the peace dividend is made more difficult by the absence of the sort of data available in the South African context. Part of the reason is itself of interest: Uganda is not included in current surveys of African citizens' views of democracy because those who conduct the survey, in common with our country paper, refuse to categorise it as a democracy.<sup>30</sup> This complicates the issue further since it is difficult to say whether citizen disenchantment – if this does manifest itself – is directed against democracy (in the sense that, as noted above, the system does provide opportunities for electoral participation) or against a system which is not seen to be democratic enough. This certainly applies to the fact, reported in our country paper, that half the electorate did not participate in a referendum, boycotted by the opposition, on the future of the 'no party' system. And, while the March 2001 presidential election saw Museveni win 69 per cent of the vote in a 70 per cent poll, (his percentage of the vote declined only 6 percentage points over the 1996 election), allegations of fraud by the loser cast doubt on that outcome. Our country team argues that the 'peace dividend' is indeed on the wane. It notes that courts upheld the charges of electoral irregularities made by Museveni's rivals – finding, though, that they did not reflect the results 'in a substantial manner' – and that June parliamentary elections saw an increase in the share of the vote for candidates who ran in opposition to the government (although obviously not as representatives of a rival party).

What can be said very clearly about Uganda is that 'equilibrium' is hardly an appropriate term for a country in which the political system's legitimacy hinges on a very recent boycotted referendum. Conclusions about the compatibility of democracy and inequality are not possible, given both that there is no consensus that Uganda is a democracy and that, if current policies are to ensure a sharp increase in inequality, the process has

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<sup>30</sup> See, for example, Michael Bratton and Robert Mattes, Support for democracy in Africa: intrinsic or instrumental? Paper for presentation at a panel discussion entitled 'What have we learned about consolidation?' at the 95<sup>th</sup> annual meeting of the American Political Science Association, Atlanta, Georgia, 1–4 September 1999.

only just begun. Our country team also notes that the government is being impelled, as the 'peace dividend' wanes, to retreat on social policy issues – subsidising more University students and lowering graduated tax for the poor – indicating that there is pressure for more egalitarian policies and that social policy has not, therefore, reached an equilibrium.

In sum, our four case studies suggest that the relationship between democracy and inequality is currently rather more complex than our initial hypothesis may have suggested. Certainly, no strong egalitarian currents have been detected beneath the surface of the four political systems. But neither can they be said to be in anything approaching a state of equilibrium. And, while egalitarian pressures are not the cause of disequilibrium in any of them, all four caution against the hypothesis that formal democracy can endure indefinitely alongside sharp and sometimes widening inequality. In many cases, the test still lies ahead.

### *A new egalitarianism?*

If strong egalitarian pressures were to emerge in our societies, from whence may they come?

In Brazil, immediate prospects may depend on one of two possibilities. The first is that the current coalition, following the trend of the past few elections, again escapes from the seeming certainty of electoral defeat and then sets about implementing the targeted social policies advocated by our country study. The other is one in which either the Workers' Party or a populist alternative gains power and proceeds to implement 'well targeted' policies which indeed reach the poor. This possibility is raised because our case study's interviews with social policy specialists contains an interesting anomaly: while the general trend of the analysis suggests that neither the 'left' nor the populist alternative to the current administration is likely to generate a workable egalitarian alternative, it also reports widespread agreement among social policy specialists both that Workers' Party administrations have implemented well-targeted policies and that the governorship of the populist *Ciro Gomes* has been accompanied by improving social indicators.<sup>31</sup>

Our Brazilian study – and the weight of opinion among the technical specialists consulted in that country – suggest that this provides weak support for claims that either the PT or the populist option could offer a sustainable egalitarian alternative. This view is based on two, related, factors. First, these options are held to offer insufficient respect for macro-economic balance, an issue of great concern to egalitarians because, as the last few election results show, controlling inflation has significant redistributive effects; the gains of effective social policy could be wiped out by the effects of inflation. Secondly, the scope of social policy at the state and local level is rather limited: it excludes or only partly affects key issues such as pension regimes, health and education spending, and labour laws. If the same parties were in control of the national administration, with much greater latitude, the effect could be very different. The PT or populist government would be able to reorient spending to the poor while retaining macro-economic balance only by

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<sup>31</sup> Pio, *Report on the perspectives of egalitarian social policies in Brazil*.

cutting benefits to organised labour and the middle-class, yet they refuse to contemplate the latter option.

This analysis is a clear warning against simplistic theories which posit labour in the South as an automatic guarantor of egalitarianism despite the obvious *caveat* that, where organised workers comprise only a part of the labour force, their demands are hardly guaranteed to be egalitarian. On the other hand, our study does not confirm the frequent claim of an irreconcilable tension between the interests of labour and those of the poor – the Argentine study in particular sees a labour-led coalition as an egalitarian force. Our study seems to suggest that sweeping generalisations about labour's role – whether as a force for equality or as an obstacle to it – do violence to the realities of particular cases and that more work is required in each case to analyse it.

However, the debate between an analysis which posits the current centrist coalition as the only feasible route to egalitarianism and one which implies that its opponents may offer as good or better a path seems to beg another question of great importance to our study: who, if anyone, has an interest in pursuing the interests of the poor? On the surface – and this is implied by some of the responses of our technical panel – the answer seems easy: the current coalition was elected partly by the poor (for whom inflation control seems a far surer protection than the promise of ambitious social policy) and is not beholden to the interests who benefit from exclusionary social policy. This is simply a variant of an argument used in many parts of the 'South', which sees non-affluent 'middle' and 'lower middle' strata, such as organised workers, as beneficiaries of social policy at the expense of the poor. As our framework paper noted, this is also the position of much World Bank writing on the issue.

But, while the poor may be an important part of the electoral alliance, they are not an organised participant in the coalition – nor, a reading of our country paper suggests, are they an important influence in the Congress where every conceivable *organised* interest is represented. It is, therefore, not clear why the more affluent strata who supported Cardoso as an alternative to the left would feel particularly strongly about the need to address inequality. While Latin American political realities may mean that only the egalitarian programmes of the centre are likely to be tolerated – given the deep historical antipathy between the affluent and the left – they do not mean that they are necessarily seen as an important goal of the coalition. The result may be the inevitable result of targeting proposed in our framework paper – a set of policies which appeal strongly to academic specialists but which lack a political base, hence the observation reported in our country study, that targeted approaches enjoy wide support among analysts, but little if any among those who exert political influence.

Do organised workers or the other interests which support the Workers' Party have an interest in pursuing the interests of the poor? In principle, this is hardly implausible, given both this alliance's ideological provenance and the probability that a labour movement less confident of the availability of corporatist protections may see the need to broaden its social coalition if it is to gain and extend influence. This possibility would be ruled out in principle only if it can be shown that the interests of unionised workers are inherently and necessarily antagonistic to those of the poor. The question may well be

empirical rather than theoretical since the current liberal orthodoxy which sees labour organisation as a necessary limitation on the options of the poor can be shown to hold in some contexts but not in others: for evidence, we need look no further than the Argentine history described here.

In Argentina, the obvious source would be a revival of the mid-20<sup>th</sup> century coalition, presumably as a response to worsening economic conditions. In theory, the ‘new poor’ seem an obvious catalyst to this development since a sharp drop in living standards accompanied by the potential organisational capacities which may have enabled the ‘victims’ to have escaped poverty in the past would seem to offer the most likely source of organisation against inequality.

Even were this to occur, however, the egalitarian coalition may encounter precisely that constraint which appears to have limited or halted previous egalitarian impulses: social and political polarisation which makes a bargained compromise with the affluent impossible. And, however much the circumstances which gave birth to the welfare state may have changed, it seems impossible to sustain a democratic egalitarianism unless those who command the resources to fund it remain willing to do so. A viable Latin American egalitarianism may depend, therefore, not only on the emergence of a redistributive coalition but also on the political capacity to negotiate a route beyond the social polarisation of the past century. Ironically, given the degree of Argentine polarisation, its early 20<sup>th</sup> century history described in our country study, in which sections of the elite were willing to pay a degree of obeisance to the principles of social equity, may suggest that this is more possible than much of the last hundred years may suggest. But, whether that mild optimism is warranted or not, the principle that a viable egalitarianism seems impossible without the affluent’s compliance stands.

In South Africa, there is hardly a shortage of potential egalitarian pressures – indeed, they are predicted with almost monotonous regularity. This stems from the history of the ANC alliance, which the left played an important role in shaping, the prominence of the union movement and the widespread – although not necessarily accurate – assumption in many influential parts of the society of strong egalitarian pressures at the grassroots.

This makes it fairly easy to project an egalitarian scenario – the danger, however, is that much of it is based more on gut conservative fear that the society will buckle under redistributive pressure than from sober analysis. However, the plausible scenario is one in which the trade union movement continues the current trend of committing itself firmly to egalitarian outcomes in alliance with NGOs and social movements. Its goals would be realised if it was able to achieve a substantial shift within the governing party towards more egalitarian concerns. It should be stressed here that, given the political histories of many of the ANC’s ‘neo-liberals’ – which are usually distinctly radical – this would not necessarily entail the wholesale replacement of one leadership group by another. It might simply mean a shift in response to changes in the balance of sentiment within the ruling coalition. Our country paper stresses that, while identity politics is in some ways a constraint on egalitarian politics, it also creates opportunities for it, both in the contested nature of the new dominant identity (which is open to an egalitarian interpretation as well as one which stresses race alone) and in the capacity to induce compliance from the affluent.

An important possible factor here is the fate of the growing black middle class and, more specifically, of attempts to build a strong black business class. At present, both groups are unlikely to see any advantage in a firm alliance with the poor. But, were the middle class to be ravaged by a serious assault on its living standards, potential for radicalisation may grow. This possibility is in theory heightened by the fact that much South African affluence, regardless of race, is financed by credit and that difficulties in the world currency markets tend to lead inevitably to interest rate rises which could do much damage to living standards. And the fact that many members of the new black business elite hail from activist backgrounds suggests the possibility that disappointed business hopes could prompt a similar process among some public figures with considerable capacity to shape the public debate.

Despite the seemingly obvious and immediate pressure for egalitarianism, however, an effective South African egalitarian politics would seem to require more than a shift in the current balance of power as a result of disappointments at the effects of government macro-economic policy. As implied earlier, if the redistributive alliance is to accurately reflect the preferences of the poor, a substantial change in a pattern in which the organised and the active appoint themselves to speak for them would be needed. And if the ensuing demands are to be effectively channelled into democratic politics, an invigoration of the weak and largely inaccessible representative function would be essential. South African politics may, therefore, require a more thorough-going democratisation, first in the organising methods of egalitarians and then, in consequence, of the responsiveness of representative institutions, before an effective egalitarian coalition is possible.

Uganda is perhaps the society in which an egalitarian path is most difficult to determine. Our country paper describes eloquently the context and capacities required – a democratisation of politics which takes the society well beyond the current ‘movement’ or ‘no party’ paradigm, measures to enhance the state’s revenue-raising capacity and a willingness by politicians to value and afford room to manoeuvre to technical expertise within the public service. What is less clear, however, is the likely source of these required changes. Thus the professional class which is growing in sub-Saharan Africa may be plausibly seen as an important source of liberal democratic pressure, but the weakness of its links with the poor – and with the rural areas in which most of the poor live – are frequently recorded. Could this sector of society seek to deepen its links with the poor, ensuring that demands for greater freedom are accompanied by a redistributive programme? Given society’s narrow industrial base, might the trade unions not seek to turn their organisational capacities to those outside the urban formal economy? Given the salience of religion, might significant social stress – if that indeed proves to be a consequence of current economic policy trajectories – not prompt the church to adopt a Latin American-style commitment to the organisation of the poor? Might ethnic politics not take on an egalitarian dimension in similar circumstances? The questions are obviously speculative, but surely lie at the heart of any attempt to chart an egalitarian path.

It must be stressed that substantial objections can be offered to any of these trajectories – they are mentioned largely to make the point that conclusions about the death of egalitarian politics in our four societies may be vastly premature.

A more productive line of inquiry, however, may be an attempt to understand future possibilities which are at present tenuous. Given the pessimism of much of the analysis – but the acknowledgement that the current ‘equilibrium’ is not stable - it remains possible, perhaps even likely, that, if effective organisation against inequality is to emerge, it will differ significantly from that which has come before. This highlights the need to move beyond the parameters of current visible trends towards those beginning to bubble at the grass roots of society which may in time crystallise into concrete action. But that in turn implies the need to move beyond an exercise based on an analysis of secondary sources and exchange with colleagues to a through empirical examination of grassroots associational life.

### *Understanding organisation*

The analysis presented here has underlined the need for intensive study of a crucial area which remains largely virgin territory – the nature of current social organisation among those at the bottom of the social ladder. The observation of our Brazilian study, albeit in a slightly different context, that ‘nobody actually knows who are the real poor... because, to a great extent, they are out of the sight of the middle and upper classes’<sup>32</sup> is apposite to all four studies and is applicable not only to social actors but to scholars too.

In all four societies, forms of associational life which may tend towards greater egalitarianism or act to impede it are evident. In Brazil, as we have just noted, it seems reasonable to assume that, if little is known of who the ‘real poor’ are, even less is known of how they associate and whether this contains the seeds of egalitarian politics. In Argentina, more may need to be known about the ‘new poor’ who are presumably the most likely bearers, with organised labour, of an egalitarian agenda. In South Africa, we have noted the degree to which the life of the poor remains largely beyond the reach of the democratic system – understanding association among those in South Africa who do not belong to the civil society associations which shape public debate is an urgent necessity. And in Uganda, the set of questions posed in the preceding section could easily be supplemented with a host of similar queries about the poor – the degree to which they seek to engage with or insulate themselves from the state, whether and how they aim to influence policy debate and the like.

If a common theme is required, it seems likely that these inquiries will lead us into an examination of the politics of informality which may well be an increasing trend in parts of the South where market economics proceeded sufficiently to allow for the creation of an organised working class, but in which changes in production technology, accompanied with substantial human capital deficits – the Brazilian study’s highlighting of the degree to which educational attainment shapes the contours of inequality<sup>33</sup> is mirrored in South African experience - have truncated formal job opportunities and ensured that informal activity is perforce the growing norm: the South African study notes the degree to which

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<sup>32</sup> Pio, *Report on the perspectives of egalitarian social policies in Brazil*.

<sup>33</sup> Lamounier, *Idesp first report*.

informality is growing in the labour market, but also to which sections of society are falling out of the reach of mainstream norms and institutions.

Contrary to some of the more ebullient examples of social movement theory, analysis suggests that informal politics and association should be a most unpropitious realm for egalitarian politics. Informal power is usually unaccountable and deeply hierarchical and patronage often the dominant relationship between leaders and constituents. In both Latin America and Africa, informal leadership is more likely to mobilise against egalitarian options than in their favour. However, the trend to greater informality has created a new context which cannot be adequately analysed merely by dismissing the informal as a realm of brute power and patronage. Just as it is important to understand where, among the formally organised strata of society, an interest in organising and representing the poor might come, so too is it vital to understand developments among the poor themselves and the extent to which these might influence further egalitarian attempts. For some analysts, however, this is unnecessary – the new form of egalitarian collective action has already emerged in the streets of Seattle and in the loose networks of social activists. This hypothesis is worth some comment.

### *The possibilities and limits of social activism*

If the ‘classic’ egalitarian coalition is no longer possible, is this a significant constraint or merely a sign that the organisational vehicle of egalitarian politics, and the resultant social policy, has changed?

This idea is not new – it first emerged in the late 1960s, when the student rebels of the time were posited by thinkers such as Marcuse as the new proletariat. And it has been rekindled in the minds of some by the wave of protests directed at international financial institutions and at ‘globalisation’ more generally which first achieved widespread attention during the Seattle World Trade Organisation talks. And it is relevant to our study because, in different ways, activist movements or alliances are noted in both the Brazilian and South African cases.

In Brazil, asset-based redistributive policies implemented by the Cardoso administration are said to comprise primarily a land reform programme ‘[p]rodded by a powerful rural movement, the Landless Workers Movement (MST)<sup>34</sup> which, while it is associated with the PT, seems to have been willing to co-operate with the government in pursuit of land redistribution. In South Africa, public campaigning for greater equity is largely the responsibility of non-governmental organisations, although COSATU is, as noted above, apparently assuming leadership of what is presented as an anti-poverty campaign but which is also clearly an attempt to reduce inequalities. More specifically, health activist organisations have led the fight for affordable AIDS medication and recently achieved a notable success when they campaigned against pharmaceutical companies who had sought to use legal action to prevent the government from allowing the import of cheaper generic drugs. An important element of the campaign was the support of activists in other

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<sup>34</sup> Lamounier, Idesp first report.

countries, particularly those of the North, which saw in the dispute a test of Southern governments' and citizens' capacity to compel the availability of cheaper drugs.<sup>35</sup>

The two stories have a common thread: successes are achieved when activist networks co-operate with the government even while retaining a degree of adversarial distance from it – as noted above, the MST supports the left opposition while the health activists who campaigned in support of the South African government have opposed its reluctance to supply medication to those living with AIDS. This may illustrate both the potential significance of activist movements and their limits. The significance seems to lie less in the mass mobilisation and pressure tactics of the past, in which power depended at last partly on the ability to induce large numbers of peoples to act in pursuit of a common goal, often in opposition to other social interests, and more on the capacity to win the moral argument, alerting actors as diverse as a government backed by rival social interests and pharmaceutical multinationals operating in South Africa of the value of their cause. While in Brazil, the government may have needed little urging since land reform was consistent with its broader goals, in the South African case, the companies ended up taking a course they would have preferred to avoid because they feared the consequences of public embarrassment.

It is worth underlining this development because it does raise a prospect largely ignored in our country studies – the importance of advances in communications technology in potentially submitting power holders to moral pressures which they did not previously have to face. The capacity morally to shame a company executive in his or her home city for actions taken tens of thousands of kilometres away may today be as great a source of power as the mass general strike once was. Ironically, as a single economic vision dominates mainstream thinking, the capacity for the dissemination of alternatives is greater than at any time before.

But, important as this trend may prove to be, the current euphoria may, just as it did in the 1960s, fail to recognise the limits of activism without a strong and organised mass base. Activism's strength – its reliance on moral impact more than organised collective power – is also, to a degree, weakness, leading perhaps by its very nature to an issue-based rather than a programmatic agenda. Egalitarian social policy can in some cases result from this sort of activism, but it is hard to see how it could be the motor for a sustained programme aimed at reducing inequality. Activist networks are also, because of their lack of structure and resistance to the 'ossifying' effects of formal organisation, often highly ephemeral as activists move on after a while to other areas of concern – or indeed, if the 1960s generation is a guide, into business and the professions. The reliance on moral influence or pressure is, by definition, based on the premise that 'victory' entails getting others to act in particular ways: activism without mass organisation does not, then, drive through its own programme as much as it exerts an influence on those of mainstream institutions which, over time, absorb elements of the activist programme while rejecting others. Finally, because activism is not compelled to organise a mass base, representativeness is always in doubt – so is accountability since activists do not have to submit themselves to the society for regular tests of electoral support.

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<sup>35</sup> See, for example, *Topical Trends* 1, Johannesburg: CPS, 2001.

These considerations have two important implications. First, they counsel strongly against a new attempt to impute to activism properties which it can never possess. Networks of committed campaigners cannot substitute for mass movements backed by a programmatic political party; they can fulfil some of the functions of the ‘classic’ egalitarian coalitions but not all of them. They have not rendered a mass base and more traditional forms of organisation irrelevant. Second, they need to work with governments just as they need to oppose them: an abstentionist purism which rules out co-operating with the government seems to miss the point that activist social policy goals can only be implemented by governments which are meant to command the country-wide administrative resources to translate activist goals into reality.

By the same token, however, governments committed to a more egalitarian route which fail to see the potential resource which independent activism can offer may deny themselves one of their most important resources particularly if the argument of our Ugandan study, which sees inequality as in part a consequence of dependent relations with the world economy, is accepted. Indeed, one does not need to be a dependency theorist to note, as this paper did earlier in relation to Uganda, that bargains between Southern states and Northern economic actors may be largely inescapable realities and that activism may enable the winning of moral arguments in ways which impel greater sensitivity to host country concerns without precluding continued investment. In short, this suggests that Southern governments should cheerfully tolerate activists who campaign against them since they may well rely on them later to campaign for them.

What does seem possible, however, is that the sort of egalitarian movements which may now emerge may well use different tactics to those of the past: a greater stress on influencing opinion rather than exerting pressure, may be a key ingredient of the new egalitarian politics – and, while cross-national solidarity has usually been a stated goal of left egalitarian movements, they may now find that acting on that stated commitment is a necessary ingredient of success rather than an article of faith. But all this is likely to become relevant only if a mass base for egalitarian politics emerges.

Similar arguments could be made about another variant of the claim that the locus of egalitarian pressure has changed – the tendency to see NGOs and ‘civil society’ more generally as a repository of representativeness and effectiveness in contrast to the overbearing and sclerotic state. Our Ugandan study is an important corrective: the pattern which it identifies, in which NGOs form cosy partnerships with the government to thwart democracy, may be more pronounced than elsewhere in sub-Saharan Africa but is hardly unique. In several countries, NGO formation has been one route for authoritarian governments seeking to simulate support in civil society. In South Africa, the relationship between the ‘pro-poor’ section of the NGO movement and the government is complicated by the fact that the NGO activists are often people who worked to install the current government in power – there are therefore strong tendencies to co-operate with it in ways which eliminate the advocacy function. What is clear here is that NGOs can be important allies of a redistributive agenda or significant obstacles to it. But they cannot substitute for a social coalition and a programme implemented by elected government.

*The problem of state capacity*

Even if a redistributive coalition were to emerge, its agenda would need translating into reality. While we continue to insist that our stress on politics is a necessary corrective to much current understanding of the issues, we are aware of the danger that this can prompt a tendency to ignore the laws of technical gravity. If an egalitarian agenda were to emerge, would the state be capable of implementing it?

The initial response might be to note that Argentina's state has considerable experience in implementing egalitarian policies and that, if the capacity to do so existed in the past, it seems reasonable to assume that it still does. Brazil's has shown significant capacity to distribute to 'insider' groups; our case study implies, even if it does not explicitly say, that capacity to expand this does exist since informants are quoted as approving of 'well targeted' social policies in some states.<sup>36</sup> It also suggests that the current administration has developed implementable policy but that it is frustrated by political impediments; the prime example discussed in this study is pensions – despite clear evidence of the regressive nature of current approaches, the forces marshalled in support of the *status quo* are far stronger than those assembled in opposition to it.<sup>37</sup> In South Africa, state capacity is widely acknowledged to be deficient – hardly surprisingly, given that new incumbents have at most seven years' experience and no politically credible public administration tradition on which to draw. In Uganda, our study notes equally significant deficits although it suggests that these are less the result of a dearth of skills as of the effects of political interference on technical effectiveness. Thus what appears at first glance to be a purely technical failure – the finding that a significant social policy intervention, a plan for universal primary education, was hampered because there was insufficient technical preparation to match the number of teachers available with pupils and in turn match these with financial resources and physical infrastructure – becomes, in the analysis of our country study, the symptom of a desire to win quick political gains.

But this begs a host of questions. What does the oft-used term 'state capacity' mean? The ability of the bureaucracy, *a la* Weber, to follow orders with technical efficiency? The capacity to elicit the co-operation, or at least the voluntary compliance with public obligations, of citizens? The ability to gauge accurately the needs of citizens? The obvious point here is that more nuanced thinking about state capacity is needed if we are to understand the degree to which Southern states are equipped to implement egalitarian social policy programmes. To name but one example, it has been argued that the South African tax collection system is, historically, more effective than the Brazilian not because it commands greater technical capacity but because, under apartheid, the bond between the white affluent from which the bulk of tax revenue must be collected and the white government which was responsible for the collecting gave the latter the capacity to collect taxes which evaded the former.<sup>38</sup> Whatever the merits of this finding, rootedness

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<sup>36</sup> Pio, *Report on the perspectives of egalitarian social policies in Brazil*.

<sup>37</sup> Education is cited as a further example, although it is not discussed in our country paper. Personal communication, Carlos Pio, 20/7/01.

<sup>38</sup> Lieberman, National political community and the politics of income taxation in Brazil and South Africa.

in society or the ability to command loyalty from key social actors is a key form of public sector capacity which may contribute more decisively to the effective implementation of egalitarian social policy than technical expertise.

An equally important question, in social policy as well as other areas of public policy, may be the extent to which technically desirable interventions can be modified to take into account capacity limits. The issue is best illustrated by referring to the Brazilian social policy specialists' emphasis on targeting. On the one hand, the logic that resources should flow directly to those who need them most is difficult to fault. On the other, it is common cause that targeting is particularly difficult both because of the political constraint discussed above and because the amount of social knowledge and degree of state penetration required to ensure that resources reach only those in need is so great that, for practical purposes, there are substantial limits on the efficiency of targeting. What are the implications for social policy? One possible response, implied in some World Bank literature, is to dismiss any social policy programme in which leakage to the 'non-poor' occurs as regressive – this tends to lead to the political and social isolation of the poor and to bizarre social policy proposals, such as one Bank document's enthusiasm for distributing foodstuffs so unpalatable in appearance that only the poor are assumed to be willing to eat them.

Another is to recognise that a little targeting is better than none and to seek to design programmes which recognise that significant leakage will occur, a cost which will be repaid in enhanced political support, but tries to ensure that as much as possible reaches the poorest. Indeed, in some circumstances, both the interests of political and technical efficacy may be served *through* some types of leakage: the South African pensions system is an important case in point since it often operates less as a form of support to the aged than as a generalised cash transfer which cushions some of the poor (those with access to a pensioner) against some of the worst rigours of inequality. Certainly, as the South African study notes, the latitude to adapt policy to technical and political capacity rather than expecting the capacity to match the requirements of policy is not unlimited. But the available evidence does suggest that the tension between the policy intervention required and the capacity available to intervene is, while real, not nearly as insoluble as it may seem. First, much leeway may exist to adopt 'second best' policies which recognise capacity constraints but nevertheless have significant redistributive effects. Second, a broader understanding of capacity suggests that technical deficiencies may be accompanied by political or social capacities which open up avenues for appropriate interventions and thirdly, where appropriate political conditions emerge, the will may be created to ensure that capacities to implement policies are either found or created.

### *Globalisation revisited*

Implicit in the preceding section is the assumption that state capacity has not been irrevocably eroded by 'globalisation' and its presumed drain on state sovereignty. The framework document made the case that global economic trends' impact on state capacity had been vastly overstated and this treatment is consistent with that view.

The country studies and the engagement with technical specialists which underpinned them have given cause for some revision of that view – appropriately so, since there would be little merit in a project which served merely to endorse a set of abstract propositions generated before it began. Firstly, in two of our cases, Argentina and Uganda, the role of foreign banks and international financial institutions respectively are key determinants of social policy outcomes. In South Africa and Brazil, vulnerability to foreign currency markets is palpable: and while it is possible to make an argument that this dependency on the vagaries of hedge fund managers is not a necessary condition of economic growth and is largely generated at home, the evidence seems to suggest firstly that domestic conditions do not currently allow for alternatives and that even if a technical case could be made for more vigorous exchange controls, prevailing sentiment among domestic business would be severely dented by this move, presumably sufficiently to wipe out any presumed gains. In South Africa, it can certainly be shown that ‘globalisation’ is often used as code for relations between domestic government and business (the latter being particularly adept at using purported international sentiment to describe its own fears, thus hoping to avoid the charge of racist antipathy to the government). But, while that in theory may suggest that a political intervention, in the form of a new pact between business, government (and labour?) may alter that reality, ending a situation in which domestic business uses the foreign investment ‘stick’ at the first sign of stress, realism suggests that no bargain is possible in which significant exposure to foreign markets is not a given.

That may, as members of the South African technical team suggested, argue for a renewed respect for the argument that an increased level of government capacity is needed if states are to be capable of responding effectively to the new environment. The argument is more subtle than it seems since it is based not so much on the proposition, much beloved by management consultants, that there is now a norm of governance efficiency which governments must meet if they are to survive in the global arena. Rather, it suggests that, while the key to growth (and redistribution) is winning a required degree of favourable domestic business sentiment – which in turn shapes international perceptions – prospects for achieving this are shaped not only by formal or informal negotiation between government and business, but by actual government performance.

These views are important, but the study is hardly conclusive on this point. Like the nature of grassroots organisation, the factors which shape international investment decisions as well as the determinants of business confidence in turbulent transitional societies are important topics for study.

## **CONCLUSION: RETHINKING EGALITARIAN POSSIBILITIES**

This study was never meant to provide definitive answers to the key questions. It was, rather, an attempt, using published information and engagement with colleagues – in each country through dialogue with technical specialists and, of course, between the country teams themselves – to test the original hypothesis of the project spelled out in the framework document.

As we anticipated, the study has confirmed the specificity of country experiences. Not only is there a significant divide between the three countries which have relatively perva-

sive market economies and multi-party democratic systems and those such as Uganda, in which both markets and public participation in politics are more limited. The histories of inequality – and the contemporary obstacles to and pressures for its reduction – in the three differs substantially. So too does the international dimension: while the fact that apartheid was almost universally condemned internationally may give South Africa more latitude than the other countries, the role of foreign banks in Argentina and of IFIS in Uganda and other sub-Saharan African states may give them far less.

These differences will not be repeated here since they are discussed at length in this report - as well, of course, as in the country papers themselves. One issue, however, stands out – difference, based either on differing country circumstances, divergent perspectives, or both, on the role of labour in egalitarian politics. For our Brazilian team, labour is an obstacle – a relatively affluent and influential constituency with a stake in social exclusion. Our Argentine study comes to the contrary view, South Africa notes both egalitarian and inegalitarian potential effects, but leans towards seeing labour as an egalitarian but limited force, while in Uganda organised labour is not yet strong enough to allow thorough analysis. The debate is important, but both sides are left with a need to answer the same question – who, in current circumstances, is the bearer of egalitarian politics? The option which favours bypassing labour is, by its own acknowledgement,<sup>39</sup> currently left without political allies outside the ranks of technical specialists, while that which emphasises its role is forced to confront its declining influence, which may well prove irreversible in the face of new production techniques.

However, common themes can be discerned. Generally, they are, firstly, that in none of the countries does a substantial imminent revival of the sort of politics which may lead to meaningful reductions in equality seem likely – and this despite the possible election of a left of centre or populist government in Brazil and the nature of the governing alliance in South Africa – shaped to a significant degree by race – which places limits to anti-egalitarianism but which, if official figures are believed, has been insufficient to prevent a recent widening of the Gini coefficient. But, secondly, the relationship between democracy and inequality was found to be unstable, making it far too early to conclude that the two were in some form of sustainable equilibrium. It was also noted that current electoral developments in Brazil, opinion poll data in South Africa as well as factors peculiar to that country which are discussed in the country report, the malaise caused by financial crisis in Argentina and perhaps also tentative signs of the erosion of Museveni's 'peace dividend' in Uganda suggest significant stresses on the *status quo* of which significant and in some cases rising inequality is a feature. Logically, this implies that, if policies which might sharply mitigate inequality are not strongly in evidence and the political forces which might achieve them are nowhere to be seen, new trends may be emerging which require further research and analysis since the seeds of a new egalitarian alliance may lie beneath the surface. Finding it will certainly require analytical imagination – but it will also need a commodity unavailable to this initial component of the study, empirical research. Based on the evidence collected at this stage of the study, what questions should inform further study?

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<sup>39</sup> Pio, *Report on the perspectives of egalitarian social policies in Brazil*.

First, it was argued here that no sustainable egalitarian outcome is possible unless sources of capital can be inspanned in its service. This means that those who command the resources which provide the financial base for redistribution must be willing to make them available – even if grudgingly. A widely held view suggests that the days of the bargained growth compromise between business and labour are over both because the latter – at least in its mass form – is not as necessary to production as it once was and since employers can choose to exit a particular society and invest in another. One variant would then go on, as an earlier section of this paper noted, to see in an activism which is able to use moral embarrassment and advances in communication technology to hold companies to account a contemporary substitute. This paper has suggested some scepticism about this latter claim, but has suggested that it may have important implications or the strategies of mass-based egalitarian alliances; on the former, it is worth noting that companies do incur costs when they move production bases and that, while capacity to relocate is significant, it is not unlimited. This seems to call, in our four countries as well as others, for a hard empirical look at the capacity of business to make egalitarian compromises. This entails a more rigorous examination of business values and decision-making processes than these societies have generated until now. And, while some work has been conducted on elite ‘social consciousness’,<sup>40</sup> more is required on the sorts of decision-making processes which occur when investors weigh up the costs and benefits of more egalitarian social policies in Southern countries.

Second, the study has implied the need for more study on dynamics within social groups who have actual or potential access to organisation and a motive to support egalitarianism. Examples which arise from case studies include the ‘new poor’ in Argentina, workers removed from the protection of corporatism in Brazil, the black middle class in South Africa, and churches and ethnically based associations in Uganda. More generally, since the points made here about social activism are not meant to be definitive, a study of the limits and potentials of social protest and its attendant movements may be essential. The goal here, of course, would be to determine whether there is any prospect of these interests developing a rationale for initiating an egalitarian coalition.

Third, the point has been made that far more needs to be known about patterns of associational life and collective organisation among the poor, who would in principle have the most interest in a new egalitarian coalition. The rationale for an examination of the politics of inequality were mentioned above and will not be repeated here. This may tell us far more than we know now about the barriers to and possibilities for alliances between organised interests and the grassroots poor.

Fourth and finally, our Brazilian study’s observation that the institutional design of its democracy – in particular its consociational features – have impeded egalitarian politics and the South African case’s proposition that representative democracy is too shallow to allow the preferences of the poor to enter the policy debate suggests that further study of the design of democratic systems and the way in which these may encourage or impede egalitarian politics may be needed. While new coalitions may enable the concerns of the

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<sup>40</sup> See citation in Friedman and Chipkin, *A poor voice?: the politics of inequality in South Africa*.

poor to be articulated, an appropriately responsive formal political system may be needed if new voices are to be translated into impact on public decisions.

The contours of the future remain vague – much remains to be done before we can make any claim to understand what forces may yet emerge to again make a democracy which offers citizens not only relief from state violence and repression, but a meaningful say in decisions and a real prospect of again turning political citizenship into its social equivalent, a reality. We believe, however, that this study, despite its limited scope and consequently tentative conclusions, has helped to take the discussion further and to offer a framework for the further examination of these prospects. We suggest, too, that the empirical inquiry proposed here has great potential to add much more to the quest for a new way of viewing the challenge of ensuring that democracy is accompanied by narrowing social inequality.