The Effects of Democracy and Socialist Strength on the Size Distribution of Income

Some more Evidence

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Many people regard political democracy as a value in itself, while others judge it primarily on its merits in solving conflicts of interests, and particularly class conflicts. Although democracy and majority rule may be justified as peaceful modes of conflict resolution, this view in itself cannot satisfy the more conditional supporters of democracy. They will look for and require evidence that democratic solutions to class conflicts are more egalitarian than other solutions to such conflicts of interest. This is not an entirely unfair standard for judging democracy, since the democratic principle of "one man, one vote" is itself egalitarian. If democracy gives a voice to everybody, it is plausible to expect that the poorer majority will transfer some income away from the better-off minorities to themselves. Moreover, while democracy gives a voice, and thereby some power, to everybody, this does not guarantee that the right to vote will actually be exercised. It can be reasonably argued that the more poor people exercise their right to vote, the more likely they are to effect some income transfers to their benefit, and that the more poor people vote according to their "class consciousness", i.e. socialist, the more egalitarian the income distribution should become. These propositions constitute the topics of this paper.

A more refined theoretical discussion of these issues, but little hard evidence, can be found in Lenski (1966). The early empirical studies on these topics, such as Cutright's (1967) or Jackman's (1975), suffer from using sectoral income distribution data rather than personal or household distribution data. Their results, however, contradict each other. Since personal and household distribution data have become available, Hewitt (1977), Rubinson and Quinlan (1977), Stack (1978, 1979), Jackman (1980), and Bollen and Grandjean (1981) have produced some better evidence. Except for Jackman's
(1980) work, however, these studies rely exclusively on Paukert's (1973) data. Weede and Tiefenbach (1981a, 1981b) have demonstrated that some correlates of the size distribution of income perform rather differently in different data sets, and that Jackman's (1975) democratic performance index seems to affect Paukert's (1973) income inequality data, but not Ahluwalia's (1974) or Ballmer-Cao and Scheidegger's (1979). The task of this paper will therefore be to find out whether the previous findings of Hewitt (1977), Rubinson and Quinlan (1977), Stack (1978, 1979), Jackman (1980) and Bollen and Grandjean (1981) can be replicated with other, and presumably better, income inequality data.

The previous findings on the political determinants of personal or household income inequality suggest some problems as well as some answers. Using Cutright's (1963) and Jackman's (1975) index of political democracy, Rubinson and Quinlan (1977: 615) conclude the first part of their analysis with the statement "that democratization has a negative effect on inequality." Unfortunately, this conclusion rests on a rather weak foundation. Rubinson and Quinlan (1977) have misspecified their equations by overlooking the curvilinear relationship between economic development and income inequality suggested by Kuznets (1963, 1976) and repeatedly confirmed in cross-national analyses (Paukert 1973, Ahluwalia 1974, 1976, Chenery and Syrquin 1975, Weede 1980, Weede and Tiefenbach 1981a, 1981b). Moreover, Rubinson and Quinlan (1977) themselves offer a different causal interpretation of the relationship between political democracy and inequality, since in the concluding statements of their paper they make a more egalitarian income distribution a background condition of democracy, rather than its effect. Since the specification problem referred to above affects the second part of the Rubinson and Quinlan (1977) analysis as much as it affects the first, any interpretation of their findings rests on rather shaky ground.

Stack's (1978: 271) earlier paper proposes that "the most important determinant of the degree of inequality is the index of democratic performance". Unfortunately, Stack (1978) was also not aware of the proper specification of the non-monotonic relationship between economic development and income inequality. His conclusion is therefore only suggestive at best.

Since Bollen and Grandjean (1981) properly control for the non-monotonic relationship between economic development and income inequality, their conclusions obviously carry more weight than those discussed above. They could not find any significant evidence to support the view that political democracy contributes to a more egalitarian distribution of income.

The other three recent studies (Hewitt 1977, Stack 1979, Jackman 1980) refer to Western industrial societies only and thereby circumvent the non-monotonicity problem in the economic development-inequality relationship. Hewitt (1977) tries to explain cross-national differences in top 5% and top 20% income shares by economic development, growth rates, democracy and socialism. Hewitt's (1977: 450) conclusion is that "although democracy itself has little effect, the experience of democratic socialist parties is significantly